BlackRock

Investment Stewardship

Vote Bulletin: Barclays PLC

Company	**Barclays PLC (LSE: BARC)**
Market and Sector	United Kingdom/Financial Services
Meeting Date	5 May 2021
Key Resolutions[1]	**Item 29**: Approve Market Forces Requisitioned Resolution
Key Topics	Climate risk
Board Recommendation	The Board recommended voting AGAINST this shareholder resolution
BlackRock Vote	BlackRock ABSTAINED from this resolution

Overview

Barclays PLC (Barclays) is a British universal bank which engages in consumer, corporate and investment banking operations globally.

BlackRock Investment Stewardship (BIS) has engaged extensively with various board, executive and sustainability team members at Barclays over the last several years on a range of issues driving long-term shareholder value, including board composition and effectiveness, remuneration, business oversight and risk management, climate risk management and corporate strategy and culture.

The agenda for the company's 2021 annual general meeting (AGM) includes a binding climate-related shareholder resolution filed by a group of shareholders coordinated by an Australian NGO, Market Forces. It asks the bank to set, disclose and implement a strategy, with improved short-, medium-, and long-term targets, to phase out its provision of financial services[2] to fossil fuel (coal, oil and gas) projects and companies[3] in timeframes consistent with Articles 2.1(a) and 4.1 of the Paris Agreement.[4] The resolution also asks the bank to

[1] Barclays PLC, "Barclays PLC 2021 Annual General Meeting (AGM)".

[2] Particularly its financing activities, including project finance, corporate finance and underwriting.

[3] Including companies within the Global Industry Classification Standard-defined energy sector, gas utility companies, and electric utility companies that engage in generation and distribution of electricity using fossil fuel sources.

[4] Article 2.1(a) of The Paris Agreement which states the goal of "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.". Article 4.1 of The Paris Agreement: In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

report annually on progress, starting from 2022, including a summary of the framework, methodology, timescales and core assumptions used, omitting commercially confidential or competitively sensitive information, and at reasonable cost.[5]

Last year a similar shareholder resolution was filed by a UK NGO, ShareAction. In response, Barclays put forward its own resolution, committing the bank to set an ambition to become net zero in scopes 1, 2 and 3 emissions by 2050 and aligning all of its activities with the goals of the Paris Agreement while reporting annually on progress.[6] The Board's resolution received over 99% support and the resolution submitted by ShareAction received ~24% support.[7] BlackRock supported the company's resolution and voted against ShareAction's resolution. We published a vote bulletin explaining our voting decisions.

Over the past year, Barclays has taken a number of steps demonstrating progress in its efforts to address the climate risks and opportunities in its business, including by:

- strengthening its climate governance and risk management by creating a new Executive Committee role, Group Head of Public Policy and Corporate Responsibility, and appointing a Head of Climate Risk;
- launching its own methodology, BlueTrack™, to measure financed emissions and track them at a portfolio level against the goals of the Paris Agreement;[8]
- setting interim targets for the energy and power portfolios;[9]
- enhancing its disclosure aligned with the Task Force on Climate-related Financial Disclosure (TCFD) by providing a year-on-year comparison of key metrics like the credit risk concentration by elevated risk sector and carbon-related assets and financing activity; and
- making progress against its goal of £100 billion of green financing by 2030.[10]

Rationale for BlackRock's Vote

Item 29: Approve Market Forces Requisitioned Resolution (ABSTAIN)

BIS is supportive of the broad ask of the resolution. However, the imprecise and ambiguous wording means that BIS is unable to support it, particularly as the resolution is legally binding. BIS therefore abstained from the vote on this resolution.

BIS recognizes Barclays' recent progress aligning its activities with the goals of the Paris Agreement. At the same time, we are in agreement with the ask of the resolution, regarding closer alignment with the goals of the Paris Agreement.

In addition to the progress previously discussed, Barclays has augmented its approach to enhanced due diligence on clients in the energy sub-sectors covered by its Climate Change Statement. In-scope clients are classified as low, medium or high risk, and a committee was established last year to review "in-scope clients and transactions that contain significant reputation risk related to climate change."[11] "In cases where clients are unable or unwilling to agree to an action plan to address identified risks, or the risks are deemed too high,

---

[5] Barclays PLC, "Barclays PLC 2021 Annual General Meeting (AGM)",page 13.

[6] Barclays PLC, "Barclays PLC 2020 Annual General Meeting (AGM)".

[7] Barclays PLC, "Results of Annual General Meeting".

[8] Barclays PLC, "Introducing BlueTrack".

[9] Barclays PLC, "Barclays PLC Climate-related Financial Disclosures 2020". The bank has set a 15% reduction in absolute emissions of energy portfolio by 2025 and 30% reduction in emissions intensity of power portfolio by 2025.

[10] See previous footnote.

[11] Barclays PLC, "Barclays PLC Climate-related Financial Disclosures 2020", page 22.

[Barclays] may decline to support the transaction or re-evaluate the client relationship."[12] The bank also committed to updating its methodology to track new benchmark scenarios as they are developed.[13] Barclays expects to set new targets as it progresses in its efforts, both in the near and medium-term, to ensure the journey towards net zero alignment is advancing.[14] These are welcome measures and we look forward to future reporting on the impact its implementation in practice is having in support of the company's climate goals.

Although the bank has taken substantive actions since its commitment last year, we believe there is room to continue to improve.

Potential areas of enhancement include reviewing sector policies, particularly regarding coal, where some European peers have committed to exit dates for coal-related financing. Further details on, and evidence of, the bank's enhanced due diligence approach and its effectiveness would also be beneficial. This could include an update on how Barclays is assessing transactions and clients' commitments, and how it has dealt with clients that are unwilling or unable to transition to a low carbon economy.

Ultimately, however, our decision to abstain from the vote on the resolution was down to its ambiguous wording which, as a legally binding resolution, BIS is unable to support. Specifically, it asks the bank to "phase out its provision of financial services (particularly its financing activities, including project finance, corporate finance and underwriting) to fossil fuel projects and companies in timeframes consistent with…the Paris Agreement."[15]

The term "financial services" is broad and includes many activities beyond those highlighted in the resolution's wording. So while this should be a precise and legally binding ask of the company, it is instead vague and left open to interpretation. In addition, the resolution is insufficiently specific on embedded timelines and evidence of progress.

Such ambiguity creates a level of legal uncertainty in relation to the resolution's implementation for the bank, and the Board, and therefore for BlackRock's clients because, as drafted, the resolution leaves open to interpretation what specific actions the bank would need to commit to in order to abide by it.

If 75% of the votes are cast in favor of such a resolution, it would pass and would bind the Board and the company as if it had the force of law. It is therefore critical for the interests of shareholders that any such resolution be clearly understandable, practical and implementable.

In addition, we have reservations about the timing of the filing of the resolution, which was only a few weeks before Barclays published documents for the AGM, therefore impeding meaningful engagement between Barclays and the proponent.

Lastly, as the company's climate strategy, disclosures and oversight of climate risk and opportunities are currently in line with BIS' expectations , we did not vote against any members of Barclays' Board of Directors, which would be our standard course of action where we have significant concerns about a company's management of material ESG issues.

BIS voted in line with management for all other resolutions.

[12] See previous footnote.

[13] Barclays PLC, "Barclays PLC 2021 Annual General Meeting (AGM)", page 21.

[14] Barclays PLC, "Barclays PLC 2021 Annual General Meeting (AGM)", page 20-21.

[15] Barclays PLC, "Barclays PLC 2021 Annual General Meeting (AGM)", page 13.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.