

Barclays Coal Statement

April 2018



Introduction

Barclays' success and prosperity is closely linked to the success and prosperity of the communities in which we live and work. This principle guides the way we do business and drives our commitment to play a leading role in the transition towards a sustainable environment and low carbon global economy. In order to deliver long-term sustainable value, we consider that when customers and clients do well, so do we. When the communities we live and work in thrive, we do too. And when society prospers, we all do – it's not one, or the other.

Climate change and resource scarcity are acknowledged as two of the greatest global challenges facing our society today. As a global institution, we support our clients and communities as they adopt measures to mitigate and adapt to climate change such as clean technologies and disaster resilience. Within this area, we continue to support global partnerships.

Barclays has a strong and longstanding commitment to managing the environmental and social risks associated with lending and other types of financial services. Our approach to environmental and social risk management is based on a combination of policy, standards and guidance. This enables us to adopt a robust approach, while maintaining the flexibility to consider potential clients and transactions on their respective merits. Barclays has a dedicated Environmental Risk Management (ERM) team in place to advise on client transactions that have associated environmental or climate-related risks.

This statement outlines Barclays' appetite for doing business with the coal mining and coal-fired power sector. We understand the concerns associated with these two industries. We aim to balance these concerns with the need for an orderly transition to a lower carbon economy that meets the world's current and future energy needs.

The market conditions surrounding the coal industry have changed considerably over recent years and many countries, including the UK, have announced their intent to move away from coal combustion as part of their Nationally Determined Contribution (NDC) plans. We believe that the increase in new, efficient technology and diversification of the world's energy mix to include cleaner fuel sources will continue to drive this overall decline in global coal demand over the next several decades. However, we also recognise that certain countries' energy and growth needs will continue to require coal, and that thermal coal will represent a component of the overall power generation mix for the foreseeable future. Barclays' appetite for supporting these sectors takes these factors into consideration, along with our own geographical footprint and client base.

Scope of position statement

This statement covers Corporate Banking and Investment Banking clients active in the thermal coal mining and coal fired power sectors.

Approach to due diligence

Clients active in the thermal coal mining and coal-fired power sector, and specific transactions related to these sectors, are reviewed on a case by case basis and subject to analysis against specific environmental and social risk considerations which include, but are not limited to:

- Adherence to the Equator Principles (if a project finance or credit transaction is deemed in scope) and relevant IFC performance standards.
- Adherence to local and national environmental regulation and standards and industry best practice.
- Management of direct environmental issues including air, ground and water pollution, biodiversity protection and impacts on protected areas such as World Heritage Sites.
- Use of efficient technology.
- Impact on local communities and adoption of the "free prior and informed consent" principle, in particular when considering impacts on indigenous communities.
- Health and safety.
- The client's own strategy for managing climate change risk, including disclosure against principles such as the FSB Taskforce on Climate Related Financial Disclosures (TCFD).
- The client's geographical spread and potential for stranded asset risk.

More detail on the environmental and social risk considerations for these clients can be found in the **Mining and Power** industry guidance notes as well as information on the approach taken to **environmental risk management**.

Appetite criteria

Credit exposure and financing

Broadly speaking, Barclays will continue to reduce credit exposure to clients that derive the majority of their revenue from thermal coal mining and power generation clients where more than 50% of their power generation mix is coal-fired. We aim to continue reducing our lending exposure to such entities over the medium term as thermal coal declines in proportion to other power generation fuel sources globally. If a client is involved in both thermal coal mining and power generation, the combined revenue of both activities would be considered and if it constituted the majority of total revenue, it would fall into this category. To the extent that Barclays does engage in lending or other corporate finance activities, enhanced due diligence will be carried out on a case by case basis to determine whether the transaction and company's broader strategy meets Barclays' environmental, social and reputation risk criteria.

Thermal coal mining

Barclays has **no appetite** for project finance transactions for the development of greenfield thermal coal mines anywhere in the world.

