

# Measuring performance

Our performance measurement framework undertakes a holistic assessment and sets out our progress towards the strategic goals of the organisation. Our framework is focused on achieving positive and sustainable outcomes for our diverse group of stakeholders.



## Company

### How we are doing

Group Return on Tangible Equity\* (RoTE)

8.5%

2017 (1.2)%

CET1

13.2%

2017 13.3%

Cost: income ratio

77%

2017 73%

Operating expenses†

£13.9bn

2017 £14.2bn

RoTE measures our ability to generate acceptable returns for shareholders. It is calculated as profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit recorded in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill.

This measure indicates the return generated by the management of the business based on shareholders' tangible equity. Achieving a target RoTE demonstrates the organisation's ability to execute its strategy and align management's interests with the shareholders'. RoTE lies at the heart of the Group's capital allocation and performance management process.

The CET1 ratio is a measure of the capital strength and resilience of Barclays. The Group's capital management objective is to maximise shareholder value by prudently managing the level and mix of its capital. This is to ensure the Group and all of its subsidiaries are appropriately capitalised relative to their minimum regulatory and stressed capital requirements, and to support the Group's risk appetite, growth, and strategic options while seeking to maintain a robust credit proposition for the Group and its subsidiaries.

The ratio expresses Barclays' capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of Capital Requirements Directive IV (CRD IV) – an EU directive prescribing capital adequacy and liquidity requirements, and is part of the regulatory framework governing how banks and depository institutions are supervised.

Barclays views operating expenses as a key strategic area for banks; those which actively manage costs and control them effectively will gain a strong competitive advantage.

The cost: income ratio measures operating expenses as a percentage of total income and is used to assess the productivity of the business operations.

### How we are doing

#### Group RoTE

RoTE for the Group, excluding litigation and conduct, was 8.5%. Based on a CET1 ratio of 13% this would have been 8.3%.

#### CET1

The Group's CET1 ratio continued to be at the end-state target of c.13%. The ratio decreased to 13.2% (2017: 13.3%), as CET1 capital decreased to £41.1bn and RWAs remained broadly stable at £311.9bn, as underlying profit generation of £4.2bn was more than offset by £2.1bn of litigation and conduct charges, as the bank resolved legacy matters, £1.7bn for ordinary dividends and AT1 coupons paid and foreseen, and £1.0bn from the redemption of capital instruments.

#### Operating expenses and cost: income ratio

Group operating expenses were £13.9bn† in line with 2018 guidance, while Total operating expenses were £16.2bn (2017: £15.5bn), including litigation and conduct, and a charge of £140m in relation to the equalisation of Guaranteed Minimum Pensions (GMP).

The Group cost: income ratio including litigation and conduct increased to 77% (2017: 73%) due to stable income and a 5% increase in total operating expenses, which included litigation and conduct charges for an RMBS settlement and PPI provisions.

For further information on the financial performance of the Group, please see pages 51 to 53.

\* Excluding litigation and conduct

† Excluding litigation and conduct and Guaranteed Minimum Pensions (GMP) charges



## Customers and Clients

### How we are doing

Barclays Net Promoter Score® (NPS)

**+17**

2017 +14

Lending to UK businesses

**c.£63bn**

2017 c.66bn

Barclays UK complaints including PPI

**down 1% YoY**

2017 down 7% YoY



### Key outcomes we will look to achieve include:

- building trust with our customers and clients, such that they are happy to recommend us to others
- successfully innovating and developing products and services that meet their needs
- offering suitable products and services in an accessible way, ensuring excellent customer and client experience.

### How we measure success

Measures used in our evaluation include, but are not limited to:

- Net Promoter Score® (NPS)\*
- client rankings and market shares<sup>a</sup>
- complaints performance
- lending volumes provided to customers and clients
- digital engagement
- conduct indicators.

### How we are doing

#### Areas of encouragement Net Promoter Scores (NPS)<sup>b</sup>

The net promoter metrics across our brands are a view of how willing customers are to recommend our products and services to others, indicating how satisfied they are with their overall experience with us. Barclays Relationship NPS increased to +17 (2017: +14) due to continued investment into our customer experience, value propositions and consumer campaigns that not only strengthen our brand but work to improve the financial and security awareness of our customers. Barclaycard UK relationship NPS stayed flat over the year, closing at +9 at year-end (2017: +9). The Relationship NPS of the US Consumer Bank increased further to +38 (2017: +36) supported by our customer centric culture and improvements in our products and digital experience.

