

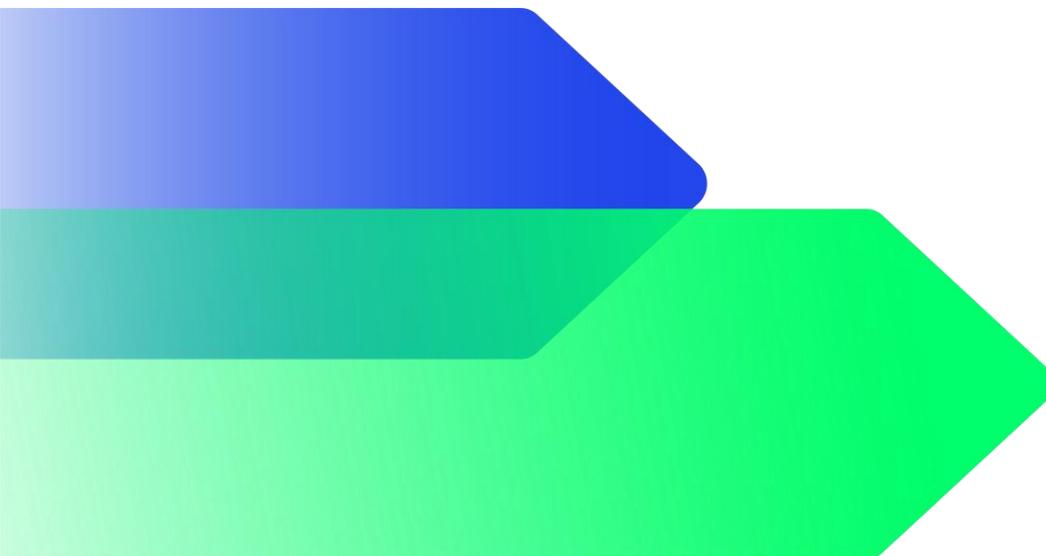
REPORT

# Barclays Green Index- Linked Note

Independent Limited Assurance Report to Barclays PLC Group concerning Green Index Selection alignment with the Barclays Green Index Selection Principles – July 2021

**S&P Net Zero 2050 Paris-Aligned ESG Indices**

23.11.2021



# Limited Assurance Conclusion

Based on the work undertaken and the evidence provided by Barclays PLC Group, nothing has come to the Carbon Trust's attention that causes us to believe that the selection of the S&P Net Zero 2050 Paris-Aligned ESG Indices by Barclays PLC Group as set out in the Basis of the Opinion section, is not consistent with the requirements of the Barclays Green Index Selection Principles – July 2021.

**Table 1 Summary assessment results of the S&P Net Zero 2050 Paris-Aligned ESG Indices selection adherence to the Barclays Green Index Selection Principles – July 2021**

<b>Barclays Green Index Selection Criteria: Categories of Principles</b>	<b>The Carbon Trust's Assessment Result</b>
<b>1. Environmental Principles</b>	<b>Consistent with the Principles</b>
<b>2. Internal Governance Principles</b>	<b>Consistent with the Principles</b>
<b>3. Structural Principles</b>	<b>Out of Scope</b>
<b>4. External Review Principles</b>	<b>Out of Scope</b>

## Summary assessment results

Please find below a summary of Barclays PLC Group's ("Barclays") adherence to the Green Index Selection Criteria outlined in the Barclays Green Index Selection Principles – July 2021 (the "Principles"), in selecting the S&P Net Zero 2050 Paris-Aligned ESG Indices, and the Carbon Trust's scoring.

