Barclays position on climate change

April 2020

BARCLAYS

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About this document

We believe that Barclays should take a leading role in tackling climate change and help accelerate the transition to a low-carbon economy. In March 2020, we announced that our ambition is to become a net zero bank by 2050. And we've made a firm commitment to align our entire financing portfolio to the goals of the Paris Agreement. That means our own operations, and the financing we do for our clients, in every sector, will support the goal of limiting global warming. Read more at **https://home.barclays/society/our-position-on-climate-change/**

We plan to release the full detail of the methodology we are building as an open source contribution to the challenge of tackling climate change. We will be able to share more about our approach and targets later this year, in advance of beginning to report on our progress from 2021.

This document is an extract of relevant climate change information from the Barclays PLC Environmental Social Governance Report 2019 and serves to update and replace Barclays' previous Energy and Climate Change Statement dated January 2019.

April 2020

Why climate change matters

Climate change is undoubtedly one of the greatest challenges and one of the most complex issues faced by the world today, given its proven impacts on the global economy, physical environment, habitats and human populations, but also its inherent ethical, social, political, and justice considerations.

The evidence is clear: as confirmed by the world's scientific community, the warming of the climate system is unequivocal, as a result of human activity since the mid-20th century, and it is proceeding at a rate that is unprecedented over at least the last 1,000 years and possibly longer[1]. Over the last century, the burning of fossil fuels has increased the concentration of greenhouse gases in the atmosphere; to a lesser extent but still having a severe impact, the clearing of land for agriculture, industry, and other human activities has destroyed natural sinks for CO_2 and has increased atmospheric greenhouse gas concentrations.

The consequences of the changing climate system are difficult to fully predict, but certain effects are likely, and some act as a catalyst and accelerate others. For example, warmer average temperatures lead to the melting of glaciers and sea ice, but the reducing area of reflective sea ice means the darker sea water absorbs more heat, leading to the increased melting of sea ice. These changes contribute to rising sea levels, but the melting of ice sheets is also thought to contribute to changes in patterns of ocean circulation, which have an important role in regulating regional climates[2].

This last year saw many negative impacts from changing climate patterns, with the rise in extreme weather events such as hurricanes and severe forest fires. These events pose significant risk to individuals, communities, infrastructure (such as homes, buildings, transportation) and economies. Over the longer-term, shifts in climate patterns will have consequences for food security, livelihoods, and human migration, and could lead to significant social, economic and political upheaval.

Many of Barclays' customers, clients and colleagues will be directly affected and the bank has a role to play in preventing the worst effects from becoming a reality. This will be through supporting climate mitigation activities that will slow and reverse the warming of the planet, but also supporting climate adaptation activities, which make communities more resilient to inevitable physical impacts.

The Intergovernmental Panel on Climate Change (IPCC) has identified the need to limit temperature increases to less than 2°C above pre-industrial levels[3], and make efforts to limit increases to 1.5°C, which would cause lower impacts and risks[4]. We are supportive of the findings of the scientific community, which has set out the changes that society, including the governments, businesses, and civil society, must make to combat climate change. On the most obvious level, this means supporting the transition to a low carbon economy.

Connected with this, society needs to assess and reconfigure its use of resources, the efficiency of industrial processes, and the use of land, as well as develop new technologies in energy, transport, and other activities that have hitherto relied on carbon-intensive sources of energy.

Our approach and ambition

Barclays can, and should, play a leading role in tackling climate change. The size and scale of our business means that we can make a real difference in helping to accelerate the transition to a low-carbon economy.

To be clear: this is a journey. Barclays takes seriously the work ahead to build, with multiple stakeholders, the detailed metrics for measuring our progress and targets against which we will report.

Becoming net zero

The Greenhouse Gas (GHG) Protocol is the world's most widely used greenhouse gas accounting standard. It provides comprehensive global frameworks to measure and manage greenhouse gas emissions from private and public sector operations, across three broad scopes.

Barclays already has a plan to be net zero by 2030 in Scope 1 (all direct GHG emissions) and Scope 2 (indirect GHG emissions from the consumption of purchased electricity, heat or steam). We have halved our operational GHG emissions over the last two years, and our residual footprint from our properties and business travel is fully offset, which on some definitions would make us net zero today. We are committed to going further: as a member of the RE100 initiative, we are committed to sourcing 100% renewable electricity by 2030 at the latest. We are currently at 60%, and are targeting 90% by 2021.

We are now setting a goal to be net zero in Scope 3, across all of our financing activity, by 2050. "Scope 3" emissions for a bank are, in simple terms, the GHG footprint of the business activities we finance around the world, across all sectors.

Aligning to the goals of the Paris Agreement

The 2015 Paris Agreement[5] is an international agreement between parties to the United Nations Framework Convention on Climate Change. It has an objective 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.

To achieve the temperature goal, the Paris Agreement calls for emissions to peak as soon as possible and then reduce rapidly, to achieve a balance between anthropogenic emissions by sources and removals by sinks (i.e. net-zero emissions) in the second half of this century.

This goal is the driver behind governments and organisations, including the UK Government, adopting "net zero" as their ambition.

We will align all of our financing activities to the goals and timelines of the Paris Agreement. We will start with our provision of financing to the energy and power sectors, and we will extend this to our entire portfolio over time.

A comprehensive strategy, with specific targets and regular reporting

The pathway to a low-carbon future

Barclays' strategy to align with the goals of the Paris Agreement will take the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) pathway as its starting point. It is already widely used, and thus has an industry dataset that enables us immediately to begin building the tools to align our portfolio.

The SDS outlines a major transformation of the global energy system required to make the transition to a low-carbon economy, and meets all of the conditions required for the world to be net-zero in the second half of this century. As other approaches and pathways are developed, we will be able to update our planning assumptions to track the best available information.

