

Barclays

Sustainability Impact Framework

Introduction

In 2017, Barclays worked closely with Sustainalytics, a leading global provider of ESG and corporate governance research, ratings and analytics, to develop a custom framework that sets out eligible categories to track overall social and environmental financing volumes. See the Barclays ESG Reporting Framework for further information on internal review and reporting processes, which is available at <https://home.barclays/esg2019/>

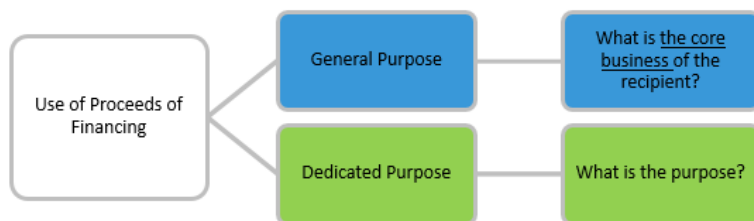
Sustainalytics has extensive experience in supporting financial institutions in developing eligibility criteria and providing verification for sustainability bonds and funds. The firm has 25 years of experience in responsible investment and has developed a comprehensive understanding of trends and best practices, and a thorough process to assist organisations in integrating environmental, social and governance (ESG) considerations into their investment processes.

Sustainalytics' Approach and Impact Eligibility Decision Tree

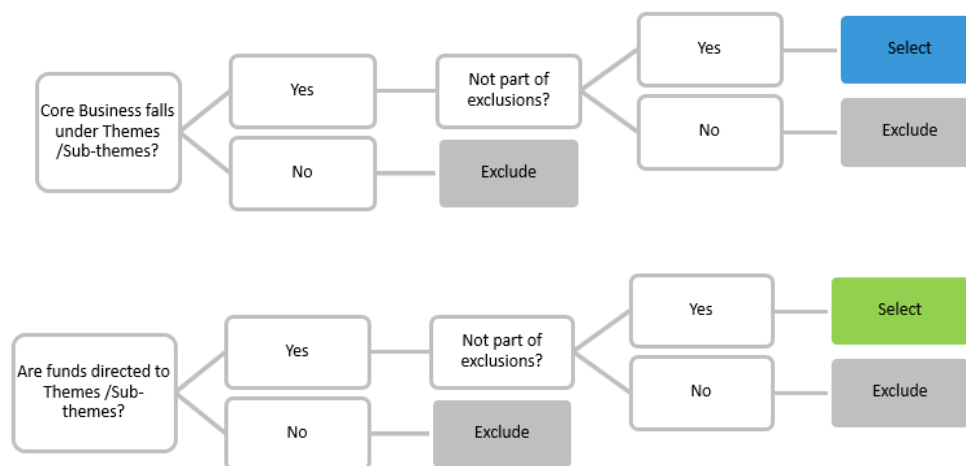
Sustainalytics identified environmental and social impact thematic areas, and developed detailed sub-themes and activities associated with each thematic area. These thematic areas are considered widely-accepted as per current market norms.

The Impact Eligibility Decision Tree provides a process for Barclays to identify positive environmental and social transactions across the organisation and to track their associated financing volumes. The Decision Tree first directs Barclays to identify the use of proceeds of the financing transaction, and then to include or exclude transactions using the relevant directed or general corporate purpose pathway.

Step 1: Identify Use of Proceeds of Financing



Step 2: Use Relevant Pathway to Include or Exclude Transactions



Defining Thresholds for Inclusion under the General and Dedicated Purpose pathways

When the financing is identified as being for General Corporate Purposes, the Sustainalytics decision tree prompts Barclays to identify whether the core business of the recipient of financing falls under the Environmental and Social thematic areas and is thus eligible for inclusion.

As per the framework, the core business of the recipient of financing is eligible for inclusion if the recipient:

1. Derives greater than 50% of its revenue from 'Eligible Activities' listed under the Environment and Social thematic areas
OR
2. Derives greater than 50% of its EBITDA from 'Eligible Activities' listed under the Environment and Social thematic areas
OR
3. Derives greater than 50% of its energy generation mix from qualified renewable energy sources

When the financing is identified as being for a Dedicated Purpose, the Sustainalytics decision tree prompts Barclays to identify whether the funds are directed towards a project that falls under the Environmental and Social thematic areas and is thus eligible for inclusion.