**Table 2 Summary assessment details and results of the S&P Net Zero 2050 Paris-Aligned ESG Indices selection adherence to the Barclays Green Index Selection Principles – July 2021 Environmental Principles and Internal Governance Principles**

	Categories of Principles	Criteria	Summary of the Carbon Trust Assessment	Carbon Trust Assessment Scale
1	Environmental Principles	The index construction principles are consistent with at least one of the UN Sustainable Development Goals	Index construction objectives are aligned with the United Nation Sustainable Development Goal 13, Climate Action as the index selects securities compatible with a minimum self-decarbonisation rate of greenhouse gas (GHG) emission intensity aligned with a 1.5°C scenario, equating to at least 7% GHG intensity reduction on average per annum.	<p>Not aligned with Principles</p> <p><b>Consistent with Principles</b></p> <p>Exceed the Principles</p>
2	Environmental Principles	The index construction principles are consistent with at least one of the six environmental objectives in the EU Taxonomy for Sustainable Activities and/or any equivalent UK taxonomy	<p>Index construction principles are compatible with the climate change mitigation objectives of the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)<sup>1</sup>.</p> <p>The index family is labelled as "Paris-Aligned Benchmarks" explicitly in adherence with EU Taxonomy Climate Change Mitigation principle.</p>	<p>Not aligned with Principles</p> <p><b>Consistent with Principles</b></p> <p>Exceed the Principles</p>
3	Environmental Principles	The index can be categorised into one or more of the below approaches to green index	The Index is a combination of i) exclusionary screening and iv) temperature alignment.	Not aligned with Principles

<sup>1</sup> Regulation as published online at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

		<p>construction. An index might utilise one or more of these approaches simultaneously:</p> <ul style="list-style-type: none"> <li>i. Exclusionary screening</li> <li>ii. Best-in-class</li> <li>iii. Thematic</li> <li>iv. Temperature alignment</li> </ul>		<p>Consistent with Principles</p> <p>Exceed the Principles</p>
4	<b>Internal Governance Principles</b>	The index must be approved by the Issuer's Green Bond Committee ("GBC") with a positive recommendation by the Issuer's Green Bond Index Subcommittee ("GBI")	Internal governance principles of index selection and approval are coherent with the Principles.	<p>Not aligned with Principles</p> <p>Consistent with Principles</p> <p>Exceed the Principles</p>
5	<b>Internal Governance Principles</b>	The index must be reassessed by the GBI, with a positive recommendation by the GBI concerning each index for use in a Green Index-Linked Note, and having made a thorough review, and thereafter the GBC must review and, if appropriate, approve each Green Index at least annually.	Internal governance principles of index selection and approval are coherent with the Principles.	<p>Not aligned with Principles</p> <p>Consistent with Principles</p> <p>Exceed the Principles</p>

This Opinion statement shall be read in the context of the 'Basis of the Opinion' and this statement's intended use

Hugh Jones, Managing Director,  
Carbon Trust Assurance Limited



23.11.2021

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This Opinion statement (the "Opinion") is given by Carbon Trust Assurance Limited ("CTA") and is addressed solely to the Barclays PLC Group ("Barclays") in accordance with the terms of the engagement contract between us and Barclays. We have not considered the interest of any other party in the Opinion. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any other party for our work, for this statement or for the conclusions we have reached. CTA will not accept any form of liability for the substance of the Opinion and/or any liability for damage arising from the use of the Opinion and/or the information provided in it. As the Opinion is based on information made available by Barclays, CTA does not warrant that the information presented in this Opinion is complete, accurate or up to date. Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability of investing in any securities or any asset whose value is derived from any

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# Basis of the Opinion

## Scope of the engagement

The Carbon Trust's ("we", "our") objective is to assess and provide independent pre-issuance limited assurance that opines on Barclays PLC Groups' ("Barclays") adherence to the Barclays Green Index Selection Criteria as outlined in the Issuer's Green Index Selection Principles (the "Principles") concerning Barclays' selection of the S&P Net Zero 2050 Paris-Aligned ESG Indices in respect of a prospective Green Index-Linked Note issuance.

## Assurance standard applied

We performed our work in accordance with Carbon Trust's assurance methodology, which is based on the International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Information.

## Management Responsibilities

Barclays are responsible for developing and maintaining the Barclays Green Index Selection Criteria as outlined in the Barclays Green Index Selection Principles – July 2021; for the procedures described there and in the Barclays Green Issuance Framework (July 2021); for designing, implementing and maintaining internal controls relevant to the Index with respect to the Green Index-Linked Note issuance, that are free from material misstatement, whether due to fraud or error; and for reporting relevant information concerning the Green Index-Linked Note issuance.