Mountaintop removal coal mining (MTR)

Mountain Top Removal (MTR) is defined as the removal of the whole or a portion of the upper fraction of a hill or mountain to access and recover a coal resource, with excess overburden stored as valley fill either permanently or temporarily. Barclays recognises that MTR in the Appalachian region of the USA is a legal mining method, overseen by a robust regulatory framework. However, it is also one that has been subject to intense political, judicial and regulatory debate over the last decade, due to negative environmental and social impacts on the one hand, and positive, local impacts on the other.

The following restrictions are in place for the MTR sector:

- Barclays does not directly finance MTR projects or developments.
- Barclays' approach is to apply enhanced due diligence to all credit and capital markets facilities involving clients which practice MTR. This includes a review of operating practices and track record of legal compliance, environmental management, reclamation, litigation and community relations/engagement.
- Provision of financial support to companies which are significant producers of MTR-sourced coal will be agreed by exception only. Grounds of exception may be:
 - A written commitment by the client to transition away from MTR production within a reasonable timeframe.
 - Use of funds known to be for reclamation/restoration of affected site(s).
 - Use of funds known to be for the express purpose of assisting a client transition away from MTR.

Coal-fired power

Barclays has **no appetite** to support the following financing scenario:

- Project financing to support the construction or material expansion of coal-fired power stations in high income OECD countries¹. (Coal-fired power stations employing carbon capture and proven sequestration technology (CCS) will be considered on a case by case basis).
- Project Financing to support the construction or material expansion of coal-fired power stations in non-high income OECD countries², unless they use super-critical or ultra-critical technology. Transactions in this category will undergo enhanced due diligence on a case by case basis, to determine whether the transaction and the client's broader strategy meets Barclays' environmental, social and reputation risk standards.

Barclays will continue to provide general corporate financing for existing corporate clients that own and operate existing coal-fired power stations. However, we will review these arrangements on a case by case basis and where we become aware that a company generates more

than 50% of its power from coal, we would engage with the client to understand its plans for transitioning to a lower carbon energy mix over the medium-term.

We expect such companies to manage environmental impacts in line with national, regulatory, requirements; use the best available technology appropriate to and available at the site location and demonstrate how the continued operation of such power stations aligns with host country NDCs.

Barclays World Heritage Site and Ramsar Wetlands

statement outlines the financing restrictions in place for client activities taking place in these areas of high biodiversity value.

Existing clients

Barclays will continue to pro-actively engage existing clients in the coal mining and coal-fired power sector to discuss broader climate strategy and plans for transitioning to a lower carbon business model.

Other types of financial products and services

When Barclays is asked to support clients via the provision of other financial products and services, a similar approach will be taken to due diligence and consideration of the client's business activities as outlined above.

Escalation procedure

Our approach is that all relationships and transactions that are not excluded by, but are on the margins of, the above criteria undergo enhanced due diligence and are referred to the Environmental Credit Risk Team and the Sustainability team for review and advice. Where appropriate, these are then escalated to the appropriate business unit Transaction Review Forum and, in need, the Group Executive Committee and the Board Reputation Committee for final decision..

Client engagement

Barclays and the wider financial services sector has a significant role to play in the transition to a lower carbon economy. As part of this, Barclays is committed to supporting its client base with their own transition and providing the relevant products and services that enable it to do so. We pro-actively engage clients on environmental and social issues both as part of and outside formal due diligence processes and believe that a collaborative approach to addressing global issues is essential.

This Statement has been approved by Barclays Executive Committee and the Board Reputation Committee. It will be reviewed and refreshed on an annual basis.

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¹Refer to countries listed as "repayment category I" at <http://www.oecd.org/trade/xcred/2017-Internet-table-2-english-as-of-19-july-2017.pdf>

²Refer to countries listed as "repayment category II" at <http://www.oecd.org/trade/xcred/2017-Internet-table-2-english-as-of-19-july-2017.pdf>