

BARCLAYS: IMPACT ELIGIBILITY FRAMEWORK FOR SHARED GROWTH AMBITION

Introduction

Barclays is one of the world's largest banks, serving 48 million customers and clients across the globe. Its business comprises corporate banking and investment banking, wealth and investment management as well as retail and business banking. Five core values have been identified as drivers across these business – respect, integrity, service, excellence, and stewardship.

As a part of its Shared Growth Ambition, Barclays has committed to implementing a revised Citizenship Scorecard that discloses organisational performance around the following pillars:

1. Access to Financing
2. Access to Financial and Digital Empowerment
3. Access to Employment
4. The Way We do Business

Barclays worked closely with Sustainalytics, a leading global provider of ESG and corporate governance research, ratings and analytics, to develop a custom framework that facilitates disclosure around the first pillar of Access to Environmental and Social Financing. The impact eligibility framework presented in this document was developed by Sustainalytics to assist Barclays in tracking positive social and environmental financing volumes across the firm.

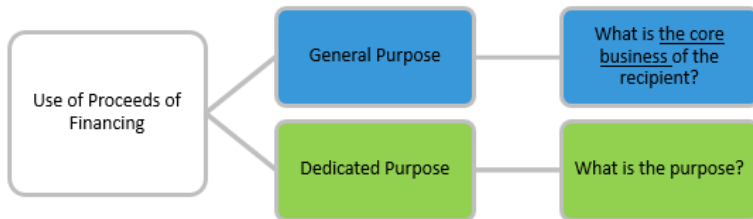
Sustainalytics has extensive experience in supporting financial institutions in developing eligibility criteria and providing verification for sustainability bonds and funds. Sustainalytics has 25 years of experience in responsible investment and has developed a comprehensive understanding of trends 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

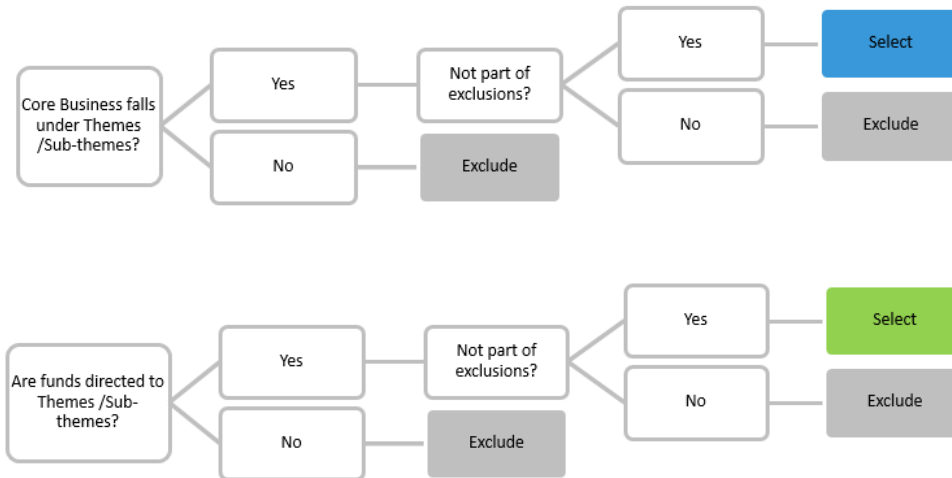
Sustainalytics identified Environmental and Social impact thematic areas, and developed detailed sub-themes and activities associated with each thematic area. The thematic areas chosen by Sustainalytics are considered widely-accepted, high-impact areas, and the impact rationale for each thematic area is also provided. Thematic areas that are still evolving, or have no clear and established understanding of their positive impact are not included. An example of such an evolving thematic area is 'Shared Economy.'

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 Sustainalytics 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 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 Sustainalytics 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.

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 Principles (GBP).