## Carbon Trust's Responsibilities

The Carbon Trust's responsibility is to plan and perform work to form an opinion on whether the two categories of principles of 'Environmental Principles' and 'Internal Governance Principles', in the Green Index Selection Criteria, have been applied in a manner that is clear, correct, and robust with regards the selection of the S&P Net Zero 2050 Paris-Aligned ESG Indices, for the purpose of Barclays' upcoming Green Index-Linked Note issuance.

Furthermore, to report to Barclays in the form of a Limited Assurance Conclusion based on the work undertaken and the evidence obtained.

Carbon Trust has not performed any work and does not express any conclusion regarding the ongoing effectiveness of the application of the Management's procedures or internal controls. The Limited Assurance Conclusion is based on information provided to us by Barclays and we have relied on the accuracy of that information and does not include an audit or other verification that the information provided by Barclays is correct or accurate.

## Procedures performed

The Carbon Trust planned and performed its work to obtain all the information and explanations deemed necessary to provide a basis for an impartial and informed limited assurance conclusion, reported in this

Independent Limited Assurance Report to the Barclays PLC Group (the “Report”). The procedures we performed were based on our professional judgement and work included, but was not restricted to:

- Conducting an assurance engagement, to a limited level of assurance, to confirm the extent to which the criteria detailed under the two categories of principles of ‘**Environmental Principles**’ and ‘**Internal Governance Principles**’, in the Green Index Selection Criteria, have been applied in a manner that is clear, correct, and robust.
- Reviewing the relevance and materiality of selected key performance measures identified by Barclays, as well as the anticipated reliability of assessment and reporting approaches reported by Barclays.
- Evaluating the sustainability features of the family of indices and conformance to criteria set out in the Principles, and the minimum standards, methodology requirements and relevant criteria set out for Paris-Aligned Benchmarks defined in Regulation (EU) 2019/2089 for EU Paris-Aligned benchmark indices.
- Testing on sample basis evidence of the family of indices construction methodology and index alignment with the EU Sustainable Finance Taxonomy.
- Testing Barclays governance and management processes and systems for transparency and alignment with the Principles.
- Interviewing relevant Barclays personnel to understand the key related processes, systems, controls, both current and committed, and related documentation.
- Interviewing relevant Barclays personnel to assess compliance with the Principles and the implementation of associated policies and procedures.
- Inspected documentation to corroborate the statements of Barclays personnel in our interviews.
- Preparing our Independent Limited Assurance Report, incorporating the findings, conclusions and relevant information gathered during the assurance process.

For the purpose of Barclays’ upcoming Green Index-Linked Note’ issuance, the index under review is:

- S&P Net Zero 2050 Paris-Aligned ESG Indices<sup>2</sup>

## **Carbon Trust’s competence, independence, and quality assurance**

The Carbon Trust maintains our independence from our clients and objectivity with regards to engagements, by maintaining, and adhering to appropriate governance processes that reflect industry best practice for assurance and independent review services. We evaluate potential conflicts and threats

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<sup>2</sup> For more information, including the complete methodology document and benchmark statement, please consult: <https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-paris-aligned-climate-transition-pact-indices.pdf>

to our independence and objectivity, introduce suitable mitigants where these are relevant, and represent to client management concerning these issues.

Our commitment to impartiality and quality assurance is established in our policies, procedures and management structure and reflect international standards for quality management. As a result, the conclusions in this report reflect an impartial undertaking of the scope of the engagement.

The Carbon Trust evaluates our competency and suitability to perform the assurance engagement, given the objective, scope of the work and the particulars of the subject matter. We ensure the selection of appropriately qualified individuals based on their qualifications, training, and experience. The outcome of all verification, certification and assurance engagements is internally reviewed by senior management to ensure that the approach is rigorous and transparent.

