

Defence & Security
Statement

April 2023



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About this document

This document updates the previous policy positions set out in our existing Defence & Security Statement

April 2023

Introduction

Our purpose is to deploy finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and for the long term. Our purpose informs our overall business strategy.

As part of our overall business strategy, including risk management, Barclays gives careful and appropriate consideration to business relationships we have with all our clients, which includes clients operating in the Defence and Security Sector, seeking to ensure that any Financial Proposition provided is consistent with our purpose. We recognise that various types of defence equipment are considered necessary for achieving internationally accepted goals, such as legitimate national defence and security purposes as set forth in the Charter of the United Nations, or peacekeeping missions. At the same time, we also recognise that the Defence and Security Sector involves equipment and activities that have the potential to lead to significant impacts on individuals, communities and the broader geopolitical landscape.

Our approach to risk management in providing Financial Propositions to clients in the Defence and Security Sector is underpinned by our adherence to applicable laws and regulations. We assess each proposal on a case-by-case basis and legal compliance alone does not automatically meet our requirements for support.

Scope of Position Statement

This statement covers the provision of Financial Propositions to clients operating in the Defence and Security Sector.

Barclays has no appetite for certain activities, including, but not limited to, the following:

- Providing any Financial Proposition² to companies known to trade in, or manufacture cluster munitions and their components in violation of the International Convention on Cluster Munitions.
- Providing any Financial Proposition² to companies known to trade in, or manufacture, chemical and biological weapons.
- Providing any Financial Proposition² to companies known to trade in, or manufacture, landmines in violation of the Anti-Personnel Landmines Convention or any equipment designed to be used as an instrument of repression or torture, in violation of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.
- Directly financing³ the manufacture of, or trade in, nuclear weapons.

In addition to these activities, Barclays currently has no appetite for providing new Financing⁴ to operators of US immigration centres or operators of US private prisons.

Approach to Enhanced Due Diligence

Barclays conducts enhanced due diligence (EDD) as appropriate on clients in the Defence and Security Sector. Individual transactions may also undergo additional EDD review, where deemed to present a higher risk.

Our EDD process considers relevant information from a number of sources, including information from independent data providers and information regarding relevant legal requirements which have practical implications (for example, the imposition of embargoes and sanctions).

The EDD process assesses specific risk considerations which may include, but are not limited to:

- In cases where clients or transactions are exporting equipment, the status of the exporter (including confirmation of the appropriate export licence when appropriate) and the importing /exporting country (for example, whether the importing country is considered a conflict zone).
- The nature of the equipment and its likely use, including any potential for it to be on-sold to another end-user or to be adapted for offensive application.
- The potential risks associated with clients' use of any third parties or agents in the course of its business to assist with the gaining of particular contracts.

- Clients' association with controversial weapons banned by international treaty agreements.
- Any adverse media identified relating to the conduct of the client and / or their defence products or services.
- The human rights track record of the client, their counterparties, or the region(s) within which they operate.
- Compliance with applicable laws and regulations.
- Potential risks of the exports being used to support intrastate oppression or unjustified external aggression.

Referral and Escalation Procedure

Where client relationships or transactions are assessed as higher risk following an enhanced due diligence review, they are then considered for escalation to the appropriate business unit review committee where there is representation from the appropriate subject matter experts.

Should the issues be assessed as presenting material reputational risk, including risks to compliance with our Human Rights Position Statement, these clients/relationships would be escalated to the Group Reputation Risk Committee, which comprises members of the Group Executive Committee.

Governance

This document is approved by the Head of Public Policy & Corporate Responsibility and noted by the Group Executive Committee.

Definitions

1. Defence and Security Sector includes, but is not limited to, companies operating in the following sectors: military hardware such as vehicles, arms, and munitions; related military services such as defence systems; military ancillary products such as ammunition launchers; security products and services such as armed security, surveillance, or riot control equipment; military IT equipment and support services such as military electronics and logistics; certain types of private prisons and immigration centres; and civilian and sporting firearms.
2. Financial Proposition means financial services including but not limited to banking, advisory or investment services.
3. Directly financing refers to project finance, or other lending/underwriting or the arrangement and distribution of debt or equity, where the use of proceeds is known to be for a particular project.
4. Financing refers to all lending, underwriting, arranging and distributing debt and equity, trade and working capital finance.