Or

2. The bond has been certified under the Climate Bonds Standard.

Impact Eligibility Environmental Thematic Criteria

Themes	Sub-themes	Eligible Activities	Exclusions	Impact Rationale
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 • 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 available standards, and should comply with high energy efficient certification or rating schemes 	Construction of new buildings driven by fossil fuels.	Improving energy efficiency is a crucial part of any strategy to reduce Green House Gas (GHG) emissions.
	Public services	<ul style="list-style-type: none"> • Installation of energy-efficient lighting or equipment to increase the operational energy efficiency of utilities and other public services • Improvement of heat efficiency of utilities, power plants, and other public services. Example projects could include 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 		

Energy efficiency (continued)	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 	Projects to improve the energy efficiency of fossil fuel production and/or distribution	Improving energy efficiency is a crucial part of any strategy to reduce Green House Gas (GHG) emissions.
	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. 	<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 that does not decrease biomass or carbon pools in soil • Ocean power • Small-scale, run-of-river hydropower 	<ul style="list-style-type: none"> • Projects that are large-scale (>25MW) dam or reservoir based hydro projects • Issuers or companies that are involved in large-scale (>25MW) dam or reservoir based hydro projects. 	<p>The development of renewable energy resources is a crucial and central ingredient of any broad strategy to address climate change and to shift economies toward greater sustainability.</p>
	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 		
	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 		
	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) 	

Green Transport	Vehicle energy efficiency	<ul style="list-style-type: none"> • Vehicle, rail or boat fleet retrofit or replacement with technologies including electric or hydrogen technologies 	<ul style="list-style-type: none"> • Efficiency improvements involving conventional fossil-fuel combustion engines (hybrids engines and technologies are eligible) 	<p>Transportation accounts for an about 15% of GHG emissions globally. Because most transportation currently relies on fossil fuels, there is both a great need and opportunity to gain efficiency and to switch to sustainable sources of energy, especially renewable electricity.</p>
	Urban transportation systems and infrastructure	<ul style="list-style-type: none"> • Development and operation of sustainable public or mass transportation systems. This could also include equipment for bus and other rapid transit systems. • Development of infrastructure for non-motorized transport (bicycles and pedestrian mobility) • Improvement of energy efficiency of infrastructure and transport. An example could include reduction of empty running • 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 (and GHG emissions). Examples could include setting high-occupancy vehicle lanes, road pricing, parking management. 	<ul style="list-style-type: none"> • Development and improvement of transport links to airports 	
	Freight transport	<ul style="list-style-type: none"> • Development or improvement of railway transport to ensure a modal shift from road to rail • Development or improvement of water transport to ensure a modal shift from road to waterways 	<ul style="list-style-type: none"> • 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. • Reduction of emissions that result from deforestation and degradation of ecosystems. An example could include a biosphere conservation project. 		<p>The sustainable production of food and management of forests and other land are clearly of vital importance to environmental sustainability as well as social security. Agriculture and forest management have both a major impact on and will be impacted by climate change, among other environmental challenges. There is an urgent need for investment in companies and technologies that reduce the impact of agriculture while facilitating the intensification of production, and forest management practices that utilize forest resources both efficiently and sustainably.</p>
	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, grazing by 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 with large impact on food supplies and forestation 	
Waste Management	Waste and wastewater	<ul style="list-style-type: none"> • Solid waste management that reduces methane emissions. Examples could include landfill gas combustion, landfill gas capture. • Processes that facilitate treatment of wastewater on a significantly large scale, i.e. beyond compliance with legal requirements • Processes that recycle waste materials as inputs into new products or use waste materials as a resource • Development, manufacture, installation, or operation of technologies, systems, or facilities that recycle, compost, or increase efficiency of wastewater processing 		<p>Waste generation and waste management are rapidly growing global challenges that are closely linked to other environmental concerns including resource depletion and climate change. There is a need for investment in solutions that reuse waste materials, divert waste from landfill, and reduce the impact of problems created by landfill such as the release of methane.</p>