## **Criteria used as the basis of reporting**

### **The Barclays Framework**

As outlined in Barclays Green Issuance Framework (July 2021) (the “Framework”), Barclays continues to embed sustainability across the bank with local, regional, and cross-group bodies in place to drive sustainability initiatives and develop new green financing products. Barclays was the first UK bank to issue a Green Bond backed by UK assets in November 2017, and the first major UK high street lender to launch a Green Home Mortgage.

Barclays wants to ensure that their retail customers and corporate clients have access to financing that places green principles at its core, and they are committed to putting this into practice underpinned by their Framework. Barclays may, from time to time seek to issue Green Bonds, Green Covered Bonds, Green Structured Notes, Green Index-Linked Notes and Green Commercial Paper (collectively, “Green Issuance”), underpinned, and defined by this Framework.

Barclays’ aim has been to design a robust framework that is consistent with the Green Bond Principles, as set out by the International Capital Markets Association (ICMA), and to ensure the Framework aligns with the United Nations (UN) Sustainable Development Goals. Barclays will also seek to review and amend the Framework in line with future EU and/or UK regulation on sustainable financing, including the EU Taxonomy for Sustainable Activities and any proposed UK-equivalent regulation.

Barclays aims to obtain Climate Bonds Initiative (CBI) or EU Green Bond Standard certification for each Barclays Green Issuance.

### **The Green Index-Linked Note Issuance**

As outlined in Barclay's documentation, the Barclays Green Structured Note Programs (GSNP) combines an equities derivative style pay-off with cash proceeds from investors. This is managed by Barclays in line with the Bank's Framework. The main objective of the GSNP is the ability to offer investors a green investment opportunity whereby both the embedded derivative and use of proceeds of the bond are green.

Barclays has defined high-level principles (“Barclays Green Index Selection Principles - July 2021” or the “Principles”) by which each index is assessed on a case-by-case basis, with the intention of creating a diverse and inclusive platform that can be tailored to the needs of their clients. This aims to provide a clear rationale for the choice of any particular index.

The Principles include four categories of principles:

- 1. Environmental Principles**
- 2. Internal Governance Principles**
- 3. Structural Principles**
- 4. External Review Principles**

Barclays commits to adhering to their Green Index Selection Principles for each Green Index utilised in a Green Index-Linked Note.

### **Assessment rating system**

To support the analysis, the Carbon Trust applies a rating system to assess each of the Categories of Principles:

**Table 3 Scale of assessment of index alignment with the Categories of Principles**

	<b>Out of Scope</b>
	<b>Not aligned with the Principles</b>
	<b>Consistent with the Principles</b>
	<b>Exceeds the Principles</b>

# Carbon Trust Assessment

## S&P Net Zero 2050 Paris-Aligned ESG Indices

Table 4 Summary assessment against Environmental Principles Criteria 1

<b>Criteria 1</b>	The index construction principles are consistent with at least one of the UN Sustainable Development Goals
<b>Carbon Trust comment</b>	
<b>Sustainable Development Goal (SDG) Alignment</b>	<p>SDG 13 - Climate Action</p> 
<b>Evaluation</b>	<p>The Sustainable Development Goals (SDGs) are a collection of 17 interlinked goals set by the United Nations General Assembly for achievement by countries, organisations, and citizens by 2030.</p> <p>Among the 17 goals, the construction principles of the selected index are deemed to be consistent with the United Nation Sustainable Development Goal 13: "Climate Action". More specifically, the index is aligned with UN SDG 13, target 13.1, which consists of taking urgent action to combat climate change and its impacts. Contribution to this goal can be achieved through targets defined by the UN SDG 13, including reducing GHG emissions.</p> <p>S&amp;P Net Zero 2050 Paris-Aligned Climate ESG Index Series measure the performance of eligible equity securities from an underlying parent index selected and weighted to be collectively compatible with:</p> <ul style="list-style-type: none"> <li>• a minimum self-decarbonisation rate of GHG emissions intensity, in accordance with the trajectory implied by Intergovernmental Panel on Climate Change's (IPCC) most ambitious 1.5°C scenario, equating to at least 7% GHG intensity reduction on average per annum.</li> </ul>
<b>Carbon Trust's assessment</b>	
<b>Consistent with the Principles</b>	