1 NASA Earth Observatory https://earthobservatory.nasa.gov/features/GlobalWarming/page3.php

2 NASA Science https://climate.nasa.gov/nasa_science/science/

3 The Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC, 2014), available at https://www.ipcc.ch/report/ar5/syr/

4 Special Report on Global Warming of 1.5 °C (IPCC, 2018), available at https://www.ipcc.ch/sr15/

5 The Paris Agreement background is available at https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Why climate change matters

Under the SDS, global CO_2 emissions fall from 33Gt in 2018 to less than 10Gt by 2050, and are on track to net zero emissions by 2070. This scenario has a 50% probability of holding the temperature rise to below 1.65°C, without reliance on global net-negative CO_2 emissions. If the technologies necessary to deliver net-negative emissions were to become available at scale, warming could be further limited. We believe that those technologies are likely to be available over the coming decades, but we do not wish to rely on them.

We have therefore set our ambition to be net zero by 2050, which gives us confidence that our approach for our own portfolio would remain appropriate even without any future net-negative technologies.

Completing the toolset

Beyond understanding the high-level pathway for alignment, the work required to map the GHG emissions of a bank's portfolio to the Paris Agreement has made good progress in recent years, but the tools are not yet complete.

In September 2019, Barclays joined 16 other banks in piloting the Paris Agreement Capital Transition Assessment (PACTA) – a leading tool developed by the 2˚ Investing Initiative. We continue to be very supportive of the methodology that has been developed, but it is insufficient to fully map the GHG emissions of Barclays' portfolio. The assessment is narrowly focused on lending, whereas our portfolio requires an assessment of financing more broadly, and its sector-based approach does not yet cover fossil fuels in the level of detail required.

Because the tools do not yet exist to map GHG emissions from our portfolio in a way which would enable us to deliver on our commitments, we have engaged BlackRock's Financial Markets Advisory team to help us extend the current best practice in our industry, so that we can map our full portfolio to the Paris Agreement.

The work is well underway but will necessarily take some months to complete. We will be able to share more details about our strategy and methodology before the end of this year, in advance of beginning to report our progress from 2021.

The methodology Barclays is building uses a combination of metrics to assess both the carbon intensity (e.g. $kgCO_2$/kWh and $kgCO_2$/GJ) and absolute carbon emissions (e.g. kg/CO_2) of different types of activity. With this approach, we will be able to use metrics most appropriate to different sectors across our portfolio, whilst also ensuring that we can track the overall reduction in absolute emissions over time.

Initial findings from this work show that alignment to the goals of the Paris Agreement is likely to require a 30% reduction of CO_2 intensity in our power portfolio and a 15% reduction in CO_2 intensity in our energy portfolio by the end of 2025. We are committed to delivering these reductions by 2025.

We plan to release the full detail of the methodology we are building as an open source contribution to the community of practice currently developing tools and methodologies to measure and assess Paris alignment for financial institutions.

Our strategy to align with the goals of the Paris Agreement will cover all of our portfolio in time. But there are some immediate changes we are making to our appetite for the energy and utilities industry, which are outlined in more detail in the following section.

Our approach to tackling climate change

Our ambition

Become a net zero bank by 2050 on Scopes 1, 2 and 3

We are focused on all 3 scopes in line with the **objectives of the Paris Agreement.**

We will do this by **setting, disclosing and implementing** a **strategy with targets**; starting with, but not limited to, the energy and power sectors.

We will **report annually on progress** under that strategy, starting from 2021.

Paris alignment

Our commitment to align our entire portfolio of financial services to the Paris Agreement, starting with, but not limited to, the power and energy sectors

We will reduce the carbon footprint of our energy portfolio by aligning our financing of the power and energy sectors to the Paris Agreement, using an industry-leading tool, with clear targets. Aim to achieve a 30% reduction of CO_2 intensity in our power portfolio and a 15% reduction in CO_2 intensity in our energy portfolio by the end of 2025.

Increased energy sector restrictions

Increasing restrictions in sensitive energy sectors to accelerate the transition to a low-carbon future

- Increased prohibitions on thermal coal, including no financing for companies with revenue from thermal coal mining or power of >10% by 2030.
- No financing for energy projects in the Arctic Circle.
- Help to reduce the environmental footprint of oil sands.
- No financing for EU/UK fracking and strengthened due diligence for fracking in the rest of the world.

Green financing

Increasing green financing to £100bn by 2030*

We are expanding our recently set up Sustainable and Impact Banking (SIB) coverage team across corporate and investment banking to engage with clients on our green financing capabilities.

We will launch the Sustainable Impact Capital Initiative (£175m) within Principal Investments, which will be invested over a 5-year period in the equity of innovative, environmentally focused private companies.

* Target time frame 2018-2030. Eligible categories and basis of calculation in line with Barclays' Impact Eligibility Framework, including renewable energy, energy efficiency, low-carbon transport, sustainable food, agriculture and forestry.

Barclays' approach to sensitive sectors

The energy sector and electric & gas utilities sectors

The energy industry is essential for almost all economic and human activity, and is at the heart of important opportunities and challenges faced by the world today. The sector provides power, transport and heating, and supports industry, education, health, and livelihoods in communities across the world.

The global energy sector is already changing rapidly, embracing new technology, data-driven efficiency solutions, and, increasingly, reliance on renewable energy. Against the backdrop of these trends, we are responding to the needs of our clients operating in the energy sector, supporting their transition to less carbon intensive sources of energy, as well as helping to mitigate and adapt to physical risks which are heightened by climate change. We support our clients to adopt new technologies rapidly, embracing the trend of increasing electrification of the energy system, improving efficiency, and reducing the carbon intensity of their industries.

We are especially cognisant of the need for a just transition. The Paris Agreement requires that appropriate financial resources, new technology and an enhanced capacity building framework is put in place to support action by those countries most vulnerable to the impacts of climate change. The just transition towards an environmentally sustainable economy needs to contribute to the goals of decent work for all, social inclusion and the eradication of poverty. Governments and the private sector have a joint responsibility to ensure that the transition to a low carbon economy is not carried out at the expense of social welfare, access to employment and associated worker benefits.