GHG Emission Reduction not attained through Energy Efficiency	GHG emission reduction	<ul style="list-style-type: none"> • Reduction in GHG emissions resulting from improvements to industrial processes • Reduction in GHG emissions resulting from retrofit of existing commercial, residential, or industrial infrastructure with cooling agents that have a lower GHG footprint • Processes that facilitate the reduction of methane emissions in the oil and gas industry • Developing processes/systems to reduce GHG emissions in a company's existing product supply chain 		Reduction of GHG emissions is not limited to only improving energy efficiency; other processes/activities that account for heavy GHG emissions are also targets for improvement.
	Cross-sector activities	Policies, regulations, and trainings	<ul style="list-style-type: none"> • Developing energy sector policies and regulations, including policies around mitigation of climate change. Examples could include developing energy efficiency standards or schemes, developing renewable energy policies, developing regulations on efficient energy generation/distribution, etc. • Developing systems for monitoring the emissions of GHG • Developing education, training and/or capacity building programs around climate change mitigation, sustainable energy. 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. 		
Sustainable	Material			

	Sustainable Water Management	<p>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.</p> <ul style="list-style-type: none">• Infrastructure and engineering projects developing new or repairing existing water and sanitation pipelines, including equipment and technology provider 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	<ul style="list-style-type: none">• Distribution of drinking water without measurable improvements to water quality, water efficiency, or climate change resilience components	
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Impact Eligibility Social Thematic Criteria

Themes	Sub-themes	Eligible Activities	Exclusions	Impact Rationale for Themes
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 	Access to affordable housing plays a significant role in determining physical security, and increasing economic inclusion for people.
	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 	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 		Education has a direct link to economic opportunity. Improved educational outcomes are linked to poverty reduction and to greater economic inclusion.
	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, standalone, or university affiliated hospital, clinic 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 • Development and/or expansion of any buildings or facilities at non-profit, standalone, or university affiliated mental health facility 		<ul style="list-style-type: none"> • Barriers to basic healthcare and nutritional services have individual and societal costs, and can decrease lifespan and significantly limit economic opportunity. • Medical diagnostics equipment is a critical tool in successfully diagnosing and treating patients • Medical equipment is often unaffordable for hospitals/clinics situated in underprivileged areas • Research into neglected diseases and essential medicines is generally underfunded by large pharmaceutical companies
	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 (ex: 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 & 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 / remote connectivity 		<p>Transportation and communication plays a crucial role in facilitating access to economic opportunity.</p> <p>It connects underserved and vulnerable populations to employment opportunities, markets, and/or training programs.</p>
	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/remote connectivity 		
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. 		<p>Economic inclusion breaks down barriers to finding sustainable employment, and offers opportunities for people to shift above minimum income levels and economically integrate into society.</p>
	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 in deprived areas of developed markets • SME loans that finance any involvement in alcohol, tobacco, gambling, military weapons, or small arms 	

<p>Economic Inclusion (continued)</p>	<p>Regeneration of Public Spaces</p>	<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 	<p>Professional stadiums and sports centres</p>	
<p>Cross- theme</p>	<p>Financing non-profit institutions</p>	<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 		
	<p>Financing development banks, national development banks, Intergovernmental Organisations (IGOs), or supranational organisations</p>	<ul style="list-style-type: none"> • Raising capital, lending to or co-investing with development banks or Development Finance Institutions (DFIs), • Raising capital, lending to IGOs. Examples could include any United Nations agency. • Raising capital, lending or co-investing with supranational organisations. • Raising capital, lending or co-investing with national development banks, 		
	<p>Directed Purpose financing to assist municipalities to transition out of debt</p>	<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. 		

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Sustainalytics is an independent ESG and corporate governance research, ratings and analysis firm supporting investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, Sustainalytics partners with institutional investors who integrate environmental, social and governance information and assessments into their investment processes. Today, the firm has more than 300 staff members, including 170 analysts with varied multidisciplinary expertise of more than 40 sectors. Through the IRRI survey, investors selected Sustainalytics as the best independent responsible investment research firm for three consecutive years, 2012 through 2014 and in 2015, Sustainalytics was named among the top three firms for both ESG and Corporate Governance research. The firm was also named the Best SRI or Green Bond Research Firm by Global Capital in 2015, and Most Impressive Second Opinion Provider by Global Capital in 2017. For more information, visit www.sustainalytics.com

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