**Table 5 Summary assessment against Environmental Principles Criteria 2**

<b>Criteria 2</b>	The index construction principles are consistent with at least one of the six environmental objectives in the EU Taxonomy for Sustainable Activities and/or any equivalent UK taxonomy
<b>Carbon Trust comment</b>	
<b>Evaluation</b>	<p>The index construction principles which aim to track a portfolio of large/mid-cap companies across developed markets and are designed to be compatible with the 1.5°C global warming scenario, are compatible and aligned, with the climate change mitigation objective of the EU Taxonomy.</p> <p>The Regulation (EU) 2020/852 clause (24) on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) specifically clarifies the scope of an economic activity that pursues the environmental objective of climate change mitigation as to:</p> <ol style="list-style-type: none"> <li>i. Contribute substantially to the stabilisation of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals.</li> <li>ii. Be consistent with the long-term temperature goal of the Paris Agreement.</li> </ol> <p>Furthermore;</p> <ul style="list-style-type: none"> <li>• Article (2) of the Regulation, defines ‘climate change’ as “the process of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels”.</li> </ul> <p>Pursuant to Articles 19(a)(2) and 19(b)(1) of Regulation (EU) 2019/2089, Commission Delegated Regulation (EU) 2020/1818<sup>3</sup> lays down the minimum standards for EU CTBs and EU PABs. The proposed index family incorporate a variety of specified decarbonization targets including:</p> <ul style="list-style-type: none"> <li>• Alignment to a 1.5°C climate scenario using Trucost’s Transition Pathway Model.</li> <li>• Minimum self-decarbonization rate of GHG emissions intensity in accordance with the trajectory implied by Intergovernmental Panel on Climate Change’s (IPCC) most ambitious 1.5°C scenario, equating to at least 7% GHG intensity reduction on average per annum.</li> <li>• Increased exposure to companies with Science Based Targets from the Science Based Target Initiative (SBTI) that are credible and consistent with the above decarbonization trajectory.</li> </ul> <p>The index construction criteria appear to contribute substantially to the stabilisation of greenhouse gas emissions and the index composition, and the</p>

<sup>3</sup> Regulation as published online at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1818>

	underlying methodology appear consistent with the long-term temperature goal of the Paris Agreement.
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<b>Carbon Trust’s assessment</b>
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<b>Consistent with the Principles</b>	
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**Table 6 Summary assessment against Environmental Principles Criteria 3**

<b>Criteria 3</b>	<p>The index can be categorised into one or more of the below approaches to green index construction. An index might utilise one or more of these approaches simultaneously:</p> <ol style="list-style-type: none"> <li>1. <b>Exclusionary screening</b> – these are exclusion filters applied to the base universe of stocks which exclude companies displaying certain adverse traits, for example companies which have primary operations in thermal coal.</li> <li>2. <b>Best-in-class</b> – these filters select for the best companies in each category, for example lowest carbon emissions per unit of revenue / gross value add.</li> <li>3. <b>Thematic</b> – these indices are selected based on a specific, distinct theme which contributes towards Environmental goals which could relate to a specific Environmental theme, area, or sector, for example clean energy or carbon capture.</li> <li>4. <b>Temperature alignment</b> – these are indices with a specific target of selecting companies with carbon emissions reductions compatible with a target temperature goal. Note that Green Indices selected under this approach do not necessarily have to meet the EU Paris-aligned Benchmark or EU Climate Transition Benchmark standards.</li> </ol>
<b>Carbon Trust comment</b>	
<b>Evaluation</b>	<p>All indices in the series feature the exclusion of companies from the underlying parent index with:</p> <ul style="list-style-type: none"> <li>• Involvement in controversial weapons, tobacco, small arms, military contracting, thermal coal, oil sands, shale energy, gambling, and alcohol business activities.</li> <li>• Non-compliant United Nations Global Compact (UNGC) principle violations.</li> <li>• Involvement in relevant ESG controversies.</li> </ul> <p>In addition, the Trucost Transition Pathway<sup>4</sup> approach is based on two models: the Sectoral Decarbonization Approach (“SDA”) (Krabbe, et al., 2015), and the</p>