According to the commonly used IEA scenarios, there will be a significant shift away from carbon based fuel consumption in the long term and we are adapting our financing activity to reflect that change. In particular, we have introduced more stringent restrictions on our support for the thermal coal sector, given the consensus that investment in this fuel type needs to end by 2030.

Barclays is committed to a considered approach to clients in sectors with higher carbon-related exposures or emissions from extraction or consumption, or those which may have an impact in certain sensitive environments or on communities.

We conduct Enhanced Due Diligence (EDD) on a case-by-case basis on clients in these sensitive energy sectors that fall outside explicit restrictions, and will consider the following factors as a minimum:

i. The client's adherence to the Equator Principles (if a project finance or credit transaction is deemed to be in scope) and relevant International Finance Corporation (IFC) performance standards;

ii. The client's adherence to local and national environmental regulation and standards and industry best practice;

iii. The client's management and implementation of procedures which minimise direct environmental impacts in the context of their operations;

iv. The client's transparent corporate governance and oversight of climate change issues and associated corporate risks, including disclosure against principles such as the Financial Stability Board (FSB) Taskforce on Climate-related Financial Disclosures and appropriate transition plans;

v. The client's approach to and track record in protecting the health and safety of the workforce and local communities;

vi. The client's approach to stakeholder engagement and consultation, including its commitment and adherence to the principles of Free Prior Informed Consent (FPIC) where indigenous peoples may be impacted by their operations;

vii. The client's approach to managing its human rights impacts, including its commitment and adherence to UN Voluntary Principles on Security and Human Rights where the client uses security personnel.

In order to assist and enhance the EDD process, we operate a training programme for credit teams and plan to expand our awareness raising across a wider range of relevant internal audiences throughout 2020.

External technical input may be obtained to assist the business in reviewing and assessing whether certain client activities meet our internal EDD criteria, or where there is uncertainty as to whether a certain activity is within scope of our EDD criteria. Barclays will continue to align its approach to sensitive energy sectors with developments in government and public policy.

Sector restrictions

For the sector specific restrictions, the following definitions should be applied:

i) "Financing": all lending, underwriting, issuance of debt and equity, trade and working capital finance;

ii) "Directly finance projects" refers to project finance or other lending/underwriting where the use of proceeds is known to be for a particular project.

Coal

We are working to adjust our financing portfolio to mirror the trajectory in energy emissions required to meet net zero, taking the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) as our starting point. Our January 2019 Energy and Climate Change Statement outlined our initial restrictions regarding the thermal coal industry, which are still in place as follows:

- No project finance to enable the construction or material expansion of coal-fired power stations anywhere in the world;
- No project finance for the development of greenfield thermal coal mines anywhere in the world.

In recognition of the fact that Barclays needs to go further in the approach taken to this industry, we are also now introducing the following restrictions:

- From 2020, we will not provide any financing to clients that generate more than 50% of revenue from thermal coal activities (mining and/or coal fired power generation);
- By 2025, we will no longer provide any financing to clients that generate more than 30% of revenue from thermal coal activities;
- By 2030, we will no longer provide any financing to clients that generate more than 10% of revenue from thermal coal activities;
- We will provide transition finance for companies reducing their thermal coal portfolio (including retro fitting of existing facilities). For those unable to transition their portfolio, we will provide financing for decommissioning plants;
- We will also not provide general corporate financing that is specified as being for new or expanded coal mining or coal-fired power plant development.

Restrictions relating to % revenue generated by clients from thermal coal activities listed above applies to the entity being financed, whether transacting with a group parent, subsidiary or joint venture.

Mountain Top Removal Coal Mining

Mountain Top Removal (MTR) coal mining refers to surface coal mining (and the associated reclamation operations) that remove entire coal seams running through the upper fraction of a mountain, ridge, or hill, by removing all of the overburden and creating a level plateau or gently rolling contour with no high-walls remaining[6].

Barclays recognises that MTR in the Appalachian region of the USA is a legal mining method, overseen by a robust regulatory framework. MTR has also, however, been subject to intense political, judicial and regulatory debate over the last decade, due to its negative environmental and social impacts on one hand, and positive local benefits on the other.

The following additional restrictions are in place for clients active in MTR:

- Barclays does not directly finance MTR projects or developments;
- We apply EDD to financing facilities involving clients which practice MTR.

Arctic Oil and Gas

Arctic oil and gas refers to new exploration and extraction of oil and gas in the area within the Arctic Circle which is subject to sea ice, and includes the Arctic National Wildlife Refuge (ANWR) and the Coastal Plains[7]. The ANWR is a particularly fragile and pristine ecosystem which is central to the livelihoods and culture of local indigenous peoples. We have therefore introduced the following restrictions:

- We will not directly finance oil and gas projects in the Arctic Circle, including but not limited to the ANWR.
- In addition, we will not provide any financing to companies primarily engaged in oil and gas exploration and production operations or plan in the Arctic Circle, including but not limited to the ANWR.

Oil Sands

Oil sands refers to naturally occurring deposits of water and clay, containing a heavy, viscous oil called bitumen.

The development of Canada's oil sands reserves is Canadian government policy and, as such, the Canadian Oil Sands industry is highly regulated. New technology is being actively deployed to extract oil sands and to improve environmental performance.

In order to address stakeholder concerns, we will only provide financing to clients who have projects to reduce materially their overall emissions intensity, and a plan for the company as a whole to have lower emissions intensity than the level of the median global oil producer by the end of the decade. This approach takes into consideration the just transition for the workforce and communities currently dependent on the oil sands industry in Canada. We have been in deep discussions with the government of Canada about this and believe that this position, which it supports, is the right position to adopt and the best way of enabling our clients which have operations in the oil sands to participate in transition.

In addition to this requirement, any financing for a company involved in the exploration, extraction, transportation (including the construction of pipelines to carry oil sands), or processing of oil sands, is subject to EDD.