As per the Framework, Dedicated Purpose financing is eligible for inclusion if:

1. 100% of the funds from the financing transaction are directed towards a project that is listed under 'Eligible Activities' of the Environment and Social thematic areas.

Additionally, Supranational and national development finance institutions automatically qualify for inclusion, regardless of whether the financing is identified as being for a general or dedicated purpose. Examples of supranational organisations include International Bank for Reconstruction and Development, European Investment Bank, World Bank, etc.

Green Bonds also automatically qualify for inclusion if they meet either of the following criteria:

1. The bond is aligned with the ICMA Green Bond Principles and has been reviewed and assessed by a reputable external review provider that has concluded that the environmental benefits of the bond are clear and that the bond is in compliance with the Green Bond and Social and Sustainability Bond Principles (GBP), OR
2. The bond has been certified under the Climate Bonds Standard.

Environmental Eligibility Thematic Criteria

Themes	Sub-themes	Eligible Activities	Exclusions
Energy efficiency	Commercial and residential buildings (existing and new construction)	<ul style="list-style-type: none"> • Energy-efficiency improvements in lighting, appliances and equipment • Substitution of existing heating/cooling systems in buildings for cogeneration plants that generate electricity in addition to providing heating/cooling • Retrofit of existing buildings: Architectural or building changes that enable reducing energy consumption • Waste heat recovery improvements <ul style="list-style-type: none"> • Use of highly efficient architectural designs or building techniques in the construction of new buildings. These techniques should enable reduction of energy consumption for heating/air conditioning, should exceed applicable building codes, and should comply with high energy efficient certification or rating schemes, such as LEED Gold or above, and/or to comply with the Climate Bonds Initiative (CBI) Climate Bond Standards on energy performance. • Embedded Carbon in buildings? 	<ul style="list-style-type: none"> • Cogeneration systems applied to the fossil fuel or mining industries • Construction of new buildings driven by fossil fuels
	Public services	<ul style="list-style-type: none"> • Installation of energy-efficient equipment and technology to increase the operational energy efficiency of utilities and other public services. Examples include lighting, smart meters, and peak demand management technology. • Improvement of heat efficiency of utilities, power plants, and other public services. Example projects include the rehabilitation of district heating systems, heat-loss reduction, and/or increased recovery of wasted heat • Retrofit of renewable energy power plants 	
	Agricultural processes	<ul style="list-style-type: none"> • Improving the energy efficiency of machinery and equipment, irrigation, and other agriculture processes 	
	Industrial processes and supply chains	<ul style="list-style-type: none"> • Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of industrial processes • Industrial/utility energy-efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery. This includes the installation of cogeneration plants. • Developing increased energy efficiency in a company's existing product supply chains 	<ul style="list-style-type: none"> • Projects to improve the energy efficiency of fossil fuel production and/or distribution
	Transmission and distribution systems	<ul style="list-style-type: none"> • Retrofit of distribution systems, transmission lines or substations to reduce energy use and/or technical losses (except for capacity expansion) 	<ul style="list-style-type: none"> • Projects/systems where 25% or more of electricity transmitted is fossil-fuel-generated