<sup>4</sup> For more information please visit:

<https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-paris-aligned-climate-transition-pact-indices.pdf>

	<p>Greenhouse Gas Emissions per unit of Value-Added Approach (“GEVA”) (Randers, 2012), which are each recommended by the Science Based Targets Initiative (Science Based Targets Initiative, 2019).</p> <p>The approach allows for a forward-looking perspective on likely future greenhouse gas emissions and uses a carbon budget allocation method to allocate each company a total amount of carbon emissions per year. These allocations allow companies, as a collective, to be 1.5°C aligned provided their emissions remain within the allocation budgets.</p> <p>The SDA approach is sector specific and is used for high emitting sectors. The SDA uses carbon intensity based on sector specific measures of output. The SDA approach also sets carbon budgets for specific sectors, which allows some sectors to decarbonize more slowly where the opportunities for decarbonization are far lower. This is allowed by setting more aggressive targets for sectors with greater scope for decarbonization.</p> <p>While GEVA is applied to lower emitting or heterogeneous business activities. For these companies, the methodology applies a contraction in carbon intensity principle under which a company should make emissions reductions.</p>
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**Carbon Trust’s assessment**

**Consistent with the Principles**

**Table 7 Summary assessment against Internal Governance Principles Criteria 4**

<b>Criteria 4</b>	<p>The index must be approved by Issuer’s Green Bond Committee (“GBC”) with a positive recommendation by the Issuer’s Green Bond Index Subcommittee (“GBI”).</p> <ul style="list-style-type: none"> <li>• The GBI is a subcommittee set up to assess and make a recommendation on each index for use in a Green Index-Linked Note.</li> <li>• The GBI consists of a diverse pool of subject matter experts with expertise in equities index creation and sustainability. These include, but are not limited to, representatives from Quantitative Investment Strategies, Equities Structuring, Platform Development, Principal Structuring, Climate Risk, Sustainability, Legal and Compliance.</li> </ul> <p>The GBI will make a recommendation for each index based on a thorough review of the index’s governance process, construction methodology, data usage as well as any other supporting information such as peer reviews, citations and use in research material. The Issuer’s Green Bond Committee will review and, if appropriate, approve each Green Index based on the GBI’s recommendations and the Environmental Principles set out above.</p>
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**Carbon Trust comment**

<b>Evaluation</b>	<ul style="list-style-type: none"> <li>As part of the Green Structured Note governance process, the GBI has been established with the objective to provide and make recommendation on the suitability of the index to be utilised in a Green Index-Linked Note.</li> <li>The governance structure leverages the existing knowledge and expertise.</li> <li>Barclays has set up an internal process where overall the GBI will make a recommendation of whether the index meets the Green Index Selection Principles and therefore whether it is fit for use in a Green Index-Linked Note issuance.</li> <li>GBC reviews and approves assets and indices for use in Green Index-Linked Note.</li> </ul>
<b>Carbon Trust's assessment</b>	
<b>Consistent with the Principles</b>	

**Table 8 Summary assessment against Internal Governance Principles Criteria 4**

<b>Criteria 5</b>	The index must be reassessed by the GBI and approved by the GBC at least annually. For avoidance of doubt, if an index is no longer considered to meet the Principles set out in this document, structured notes referencing this index will no longer be considered as a Green Index-Linked Note by Barclays. Note this does not constitute a termination event for such note; though Barclays will not continue to sell the security nor upsize any existing notes outstanding.
<b>Carbon Trust comment</b>	
<b>Evaluation</b>	Barclays provided evidence the GBI has considered relevant industry benchmarks, market practices and standards (EU Paris-Aligned Benchmark). The governance structure is coherent and aligned with the Principles. The GBI to reassess at least annually the index appropriateness and to be further approved by the GBC.
<b>Carbon Trust's assessment</b>	
<b>Consistent with the Principles</b>	

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Published in the UK: 2021