Oil sands clients and transactions which are subject to EDD must demonstrate consideration of environmental and social impacts and risks (as outlined earlier in this section on page 53) and, in addition, demonstrate the following:

- Compliance with all legal, regulatory and permitting requirements in the regions that they operate, showing evidence of any breaches being adequately remediated;
- Management and implementation of procedures which minimise direct environmental impacts including land reclamation, air, ground and water pollution, fresh water use, biodiversity protection, and impacts on protected areas such as boreal forests.

Hydraulic fracturing

Hydraulic fracturing, commonly referred to as fracking, is an oil and gas well development technique, using a high pressure injection of liquid into the rock, which creates fracturing and allows natural gas and oil to flow more freely. Whilst this method of extraction has provided cheaper, more plentiful energy sources for many, it is also a sensitive sector that is of concern for many stakeholders. Impact areas include water consumption and quality, wastewater disposal, air emissions and impacts on local communities, including noise, traffic and seismic changes. Our appetite for doing business with this industry is as follows:

- We will not directly finance projects involving fracking in the UK and Europe;
- In addition, we will not provide any financing to companies primarily engaged in fracking activities in the UK and Europe;
- Any financing for a company involved in fracking activities outside the UK and Europe, is subject to EDD.

Fracking clients and transactions which are subject to EDD must demonstrate consideration of environmental and social impacts and risks (as outlined earlier in this section on page 53) and, in addition, demonstrate the following:

- Compliance with legal, regulatory and permitting requirements and remediation plans resulting from any breaches;
- GHG emissions management and continuous reduction;
- Management of key environmental impacts, including: well construction and maintenance, water use and conservation, waste water management, water pollution management, air emissions management (including flaring);
- Engagement with local communities on impacts, including seismic impacts, noise, health and safety.

6 The Surface Mining Control & Reclamation Act (SMCRA 1977), available at https://www.gpo.gov/fdsys/pkg/CFR-2012-title30-vol3/pdf/CFR-2012-title30-vol3-sec716-3.pdf

7 The Arctic Circle is defined by the National Snow & Ice Data Center, available at https://nsidc.org/cryosphere/arctic-meteorology/arctic.html

Governance

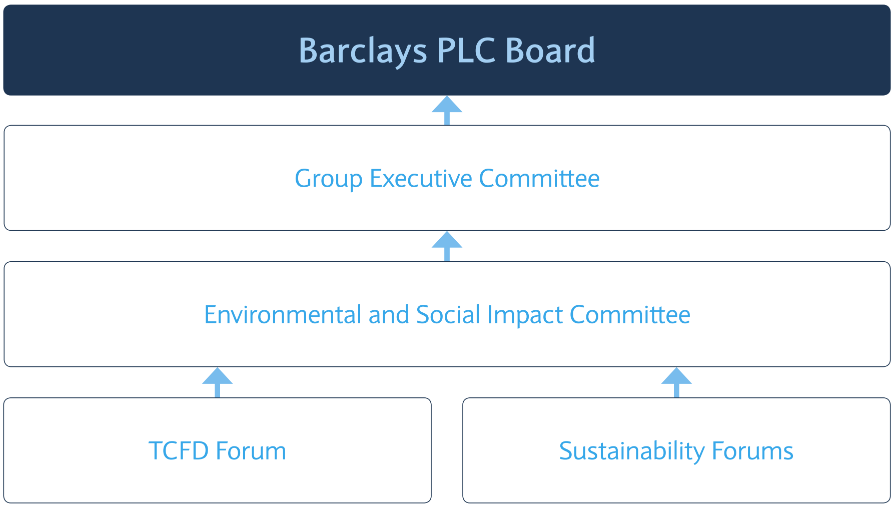
Group governance of climate matters

The Barclays PLC (BPLC) Board sets the strategic direction and risk appetite of the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance. More detail about the Group's overall governance framework can be found in the 2019 ESG Report.

A key development during 2019 has been that oversight of social and environmental matters, including climate change, has been taken up by the Board, where previously it was overseen by the Board Reputation Committee. This change in governance confirms the importance placed on these topics. Areas considered by the board in 2019 included our strategy on green financing, our policy positions relating to carbon intensive industries and our commitments to aligning with the goals of the Paris Accord. In addition, we appointed the Group Chief Risk Officer as Senior Manager responsible for climate-related financial risk under the Senior Managers Regime.

Environmental and Social Impact Committee

Demonstrating the growing strategic importance of these issues, the Group Executive Committee created the Environmental and Social Impact (ESI) Committee in June 2019 to provide senior oversight and set the overall direction of Barclays' strategy to manage its broader social and environmental impacts.
Chaired by the Group Chief Executive, with representation from business and function leadership, the Committee provides strategic management oversight, sets a firm-wide approach on key-topics and monitors execution against priorities.



TCFD Forum

This senior forum, chaired by the Global Head of Sustainability and ESG, with representation from business lines and function teams including strategy, risk, finance, treasury and compliance, was set up in 2017 to provide oversight and drive implementation of the TCFD recommendations and the Group's wider climate change strategy. The forum reports into ESI on Barclays' response to the issue of climate change, including; the approach to climate-related opportunities and risks within the bank; and ensuring public commitments on the TCFD recommendation are upheld.

Divisional sustainability coordination

The 2019 launch of the ESI has inspired the creation of multiple Sustainability Forums focused within specific business areas including Investment Banking, Corporate Banking and Retail and Business Banking. These forums advance and replace the work of the Barclays Green Banking Council, which was started in 2017. They operate in a targeted manner to drive client, employee and stakeholder engagement on environmental and climate change issues, whilst continuing to develop a leading product set to support our clients' transition to a low-carbon economy.

Risk management

The following provides a summary of our approach to climate risk management – for more detail on this, please refer to the TCFD section of the 2019 ESG Report.

Risks arising from climate change materialises through various channels:

1. through the financial services and support we provide to customers who may themselves be exposed to the risks of climate change,
2. the operation of our own infrastructure, business and premises which may be exposed to both transition and physical risk, and
3. through a deteriorated perception of Barclays if we do not adequately support a transition away from high-carbon activities and consequent loss of our social license to operate.