	Energy efficiency technologies	<ul style="list-style-type: none"> • Development, manufacture and/or installation of energy efficiency technologies and products such as efficient appliances, lighting, etc. • Development and operation of networks, services and products that are specific to enabling the Internet of Things. This could include the deployment of 5G wireless technologies that allow for real-time responses to energy demand. 	<ul style="list-style-type: none"> • Technologies that increase the energy efficiency of fossil fuel production and/or distribution
Renewable Energy	Electricity generation	<p>The generation of electricity from:</p> <ul style="list-style-type: none"> • Wind power • Geothermal • Solar power • Biomass or biogas power • Ocean power • Small-scale, run-of-river hydropower 	<ul style="list-style-type: none"> • Biomass projects that decrease carbon pools in soil or which compete with food production, e.g. sugarcane, corn, rapeseed oil, palm oil and soybeans. • Hydropower projects that are large-scale (>25MW), or require a dam / reservoir
	Transmission systems	<ul style="list-style-type: none"> • Improvement of existing transmission systems (or other infrastructure) to facilitate the integration of electricity from renewable sources into the grid • Development of new transmission systems to facilitate integration of renewable energy sources into the grid • Supporting technology or infrastructure to enable transmission of renewable energy, such as information, communication and technology infrastructure, energy storage facilities, smart grid technology. 	<p>Practices need to ensure that the best technology is used to avoid/minimise GHG emissions (e.g. from CF4)</p>
	Heat production and thermal energy	<ul style="list-style-type: none"> • Thermal applications of solar, geothermal or bioenergy in any sector • Development of heat pumps 	<ul style="list-style-type: none"> • Application of technology in the fossil fuel industry
	Renewable energy technologies	<ul style="list-style-type: none"> • Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage. Examples could include wind turbines, solar panels. 	<ul style="list-style-type: none"> • Technology and equipment for the development of large-scale hydro (>25 MW)
	Vehicle energy efficiency	<ul style="list-style-type: none"> • Vehicle, rail or boat fleet retrofit or replacement with zero-emission technologies including electric or non-polluting hydrogen technologies 	<ul style="list-style-type: none"> • Efficiency improvements involving conventional fossil-fuel combustion engines (hybrids engines and technologies are eligible)
Green Transport	Vehicle energy efficiency	<ul style="list-style-type: none"> • Vehicle, rail or boat fleet retrofit or replacement with zero-emission technologies including electric or non-polluting hydrogen technologies 	<ul style="list-style-type: none"> • Efficiency improvements involving conventional fossil-fuel combustion engines (hybrids engines and technologies are eligible)

	Urban transportation systems and infrastructure	<ul style="list-style-type: none"> • Development and operation of sustainable – zero emission public or mass transportation systems for land and sea. This may include equipment and infrastructure for buses, light rail vehicles and other rapid transit systems. • Development of infrastructure for non-motorized transport (bicycles and pedestrian mobility) • Development and infrastructure for electric vehicles. Examples could include charging stations. • Improvement of energy efficiency of transport infrastructure. • Urban planning and development that leads to a reduction in the use of passenger cars. Examples could include creating walking communities, improving transit connectivity, facilitating multiple land-use, developing car-free city areas. • Management of transport demand that leads to a reduction in use of passenger cars. Examples could include setting high-occupancy vehicle lanes, road pricing, parking management. 	<ul style="list-style-type: none"> • Diesel-fueled public transportation • Development and improvement of transport links to airports
	Freight transport	<ul style="list-style-type: none"> • Development or improvement of railway transport to facilitate a modal shift from road to rail • Development or improvement of water transport to facilitate a modal shift from road to waterways 	<ul style="list-style-type: none"> • Diesel-fueled freight • Systems and infrastructure used primarily for the transportation of fossil fuels
Sustainable Food, Agriculture, and Forestry	Sustainable forest management	<ul style="list-style-type: none"> • Afforestation (plantations) on non-forested land • Reforestation on previously forested land • Forest management activities that mitigate the impact of forestry. An example could include managing the increase in soil carbon stocks • Projects and products that have received FSC and PEFC certification to promote sustainable forestry and responsible sourcing • Reduction of emissions that result from deforestation and degradation of ecosystems. An example could include a biosphere conservation project. 	
	Sustainable food and agriculture	<ul style="list-style-type: none"> • Development of agriculture projects that do not deplete or that improve existing carbon pools. Examples could include reduction in fertilizer use, reduction in water use (incl. irrigation), reduction in pesticide use, wildlife habitat management, livestock management, collection and use of agricultural waste, rehabilitation of degraded lands. • Sustainable management of livestock to reduce methane or other GHG emissions. An example could include manure management with bio-digesters. • Production of biofuels 	<ul style="list-style-type: none"> • Biofuel production that competes with food production or decreases forestation, biodiversity, or carbon pools in soil

