

Barclays PLC

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April–June 2023

Approved verifier: Sustainalytics

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Scope and Objectives

In November 2020, Barclays PLC (“Barclays” or the “Bank”) issued a green bond (the “Barclays Green Bond 2020”)¹ certified under the Low Carbon Buildings criteria of the Climate Bonds Standard Version 3.0, aimed at financing or refinancing a portfolio of green mortgages for energy-efficient residential buildings in England and Wales. In March 2023, Barclays engaged Sustainalytics to review the assets financed with proceeds from the issued green bond (the “Nominated Assets”) and provide an assessment as to whether they met the Post-Issuance Requirements and Buildings Criteria² of the Climate Bonds Standard Version 3.0.³

The Nominated Projects and Assets include:

- Low Carbon Buildings
 - Energy-efficient residential buildings in England and Wales that are among the top 15% of buildings in terms of carbon intensity.⁴

Schedule 1 provides details of the Nominated Assets and disbursement of proceeds.

Post-Issuance Evaluation Criteria

Post-Issuance Requirements of the Climate Bonds Standard Version 3.0:

- Use of Proceeds
- Evaluation and Selection of Projects & Assets
- Management of Proceeds
- Reporting

Issuing Entity’s Responsibility

Barclays is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project and disbursed amounts.

¹ Barclays, “Barclays Green Bond Framework”, (2019), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/fix-income-investors/20191212-Green-Bond-Framework.pdf>

² Climate Bonds Initiative, “Buildings Criteria”, (2020), at:

https://www.climatebonds.net/files/files/standards/Buildings/Low%20Carbon%20Building%20Criteria_V_1_1_July2020.pdf

³ Climate Bonds Initiative, “Climate Bonds Standard Version 3.0”, (2019), at: <https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf>

⁴ Barclays has devised a formula for estimating carbon intensities of the residential buildings by considering properties that meet the top 15% carbon intensity threshold in terms of estimated emissions performance in their local market, the UK government’s linear target of close to zero emissions by 2050 and the mid-point between the issuance date and maturity of the respective Barclays Green Bond 2020. Sustainalytics notes that the formula could be updated by Barclays owing to release of the new EPC dataset.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Barclays Green Bond 2020, issued to finance the Nominated Assets, and provided an independent opinion informing Barclays as to the conformance of the bond with the Post-Issuance Requirements and Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Barclays with respect to the Nominated Assets. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Barclays.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The work undertaken as part of this engagement included conversations with relevant Barclays employees and review of relevant documentation to assess the conformance of the Barclays Green Bond 2020 with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0.

Exceptions

No exceptions were identified. All projects and assets aligned with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0 and were in conformance with the Low Carbon Buildings criteria.

Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of GBP 400 million from the Barclays Green Bond 2020 is not in conformance with the Low Carbon Buildings criteria of the Climate Bonds Standard's Post-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects as of 31st December 2022:

Table 1: Portfolio overview

Category	Asset type	Number of loans	Allocation amount (GBP million)
Green Buildings	Buy-to-let mortgages	2	0.3
	Residential owner-occupied mortgages	1,844	400.2
	Total⁵	1,846	400.4^{6,7}

Table 2: Estimated carbon intensity of the portfolio⁸

Total estimated carbon intensity of the portfolio	26,647 KgCO ₂ /m ² /year
Average estimated carbon intensity of the portfolio	14.43 KgCO ₂ /m ² /year
Annual estimated KgCO ₂ avoidance of allocated Eligible Mortgage Assets (EMA) portfolio versus national EPC average ⁹	5,771,254 KgCO ₂ 6,362 US tCO ₂

Table 3: Asset breakdown by estimated carbon intensity¹⁰

KgCO ₂ /m ² /year	Aggregate account balance (GBP)	% of total value	Number of loans	% of total number
00 - 1.99	875,092	0.22%	3	0.16%
02 - 3.99	4,151,856	1.04%	17	0.92%
04 - 5.99	3,485,430	0.87%	19	1.03%
06 - 7.99	6,445,210	1.61%	27	1.46%
08 - 9.99	9,054,998	2.26%	36	1.95%
10 - 11.99	15,118,222	3.78%	62	3.36%
12 - 13.99	58,957,480	14.72%	239	12.95%
14 - 15.99	193,002,440	48.20%	852	46.15%
16 - 17.99	91,047,553	22.74%	477	25.84%
18 - 19.99	15,647,304	3.91%	98	5.31%
20 - 21.99	2,074,942	0.52%	12	0.65%

⁵ Allocated to loans that are Barclays Green Home Mortgages.

⁶ The numbers may not sum precisely due to rounding of the figures. The total amount allocated is GBP 400.4 million.