During 2019, we further embedded climate change risk into the Group's Enterprise Risk Management Framework (ERMF) and recognised that climate change can impact a number of principal risks the Group faces – see diagram below for more detail.

Governance	Enterprise Risk Management Framework (ERMF)				
	Climate Change Standard	Climate Change Financial Risk and Operational Risk Policy			
	Reputation Risk	Credit Risk	Market Risk	Treasury & Capital Risk	Operational Risk
Responsibilities	▪ Outline minimum requirements and controls for reputation risk management relating to client relationships or transactions. ▪ Outline the expected business behaviours in relation to these issues. ▪ Outline the approach to enhanced due diligence.	▪ Review individual obligors' exposure using Credit Climate Lens. ▪ Consider climate change risk appetite in relevant countries and portfolios. ▪ Oversight by Retail and Wholesale Risk Management Committees, and Board Risk Committee.	▪ Assess and identify all risk factors affecting climate change risk. ▪ Apply stress scenarios, assess stress losses and set risk limits. ▪ Include in ICAAP. ▪ Oversight by Market Risk Committee and Board Risk Committee.	▪ Assess and aggregate exposures to climate-related risks. ▪ Incorporate as part of stress testing, capital and liquidity planning, and non-traded market risk funding processes. ▪ Include in ICAAP and ILAAP. ▪ Oversight by Treasury and Capital Risk Committee and Board Risk Committee.	▪ Integrate climate change across different risk categories e.g. premises, supplier. ▪ Include climate change within risk assessment processes including strategic risk assessment. ▪ Oversight by Operational Risk Profile Committee and Board Risk Committee.
Ownership	Global Head of Sustainability & ESG	Credit Risk Accountable Officer	Market Risk Accountable Officer	Treasury & Capital Risk Accountable Officer	Operational Risk Accountable Officer

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the Group. The ERMF is complemented by frameworks, policies and standards which are mainly aligned to individual principal risks. Within the ERMF, the Group has a Climate Change Standard that corresponds to this Climate Change Statement to manage reputation risk. For credit, market, treasury and capital and operational risk, the Group published a 'Climate Change Financial Risk and Operational Risk Policy'.

Climate Change Standard

We have developed an internal standard to reflect the positions set out in this Climate Change Statement in more detail and together with other climate-related Standards (such as the Forestry & Palm Oil Standard, which accompanies the external *Forestry and Palm Oil Statement*), these now determine our approach to climate change and relevant sensitive sectors. These standards sit under the management of reputation risk within the ERMF and are used to guide transactions the bank engages with, through a well-established internal transaction origination, review and approval process (more details on this process can be found in the 2019 ESG Report).

Climate Change Financial Risk and Operational Risk Policy

This policy introduced climate change as an overarching risk impacting certain principal risks: credit risk, market risk, treasury and capital risk and operational risk. For more details, please refer to the 2019 ESG Report.

Environmental Risk Standard

In 2019, the Equator Principles Association published version four of the Equator Principles which introduces, amongst other things, new requirements on sponsors to prepare a Climate Change Risk Assessment aligned with the physical risk and transition risk categories of TCFD. Barclays adherence to the Equator Principles is governed by the Environmental Risk Standard which considers financial risks arising from wider environmental and social issues and is overseen through the internal transaction review process described above.

Green and sustainable finance and products

Supporting clients and customers

We aim to support our clients and customers in achieving sustainable and inclusive growth that is aligned to the goals of the Paris Agreement, via the provision of products and services to facilitate transition and adaptation.

We do not think that simple divestment achieves the aim of transitioning the economy. Instead, we recognise that engaging clients and mobilising the capital required for them to transition their own business models is the way to steward the most progress, both in terms of financing more "green" activities and business models, and in transitioning the polluting elements of their business activities. We will prioritise and support those clients that are making progress in their own Paris-aligned transition journeys.

Supporting the transition to green finance

Estimates suggest that between $320 and $480 billion of additional investment will be needed each year up to 2030, to achieve the goals of the Paris Agreement, in addition to reallocating existing investment in energy systems to renewable and green sources[8]. We are committed to supporting our clients in making the significant financial investments required to mitigate and adapt to climate change, whether financing their investment in efficiency, new forms of low-carbon technology, resilience in their business operations, or helping new markets to evolve and flourish through renewable and other low-carbon technologies.

In order to achieve the ambitions of the Paris Agreement, state and private-sector actors will need to work together to develop low carbon energy systems; low carbon approaches in building & construction, transport, manufacturing and other sectors; smarter cities (incorporating technology to improve urban planning and energy efficiency), a shift towards more sustainable agriculture, smarter resource management, and decarbonisation. Our aim is to actively support those efforts through the development of specialised products, services and expertise, and we take seriously our responsibility to engage clients proactively on these and other environmental and social issues.

At the same time, we are mindful of the complex challenges faced by countries seeking to strike a balance between achieving sustainable economic development and industrialisation, while trying to mitigate climate change and adapt to its consequences – what is termed a "just transition".

We are committed to supporting this transition by identifying and financing the deployment of affordable, sustainable and economically feasible technologies that provide energy security over the long term, which is crucial for both developed and developing economies. We also recognise that where we decide to actively support a client that is transitioning its technology base or operating model – and by virtue of that transition its employee base – as a financial service provider, we take responsibility for asking our clients the right questions about their response to the displacement of individuals from the security of employment; particularly those from more vulnerable groups.

Many government and corporate clients will need to train and upskill their current and future workforce on the importance of this transition. There will be an important role for financial institutions to play in terms of providing finance for this activity and this is something we will explore with our client base accordingly.

Products and services to facilitate the transition

As social and environmental challenges are tackled globally, our clients increasingly need advisory and financing solutions that can help them to achieve commercialisation and scale. Institutional and other investors are increasingly interested in environmental, social and governance (ESG) issues, policies and practices.