Resource Efficiency and Pollution Control	Recycling And reuse	<ul style="list-style-type: none"> Processes that recycle waste materials as inputs into new products or use waste materials as a resource. Processes and infrastructure that facilitate (increase in) recycling and maximise use of materials Repair activities and activities that facilitate reduction in material use (e.g. renting electric appliances instead of buying, community-based equipment sharing, etc.) New technology to facilitate maximum use of waste (e.g. separation of materials, energy efficient recycling technology) 	
	GHG emission reduction	<ul style="list-style-type: none"> Reduction in GHG emissions resulting from improvements to industrial or waste management processes (i.e. landfill gas capture) Reduction in GHG emissions resulting from retrofit of existing commercial, residential, or industrial infrastructure with cooling agents that have a lower GHG footprint Developing processes/systems to reduce GHG emissions in a company's product supply chain 	<p>Projects that facilitate the reduction of GHG emissions in fossil fuel production and/or distribution</p> <p>Projects that apply GHG emissions capture in active landfills</p>
Sustainable Water	Sustainable water management	<ul style="list-style-type: none"> Products, services, and projects that attempt to resolve water scarcity and water quality issues, including minimizing and monitoring current water use and demand increases, improving the quality of water supply, and improving the availability and reliability of water Infrastructure and engineering projects developing new or repairing existing water and sanitation pipelines. Projects can include equipment and technology resulting in improved quality and/or water use efficiency Technologies and products that reduce, reuse, or recycle water as a means of conservation (smart metering devices, low-flow equipment, rainwater harvesting systems) Investments in the protection of land, forests, and other vegetation in the upper watershed as a means to improve the quality of water bodies and groundwater recharge areas 	Distribution of drinking water without measurable improvements to water quality, water efficiency, or climate change resilience
	Sustainable wastewater management	<ul style="list-style-type: none"> Processes that facilitate treatment of wastewater on a large scale, i.e. wastewater treatment plants Development, manufacture, installation, or operation of technologies, systems, or facilities that recycle, compost, or increase efficiency of wastewater processing 	
Cross-sector activities	Policies, regulations, and trainings	<ul style="list-style-type: none"> Developing energy and resource efficiency sector policies and regulations, including policies around mitigation of and resilience to climate change and circular economy business models. Examples could include developing energy efficiency standards or schemes, developing renewable energy policies, 	

		<p>developing regulations on efficient energy generation/distribution, etc.</p> <ul style="list-style-type: none"> • Developing systems for monitoring the emissions of GHG • Developing education, training and/or capacity building programs around climate change mitigation and adaptation, sustainable energy, and circular economy. This could include research into climate change mitigation. 	
	Carbon/Energy financing	<ul style="list-style-type: none"> • Financing activities in carbon markets. Examples could include all financing activities relating to compliance with various national and international agreements, like the Clean Development Mechanism (CDM) • Financing renewable energy or energy efficiency products in the relevant thematic areas. 	

Social Eligibility Thematic Criteria

	Sub-themes	Eligible Activities	Exclusions
Affordable Housing	Development and Provision of Affordable Housing	<ul style="list-style-type: none"> • Development and/or operation of shelters, halfway homes, community housing • Providing affordable and low-income housing. Examples could include affordable housing financed through municipal bonds or municipal lending, affordable and low-income housing financed through Government Sponsored Enterprise (GSE), affordable and low-income housing provided through all Registered Social Landlords (UK) 	<ul style="list-style-type: none"> • Student Housing • US GSE agency debt
	Housing Improvements	<ul style="list-style-type: none"> • Renovation, maintenance, and improvements of shelters, halfway homes, community housing, or other affordable and social housing projects as described above 	<ul style="list-style-type: none"> • Student Housing
Education	Pre-K, Primary, and Secondary Education	<ul style="list-style-type: none"> • Development of public pre-K, elementary and secondary facilities and programs • Development of charter Schools 	<ul style="list-style-type: none"> • Private schools that are for-profit
	Post-Secondary Education	<ul style="list-style-type: none"> • Development of community colleges, vocational schools • Development of public and private not-for-profit universities 	<ul style="list-style-type: none"> • Private universities that are for-profit • Sporting facilities and stadiums at universities
	Education service providers	<ul style="list-style-type: none"> • Other educational programs for youth, unemployed, or other socially and/or economically marginalised populations 	