⁷ Sustainalytics notes that the amount assigned to the green bond (GBP 400.4 million) exceeds the amount issued (GBP 400 million) due to Barclays' replenishment process whereby mortgages that meet the eligibility criteria are added to the pool to replace mortgages that have been redeemed.

⁸ The details pertaining to total estimated carbon intensity, average carbon intensity, and estimated emissions avoided of the allocated portfolio have been calculated by Barclays and shared with Sustainalytics.

⁹ Barclays communicated to Sustainalytics the following regarding its methodology to calculate avoidance of CO₂ emissions: The calculation compares the average estimated carbon intensity of the allocated portfolio of EMAs against a comparable domestic baseline. The domestic baseline is the average estimated carbon intensity of all properties in the most recent EPC dataset which includes approximately 24 million properties in England and Wales with EPCs issued up to and including 31st March 2023. This dataset is only used for the purpose of projecting the national average of carbon intensity for properties in England and Wales. The total number of domestic properties in England and Wales exceeds the number of buildings used in the dataset. Further information can be found here: <https://home.barclays/investor-relations/fixed-income-investors/funding-and-liquidity/green-and-social-bonds/>

¹⁰ The details pertaining to estimated carbon intensity, aggregate account balance, number of loans and their proportions in the total portfolio have been calculated by Barclays and shared with Sustainalytics.

22 - 22.5	585,595	0.15%	4	0.22%
Total	400,446,122.37	100%	1,846	100%

Table 4: Asset breakdown by EPC Ratings

Year of inspection	Aggregate account balance (GBP)	Share of loans by value (in %)	Number of eligible assets	Share of loans by number (in %)
2017	2,890,649	0.72%	12	0.65%
2018	27,431,047	6.85%	129	6.99%
2019	107,312,265	26.80%	494	26.76%
2020	141,232,700	35.27%	619	33.53%
2021	81,290,454	20.30%	408	22.10%
2022	40,289,007	10.06%	184	9.97%
Total	400,446,122.37	100%	1,846	100%

Table 5: Asset breakdown by property type

Property type	Number of mortgages loans	Amount (in GBP)	Share of allocation (in %)
House	1,730	377,905,636.52	94.37
Flat	113	22,219,481.15	5.55
Bungalow	2	271,216.07	0.07
Maisonette	1	49,788.63	0.01
Total	1,846	400,446,122.37	100%

Table 6: Asset breakdown by region

Region	Number of mortgage loans	Amount (in GBP)	Share of allocation (in %)
South East	514	126,977,090.98	31.71
Eastern England	286	68,218,407.96	17.04
South West	278	58,710,758.68	14.66
York and Humberside	212	40,213,915.81	10.04
North West	157	27,330,922.90	6.83
East Midlands	133	24,807,072.37	6.19
West Midlands	108	21,910,891.90	5.47
North East	99	17,763,961.57	4.44
Greater London	43	11,246,322.61	2.81
Wales	16	3,266,777.59	0.82
Total	1,846	400,446,122.37	100%

Table 7: Seasoning of mortgage loans

Age of mortgage loans (months)	Aggregate account balance (in GBP)	Share of loans by value (in %)	Number of eligible assets	Share of loans by number (in %)
2-04	1,840,466.97	0.46%	10	0.54%
4 - 06	18,570,422.76	4.64%	87	4.71%
6 - 08	12,548,190.98	3.13%	56	3.03%
8 - 10	14,715,329.90	3.68%	71	3.85%
10 - 12	14,022,698.72	3.50%	75	4.06%
12 - 14	10,515,841.21	2.63%	69	3.74%
14 - 16	12,360,326.98	3.09%	74	4.01%
16 - 18	4,612,991.21	1.15%	24	1.30%
18 - 20	6,340,766.47	1.58%	29	1.57%
20 - 22	40,454,488.51	10.10%	166	8.99%
22 - 24	36,106,787.35	9.02%	152	8.23%
24 - 26	34,723,232.31	8.67%	140	7.58%
26 - 28	27,557,179.56	6.88%	128	6.93%
28 - 30	19,490,126.68	4.87%	82	4.44%
30 - 32	6,062,370.51	1.51%	26	1.41%
32 - 34	21,318,877.54	5.32%	96	5.20%
34 - 36	26,246,575.07	6.55%	124	6.72%
36 - 38	20,755,865.78	5.18%	99	5.36%
38 - 40	21,145,827.60	5.28%	97	5.26%
40+	51,057,756.26	12.75%	241	13.06%
Total	400,446,122.37	100%	1,846	100%