In recent years, as we have reorganised and formed new business teams and grown knowledge and expertise in these areas, we have increasingly supported clients with these solutions – but we also recognise our need to continue to grow this capability. With the help of the sustainability forums around the bank described on p9, these efforts are well under way. The dedicated client and product level teams, working together with the wider traditional sector and product expert teams across the bank, will support our clients in three broad areas:

1. Climate change mitigation investment – decarbonising operating models, from supply chain through to production;
2. Climate change adaptation investment – responding to physical risks presented by climate change-related extreme weather, including resource scarcity; and
3. Strategic diversification and pivoting business models – advising clients on transactions and strategies to reposition their business and maintain competitiveness.

Supporting green financing

Alongside our strategy to align with the goals of the Paris Agreement, we will increase our commitment to green and sustainable finance, with a new target to provide at least £100bn of Green Finance by 2030.

We expect the proportion of green financing in our portfolio to increase significantly over time as we support the shift to a low-carbon economy.

We are further accelerating the transition by launching a Sustainable Impact Capital Initiative, to invest £175m over a 5-year period in the equity of innovative, environmentally-focused private companies.

We are also targeting the commercial opportunities we see being created as a result of the greater focus on sustainability.

We are doing this principally by expanding our recently created Sustainable and Impact Banking coverage team, which is focused primarily on our green financing capabilities (e.g. Green Loans, Green Project Finance, and Green Bonds) which are helping to fund the transition to a low-carbon future.

8 International Institute for Applied Systems Analysis assessment (IIASA) "Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals," http://pure.iiasa.ac.at/id/eprint/15328/

How we organise our coverage of clients to support transition and green growth

As part of our ambition to continue to support clients' transition activities, to develop innovative new financing products, and to embed support for green and sustainable products and services across our operating model – we have established dedicated client-facing teams to advance this work.

Supporting corporate and investment banking clients

Barclays supports the renewable energy and clean technology sector, offering strategic advice, and facilitating access to finance for renewables including wind and solar, energy storage solutions and other innovations that will support the transition.

We also continue to enhance our focus on the development of green product structuring capabilities in the capital markets and corporate banking markets including green bonds and sustainability-linked financing instruments (e.g. revolving credit facilities).

We will build on our leading product range for Corporate Banking clients, including green loans, green trade loans, green innovation loans, green asset finance and project finance capabilities to support clients that may not be able to access the capital markets.

Environmental financing grew by 45% year on year to a total of £7.8bn (2018: £5.3bn). We have seen good growth across our product set in our consumer and wholesale businesses. Alongside our strategy to align with the goals of the Paris Agreement, we will increase our commitment to green and sustainable finance, with a new target to provide at least £100bn of Green Finance by 2030.

We expect the proportion of green financing in our portfolio to increase significantly over time as we support the shift to a low-carbon economy.

- The Sustainable and Impact Banking (SIB) group within the Investment Bank is advising two groups of corporate clients; emerging growth companies with an innovative technology or business model that is enabling the low-carbon economy and large established companies that are transitioning their businesses to become more sustainable. The SIB group advises these companies on corporate strategy and capital raising. With respect to the emerging growth companies, the SIB group is initially focused on companies in four key sectors: Food and Agriculture, Clean Energy Technologies, Recycling and the Circular Economy and Water. Each sector contains a growing pipeline of companies that are helping to address climate change and lower carbon emissions. In addition to the positive environmental impact, the companies exhibit strong financial potential.
- In 2020, the newly formed Corporate Bank Sustainable Product Group will focus initially on how it can grow the market in renewables, project finance and sustainability-linked loans, whilst working with traditional product teams to develop future ESG offerings for SME and some large corporate clients. The team will also continue to develop and promote our suite of green products for Corporate Banking clients.
- The Green and Sustainable Capital Markets team will continue to support our growing franchise in green and sustainable bonds and other sustainable debt products. Green bond financing has seen further growth in 2019 on the back of another record year for the green bond market. This growth has also seen an increase in the diversity of issuers.

Helping clients issue Green Bonds and financing renewable

Orsted Green Bond

Barclays helped Orsted, a leading global renewable energy company headquartered in Copenhagen, to issue £900m green bonds to fund its offshore wind projects. Since 2006, the company has reduced their emissions by 86% and committed to become carbon neutral by 2025.

To become 100% carbon-neutral, the company will continue to drive out the remaining emissions from its energy generation and operations by investing in innovation and offsetting any residual emissions through certified carbon removal projects.

The proceeds raised will in part help to finance Hornsea 2, which once complete in 2022 will be able to power over 1.3 million UK homes and take the title as the world's biggest offshore wind farm.

Apple Green Bond

In November 2019, we priced a €2.0bn green bond for Apple. The transaction was the largest ever Euro-denominated green bond issued by a US corporate, and the second-largest Euro-denominated corporate green bond offering of all time.

Apple intends to use the proceeds from the offering to finance one or more of its 'Eligible Green Projects': mitigating its impact on climate change by reducing the carbon footprint of its supply chain, pioneering the use of greener materials in its products and processes, and conserving resources by transitioning to recycled and renewable materials for production.