Health	Hospitals, Care Facilities/ Clinics	<ul style="list-style-type: none"> • Development, expansion or acquisition of any buildings or facilities at any non-profit, public, standalone, or university affiliated hospital, clinic, mental health facility, or health-care facility. • Development, expansion or acquisition of any buildings or facilities at any for-profit hospital, clinic, or health-care facility that focusses on must-serve/vulnerable populations 	
	Community health service providers	<ul style="list-style-type: none"> • Development of any facilities for community health service providers • The provision of community-based health care or social services in underserved/deprived areas, or to socially and/or economically marginalised populations (e.g. the elderly) 	
	Providers of supporting health-care related products and services	<ul style="list-style-type: none"> • Development of critical medical equipment or provision of diagnostic services. Examples could include MRI machines, respirators, services that support diagnostics such as laboratory testing. • Research into neglected diseases and/or drugs on the WHO essential medicines list • Sale of affordably priced or subsidized medicines on the WHO essential medicines list 	
	Nutrition (Food & Water)	<ul style="list-style-type: none"> • Developing access to nutrition (food and potable water) programs that address malnutrition • Provision of technical capacity building or training to increase nutritional quality of agricultural products 	
Transportation & Communication	Telecommunications infrastructure	<ul style="list-style-type: none"> • Infrastructure that improves rural or remote connectivity 	
	Telecommunications services	<ul style="list-style-type: none"> • Provision of free or affordable Internet 	
	Transportation infrastructure	<ul style="list-style-type: none"> • Development of roads or other transportation infrastructure to improve rural or remote connectivity 	Development of airports
Economic Inclusion	Employment Generation and Job Training	<ul style="list-style-type: none"> • Development of trade schools, job training or job placement programs for the underemployed, youth, inmates, women, veterans and any other vulnerable populations. This could also include rehabilitation and job training programs for inmates. • Development or provision of agricultural training programs to increase uptake of new technology and introduce efficient farming practices • Infrastructure projects that generate local employment opportunities in areas of high unemployment, underserved and/ or deprived areas • Commercial development and private sector projects that generate employment in areas of high unemployment, underserved, and/or deprived areas. Examples could include new factories, offices, retail parks. 	

	Access to Credit and Financing	<ul style="list-style-type: none"> • Microfinance lending • SME lending in emerging markets 	<ul style="list-style-type: none"> • Student loans • Payday loans • High interest MFI loans • SME loans that finance any involvement in alcohol, tobacco, gambling, military weapons, or small arms
	Regeneration of Public Spaces	<ul style="list-style-type: none"> • Development of recreational centres (YMCA), cultural centres, museums in areas of high unemployment, underserved, and/or deprived areas • Development of libraries in areas of high unemployment, underserved, and/or deprived areas • Development of parks and other recreational public spaces in areas of high unemployment, underserved, and/or deprived areas 	<ul style="list-style-type: none"> • Professional stadiums and sports centres
Cross-theme	Financing non-profit institutions	<ul style="list-style-type: none"> • Lending to non-profit organisations and/or registered charities in the U.K. that have programs and/or activities that fall under any of the environmental or social themes • Lending to social enterprises that have programs and/or activities that fall under any of the environmental or social themes 	
	Financing development banks, national development banks, Intergovernmental Organisations (IGOs), or supranational organisations	<ul style="list-style-type: none"> • Raising capital, lending to or co-investing with development banks or Development Finance Institutions (DFIs) such as the World Bank, European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD), Africa Development Bank, etc. • Raising capital, lending to IGOs. Examples could include any United Nations agency. • Raising capital, lending or co-investing with supranational organisations such as the European Investment Bank (EIB), Nordic Investment Bank, etc. • Raising capital, lending or co-investing with national development banks, for example KfW, FMO. 	
	Directed Purpose financing to assist municipalities to transition out of debt	<ul style="list-style-type: none"> • Debtor-in-possession financing and restructuring of financing provided to municipalities specifically to assist their transition out of bankruptcy. The assumption for this activity is that money provided to municipalities under this condition will go towards provision of essential services to residents. 	