Barclays Response to Transition Plan Taskforce Disclosure Framework and Implementation Guidance

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Barclays is a universal consumer and wholesale bank with global reach, offering products and services across personal, corporate and investment banking, credit cards and wealth management. With over 330 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 85,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

Addressing climate change is an urgent and complex challenge. It requires a fundamental transformation of the global economy, so that society stops adding to the total amount of greenhouse gases in the atmosphere. The financial sector has a critical role to play in supporting the economy to reach this goal. The final decision text from COP27 stated that $4 trillion per year[1] needs to be invested in renewables to be able to reach net zero emissions by 2050 and furthermore, a global transformation to a low-carbon economy is expected to require investments of between $4-6 trillion per year.[2]

At Barclays, we are determined to play our part. We believe that we can, and should, make a positive difference for society - globally and locally. In March 2020, we announced our ambition to be a net zero bank by 2050, becoming one of the first banks to do so. We are still at an early stage of our journey and recognise that there is a huge amount of progress still to make, but we are completely committed to achieving our ambition. In December 2022 we announced a new target to facilitate $1 trillion of Sustainable and Transition Financing between 2023 and the end of 2030.[3]

We welcome the opportunity to respond to the Transition Plan Taskforce Disclosure Framework and Implementation Guidance Consultation (the Consultation). Barclays is also participating in the FCA sandbox for the Transition Plan Taskforce. We have additionally voluntarily considered elements of the November 2022 Transition Plan Taskforce Guidance (the Guidance) in preparing our Annual Report 2022.[4] During 2023, we will look to further develop elements of our climate disclosures including transition planning, scenario analysis, stress testing, physical risk assessment, and embedding climate into strategy and financial planning.

Executive Summary

Barclays strongly welcomes the work of the Transition Plan Taskforce (TPT) to develop a sector-neutral framework for private sector transition plans. We fully support the work to create a consistent framework for high quality transition plans across sectors. A robust transition planning framework is essential to enable banks to understand the progress of companies and support them in their transition, to facilitate transition finance, and to enable the delivery of net zero ambitions.

We welcome the TPT's commitment to draw on existing and international best practice, such as the Task Force on Climate-Related Financial Disclosures (TCFD), and the way in which comparisons have been signposted in the Guidance. We suggest that the TPT framework should be iterative as global standards emerge to ensure this consistency and interoperability.

[1] https://unfccc.int/documents/624444
[2] https://www.unep.org/resources/emissions-gap-report-2022
[3] https://home.barclays/news/press-releases/2022/12/barclays-significantly-increases-sustainable-finance/
[4] https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2022/AR/Barclays-PLC-Annual-Report-2022.pdf

We recommend, as the Disclosure Framework and Implementation Guidance are further refined following this consultation period, that the TPT takes the following points into consideration:

1. **Legal liability**. It is important to emphasise that climate-related information is based on estimates and limited by the availability of verifiable data, as well as recognising that the methodologies for measuring a firm's impact on climate change (e.g., financed emissions) are still evolving. To this end, we suggest that the requirement to disclose transition plan information in the annual report should not be introduced until these challenges have been considered further with industry, to avoid material legal liability difficulties. We recommend that consideration is also given to appropriate safe harbours to offer protection to firms whilst they work through the challenges relating to: the quality of the data available to make the disclosures; the concepts of materiality under existing disclosure rules which were drafted with financial information in mind; and the forward looking nature of the transition plans disclosure.

2. **Financial planning**. We note that users of transition plans may want to understand how actions outlined in a firm's business plan (e.g., actions to develop new products and services / operational changes / changes to assets to fulfil climate objectives) will be resourced or financed. However, in practice, it is not possible to precisely or robustly isolate elements of investment or spending that are directed at delivery of individual objectives, such as a climate objective. From a Barclays perspective, we would note that climate considerations are embedded across our business. Sustainable lending and capital markets financing form part of business as usual activity alongside more traditional forms of finance.

3. **Engagement**. The TPT recommendations on engagement should not overstate the ability of firms to alter behaviour in their value chain or the precision with which firms can identify their impact on clients' strategy. Instead, the Guidance could clarify that companies can disclose the intended aims of their engagement, but this should stop short of directly linking cause and effect, given such changes could result from multiple and differing influences, including for example the public policy environment and technological developments.

4. **Interdependencies**. With respect to the corporate reporting norms highlighted in the draft Guidance, given the nascent understanding of how to approach interdependencies between climate transition plans and broader sustainability issues, further guidance from the TPT would be helpful to support companies making transition plan disclosures in line with this norm.

5. **Verification of targets**. We recognise the value of external verification to help assess the credibility of a company's transition plan. However, we would highlight the current challenges in relation to target verification including lack of standardisation in target-setting methodologies. We therefore recommend that the TPT takes a more considered approach in recommending forward-looking target verification, as verification frameworks and target-setting methodologies evolve.

6. **Timing, structure and location**. We support the TPT's recommendations for the publication of standalone transition plans every 3 years alongside annual updates where material. A standalone transition plan will be helpful, particularly in the short term, as preparers and users become familiar with the Guidance. However, in recognition of the current data and methodology limitations, it is important that expectations are set (including from a supervisory perspective) that firms' efforts to meet the TPT Guidance will likely be iterative for a number of years as best practice emerges. As noted above, we recommend that it should not be mandatory for this to be incorporated into annual reports at the current time.

7. **Scope**. We consider that any proposed requirement to publish transition plans should apply to both listed and private companies on a proportionate basis across the UK. However, we are also mindful of the challenges that SMEs face. To this end, the TPT should help catalyse solutions in the real economy by convening public-private partnerships to solve for data issues.