Renewable Project Bond series in Japan

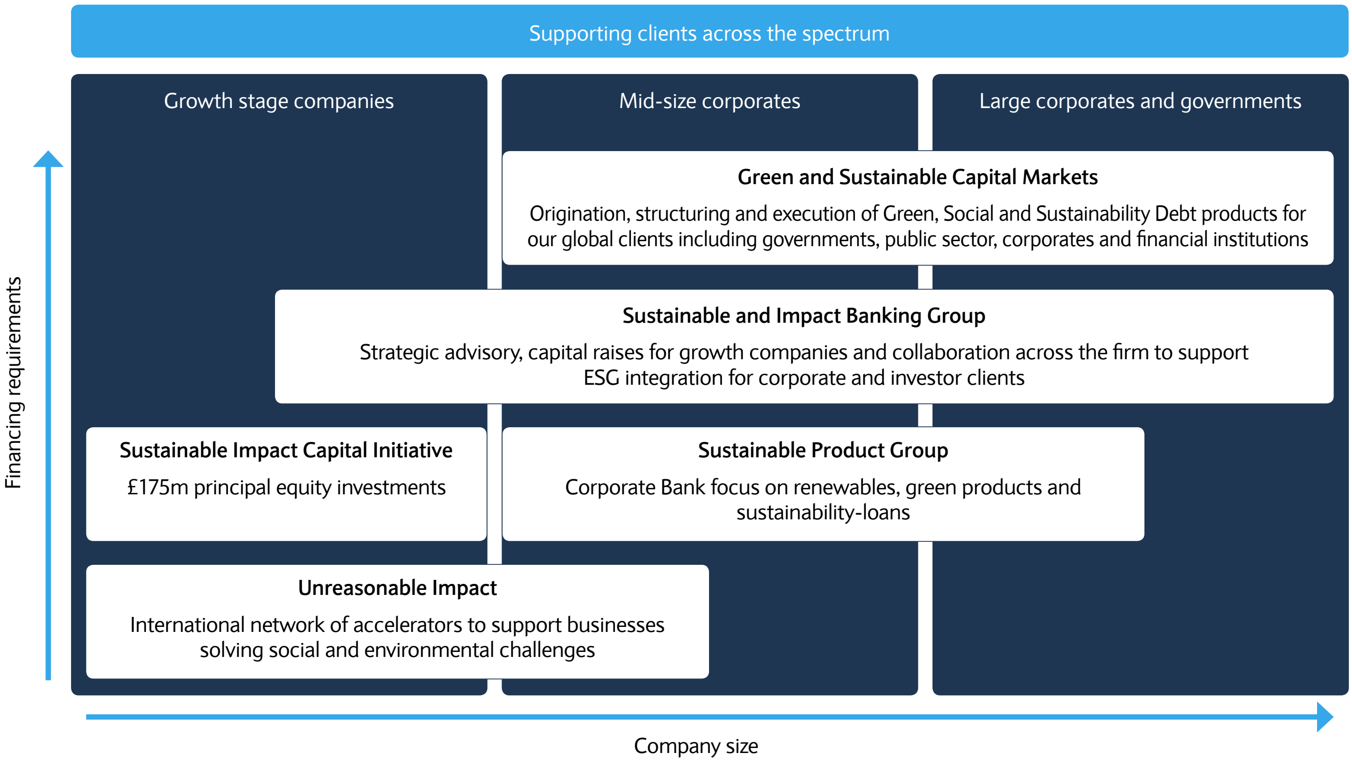
Barclays has helped Renewable Japan Co. Ltd issue a series of green project bonds during 2019, with a total issuance of JPY 44 billion (308 million GBP) through six bonds. Barclays acted as sole green structuring advisor and sole bookrunner on these transactions, with strong demand from Japanese life insurers, against continuous demand in ESG investment.

Renewable Japan is a leading general service provider in the renewable energy sector in Japan, specialising in development and operation of solar power plants. The Group also manages a publicly listed infrastructure fund, Renewable Japan Energy Infrastructure Fund, while the total capacity of the mega-solar plants that the Group has developed and operated to date reaches 500MW, estimated at US$1.8bn as pipeline asset value in Japan.

Financing offshore wind farms

In 2019, Barclays acted as a mandated lead arranger and hedge provider on the financing of Neart na Gaoithe, a 448MW offshore wind project located off the east coast of Scotland. After construction, this major project, owned jointly by EDF and ESB, will cover an area of 100km^2.

Green and sustainable finance and products



Supporting entrepreneurs and growth ventures

We also recognise that the solutions to the world's social and environmental challenges, including climate change, will come from a range of actors, which includes innovative and creative entrepreneurs, and agile start-up or early stage companies.

Barclays has developed a range of activities that commits to supporting entrepreneurs and early-stage businesses with ambitions to have a positive social and environmental impact, particularly those that are scaling rapidly.

- We are further accelerating the transition by launching a Sustainable Impact Capital Initiative, to invest £175m over a 5-year period in the equity of innovative, environmentally-focused private companies. This will be managed by Barclays Principal Investments team. Underpinning the initiative is the strategic aim to help support Barclays' long-term goal of transitioning its businesses, customers and communities to a more sustainable operating model.
- In 2016, we created Unreasonable Impact[9], a multi-year partnership with Unreasonable Group, to launch the world's first international network of accelerators focused on scaling up entrepreneurial businesses that will help employ thousands of people around the world, while solving critical environmental and societal challenges. Through the programme, Barclays is committed to supporting over 250 high-impact businesses by 2022.
- The Barclays Social Innovation Facility (SIF) is an internal mechanism that incubates ideas for profitable financial products and services that seek to specifically address environmental or social challenges. SIF has contributed to the development of a number of products in the climate finance and sustainable capital market spaces, such as the Barclays Multi-Impact Growth Fund and the Social and Impact Banking Group.

Offering solutions for consumers

In 2019 we also enhanced our green and sustainable retail product offering. Our Barclays Green Home Mortgage offers homebuyers lower interest rates for new build properties meeting minimum energy efficiency requirements. In January 2019, we extended its distribution to a further nine major homebuilders (bringing the total to fourteen), who between them build more than half of all new-build residential properties thereby further increasing the availability of green finance solutions.

Developing a wider range of green products is a growing area of focus for Barclays UK to help our customers transition to the low carbon economy. During 2019, we conducted consumer research on awareness and attitudes toward green finance amongst our UK customer base. Whilst the research found that a large proportion of consumers currently don't know how green finance may be applicable to them, there is growing interest. We have established a Sustainability Forum within Barclays UK, to bring together product and channel leads to explore opportunities to support our business and personal banking customers.