Schedule 2A: Post-Issuance Requirements of the Climate Bonds Standard

<p>Use of Proceeds</p>	<p>5.1 The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets.</p> <p>5.2 All nominated Projects & Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Issuer shall allocate the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per Clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects & Assets. Net proceeds may be reallocated to other Nominated Projects & Assets at any time while the Bond remains outstanding.</p> <p>5.4 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>5.4.1. distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or</p> <p>5.4.2. the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p> <p>5.5 Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects & Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p>5.6 The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.</p> <p>5.7 The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects & Assets, or the relevant proportion of the total Market Value of the Nominated Projects & Assets which are owned or financed by the Issuer.</p> <p>5.8 Additional Nominated Projects & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond's objective as set out in Clause 6.1.1.</p> <p>5.8.1. Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier's Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.</p>
<p>Process for Evaluation and Selection of Projects & Assets</p>	<p>6.1 The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>6.1.1. A statement on the climate-related objectives of the Bond;</p> <p>6.1.2. How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p>

	<p>6.1.3. The Issuer’s rationale for issuing the Bond;</p> <p>6.1.4. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</p> <p>6.1.5. Other information provided by the Issuer as described in Clause 2.2</p>
Management of Proceeds	<p>7.1 The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.</p> <p>7.2 The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets as described in Clause 3.1.3.</p> <p>7.3 While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets. Pending such allocations to Nominated Projects & Assets, the balance of unallocated Net Proceeds shall be:</p> <p>7.3.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function;</p> <p>7.3.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p> <p>7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>
Reporting – Post-issuance	<p>8.1 The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.</p> <p>8.1.2. The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.</p> <p>8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Evaluation Criteria	Factual Findings	Error or Exceptions Identified
Use of Proceeds	<p>5.1 A list of Nominated Projects & Assets is provided in Schedule 1.</p> <p>5.2 The Nominated Projects & Assets meet the documented objectives of the finance and are in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Net Proceeds have been allocated to Nominated Projects & Assets within one month of issuance of the Bond.</p> <p>5.4 Barclays confirms that the Nominated Projects & Assets have not been nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).</p> <p>5.5 Barclays confirms that it has tracked the share of the Net Proceeds used for financing and refinancing.</p> <p>5.6 Barclays' Green Bond Framework documents that the Net Proceeds are tracked following a formal internal process.</p> <p>5.7 Barclays has confirmed that the Net Proceeds raised are no greater than the total investment exposure or debt obligation to the Nominated Projects & Assets which are owned or financed by the Issuer.</p> <p>5.8 N/A 5.8.1. N/A</p>	None
Process for Evaluation and Selection of Projects & Assets	<p>6.1 Barclays' Green Bond Framework documents a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>6.1.1 A statement on the climate-related objectives of the financing;</p> <p>6.1.2 How the climate-related objectives of the financing are positioned within the context of Barclays' overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>6.1.3 Barclays' rationale for issuing the Bond;</p> <p>6.1.4 A process to determine Nominated Projects & Assets meet the eligibility requirements specified in the Climate Bonds Standard;</p> <p>6.1.5 Other information provided by Barclays as described in Clause 2.2.</p>	None
Management of Proceeds	<p>7.1 Barclays has confirmed that the Net Proceeds of the Bond were credited to a sub-account, moved to a sub-portfolio or otherwise identified by Barclays in an appropriate manner, and documented.¹¹</p>	None

¹¹ Barclays has provided its process to allocate and manage the use of proceeds in its 2019 Green Bond Framework. Barclays, "Barclays Green Bond Framework", (2019), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/fixed-income-investors/20191212-Green-Bond-Framework.pdf>

	<p>7.2 Barclays has confirmed that it maintained an earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets.</p> <p>7.3 Barclays has confirmed that proceeds were fully allocated immediately upon issuance and that the total value of eligible assets has exceeded the cumulative amount issued at all times. Hence, no temporary investments were made. Barclays confirms its commitment to holding proceeds in the liquidity buffer and informing investors about the same in case of temporary investments pending full allocation.</p>	
Reporting – Post-issuance	<p>8.1. Barclays is committed to preparing an Update Report at least annually while the financing remains outstanding.¹²</p> <p>8.1.2. The Update Report will be made available to the lenders and to the Climate Bonds Standard Board.</p> <p>8.1.3. Barclays will provide an Update Report to the lenders on a timely basis in case of material developments.</p>	None

¹² Barclays has committed to annually reporting on the allocation and impact reporting of the use of proceeds in a public Green Issuance Report in their 2019 Green Bond Framework. Barclays, “Barclays Green Bond Framework”, (2019), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/fixed-income-investors/20191212-Green-Bond-Framework.pdf>

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Sustainalytics has also been engaged to deliver an impact review and an allocation review, reports which have been prepared by a distinct, separate team.

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