Across our Private Banking and Wealth & Investments businesses, Barclays has a growing number of clients who are seeking both to protect and grow their assets, and to make a positive contribution to our world. Recognising the risks, and opportunities, of climate change is an integral consideration in how this business invests for clients. For those who want a more active stance, climate-focused investment products and services are provided, including fossil-free or lower carbon strategies. These range from discretionary portfolios, a selection of third-party funds, private asset funds, or direct investments into companies addressing climate issues. The Private Bank regularly publishes briefings to inform clients about specific risks and opportunities their investments will face, including those posed by climate change and the transition to a lower carbon economy.

9 Unreasonable Impact is available at www.unreasonableimpact.com

Reporting and TCFD alignment

Barclays was a founding member of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). Since the publication of the taskforce's final recommendations, in 2017, Barclays has aligned its disclosures to follow the TCFD guidance and 2019 is the third year of Barclays' reporting with reference to the TCFD. We have significantly increased our disclosures across each of the four overall TCFD categories as well as the 11 underlying recommendations, including specific guidance for banks.

Some of those disclosures are contained in this Statement. For more information on our approach to the management of risks from climate change, including our approach to scenario analysis, stress testing and other emerging climate change analysis tools, please refer to the TCFD section of our 2019 ESG report.

We have also significantly enhanced our reporting on Metrics & Targets as suggested by TCFD guidelines. In some instances, we provide additional detail aligned to our approach, which may go beyond the approach suggested by TCFD. This can also be found in the TCFD section of our 2019 ESG report.

Engagement

Advocacy and public policy engagement

Government action is central to making the shift to a low carbon economy. Governments have the ability to commit to a strong position, create an appropriately ambitious policy environment, and drive consistency across sectors. In 2015, Barclays committed to the Paris Pledge for Action, and we support the 195 governments, and more than 300 cities around the world which are working towards their commitments under the Paris Agreement. We seek to work closely with governments in the geographies in which we operate to support the development of practical and ambitious policies where appropriate. We support the creation of national green finance strategies, such as the UK Green Finance Strategy launched in 2019, which specifically aim to support the mobilisation of finance towards the transition to a low-carbon economy.

We also participate in relevant global conversations about what productive public policy could look like on the issue of climate change, both bilaterally with relevant Government departments and via sustainable finance focused industry working groups, such as the UK Green Finance Institute, UK Finance, the Confederation of British Industry (CBI), the Association for Financial Markets in Europe (AFME) and the Institute of International Finance (IIF). On a senior level, we chair the UK Government's Global Resource Initiative and are members of the UK Finance Sustainable Finance Committee and the CBI Energy and Climate Change Board.

Industry and multi-stakeholder engagement

We seek multi-stakeholder and industry partnership opportunities related to climate change. Barclays is a member of, or signatory to, a number of climate-specific initiatives. We have been a member of the United Nations Environment Programme Finance Initiative (UNEP FI) for more than 20 years. We were proud to partner with UNEP FI, and to collaborate with other members to develop the Principles for Responsible Banking, launched in September 2019.

As we deepen our understanding of future climate-related risks and opportunities, we have continued to engage with peers, industry experts and academics to assess transition to a zero carbon economy and consider emerging methodologies for aligning bank portfolios to the Paris goals.

In 2019, we joined 17 international banks as a pilot group working with 2 Degrees Investing Initiative (2Dii). We were pleased to be able to test the methodology for their Paris Agreement Capital Transition Assessment (PACTA), helping it to become more broadly used in the banking sector. The pilot focused on seven sectors including fossil fuel production and power generation of gas, oil and coal, and has allowed us to understand the extent to which our lending activity to carbon-intensive industries is aligned to the two-degree pathway of the Paris agreement, taking into account the fact that it is focusing on a moment in time.

Collaboration across the industry will ensure that consistent methodology and understanding is developed. Barclays was a member of the UNEP FI TCFD Phase 1 pilot project aimed at developing transition and physical assessment models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities. In April and July 2018, the Phase 1 Banks published reports detailing the methodologies for scenario-based assessments of transition and physical risks and opportunities.

In 2019, Barclays has participated in Phase 2 which seeks to develop the findings of the first phase. In particular, the group is engaging with academics and research institutions to better understand the science behind climate change and translate it into decision-useful financial metrics that can inform our future financing activities.

We are also a member of the Science Based Target initiative, which is working to develop metrics and methodologies to measure and set targets for alignment with a two-degree world, including accounting protocols for emissions related to financing, banking and investment management activities.

Managing our operational footprint

Barclays is committed to managing our own operational footprint and transitioning to a low-carbon economy.

Barclays has a plan to be net zero by 2030 in Scope 1 (all direct GHG emissions) and Scope 2 (indirect GHG emissions from the consumption of purchased electricity, heat or steam). We have halved our operational GHG emissions over the last two years, and our residual footprint from our properties and business travel is fully offset. As a member of the RE100 initiative, we are committed to sourcing 100% renewable electricity by 2030 at the latest. We are currently at 60%, and are targeting 90% by 2021.

We also have procedures in place to help us manage other resources such as paper and water usage, plastic recycling and the proper environmental management of our buildings and physical operations.

For more detail on our approach and progress, please refer to our 2019 ESG report.

Barclays is a company of opportunity makers, working together to help people rise – customers, clients, colleagues and society.

For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Barclays PLC Annual Report 2019 suite of documents available at home.barclays.com/annualreport

Barclays PLC Strategic Report 2019
An overview of our 2019 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

Barclays PLC Annual Report 2019
A detailed review of Barclays' 2019 performance with disclosures that provide useful insight and go beyond reporting requirements.

Barclays PLC Country Snapshot 2019
An overview of our tax contribution country by country as well as our broader approach to tax, including our UK tax strategy.

Barclays PLC Environmental Social Governance Report 2019
An overview of our ESG strategic priorities and performance, reported against a range of quantitative and qualitative indicators.

Barclays PLC Pillar 3 Report 2019
A summary of our risk profile, its interaction with the Group's risk appetite, and risk management.

Registered office: 1 Churchill Place, London E14 5HP

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