### Client rankings and market shares<sup>c</sup>

The Banking franchise maintained its sixth place ranking by fee share (2017: sixth) in our UK and US home markets across M&A, equity and debt capital markets, and retained its top 3 position in the UK (Dealogic).

Our Markets franchise delivered strong results, maintaining its fourth place ranking in Global Fixed Income market share (Greenwich Associates).

Ninety-five per cent of our largest UK corporate clients considered the service they receive from Barclays to be good, very good or excellent, up from 88% in 2017 (Charterhouse).

### Lending volumes provided to customers and clients<sup>d</sup>

Barclays continued to be an important provider of financial services to UK businesses. We provided around £63bn of lending, down 6% on 2017, as we continued to exert high levels of discipline in capital allocation decisions as part of our returns agenda, strengthening the long-term sustainability of the business for all our stakeholders.

#### Notes

- a All Markets ranks and shares: Coalition, FY18 Preliminary Competitor Analysis based on the Coalition Index and Barclays' internal business structure
- b NPS measures customer experience and facilitates benchmarking. It is widely used in banking and other industries and utilises a mixed-methodology to ensure full representativeness of financial behaviours across the UK population. The basis of Barclays Relationship NPS has been a 12-month rolling average to minimise data fluctuations. Source: UK: GfK FRS, 12 months ending December 2018. Adults interviewed: 8,765 Barclays main Current Account holders (Barclays Relationship NPS), and 4,741 Barclays main Credit Card holders (Barclaycard UK Relationship NPS); US: Satmetrix, average of two semi-annual results
- c Charterhouse Research based on 683 interviews (173 Barclays £25m+) with companies turning over between £25m and £1bn carried out in year end 2018. Survey data is weighted by turnover and region to be representative of the total market in Great Britain. % Responses – Excellent, Very Good and Good.
- d Best Lender for Buy to Let (Moneywise), Best lender for Remortgage (Moneywise), Best Lender for Large loans (Moneywise), Best National Bank (Mortgage Strategy Gazette), Best Intermediary Lender (Mortgage Strategy Gazette), Best Overall Lender (Mortgage Strategy Gazette), Best Buy to Let Lender (Mortgage Strategy Gazette), Mortgage Lender of the Year (Mortgage Introducer), Best Offset Mortgage Lender (What Mortgage), Best remortgage lender (Personal Finance)

\* Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

## Key performance indicators

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A vibrant small and medium-sized enterprises (SMEs) sector is a vital ingredient for a healthy market economy. Barclays UK provided new lending of £2.8bn to SMEs, 3% more than last year and completed over 110,000 mortgages for customers, worth over £23bn, up 1.5% year-on-year. Our Mortgage business won 10 awards in 2018, confirming our continued focus on customer experience.

### Digital engagement

In the era of constant technological development, it is crucial for us to provide a market leading digital offering and digitally engage with our customers. By the end of 2018, around 10.8m customers and clients in the UK were using our digital services on a regular basis, 6% more than in 2017 with our Barclays Mobile Banking (BMB) user base increasing from 5.5m to nearly 6.2m.

In 2018, 69% of the US Consumer Bank customers are now digitally active (vs. 66% in 2017), and 57% now receive paperless statements. Our strategy and customer centricity is encouraged by the prestigious third place in J.D. Power's 2018 Credit Card Satisfaction Survey. To maintain and improve this position, we continue to work on building our single, integrated native app to provide our customers an effortless experience. The app will allow customers to apply for products, manage their accounts, and track rewards earned all in one convenient place.

In the Open Banking environment, we are committed to serve a new type of client: developers. Through our API Exchange, we received more than 8.4m calls or requests to our open APIs<sup>a</sup> in 2018.

BMB is the most used mobile banking app in the UK (source: eBenchmarkers) and was the first core banking app from a major UK high street bank to enable account aggregation through Open Banking technology. This means that customers can now view their balances and transactions from other banks in BMB without having to share their online or mobile banking credentials. Further to this, we also improved the functionality of our app throughout 2018 to better help our customers manage their money, with a temporary card-freeze feature for misplaced debit cards, a calendar view of regular payments and the ability to open an Everyday Saver account entirely in BMB. This has proved particularly popular, with over 60% of Everyday Saver



accounts being opened digitally this year. We will continue to add great new features to BMB in the near future, including spend categorisation and financial insights.

### Areas of continued focus

#### Complaints performance

In Barclays UK, we continue to focus on customer experience by transforming customer journeys. Our underlying complaint volumes reduced 9% year-on-year. However, we have seen an increase of 2% in PPI complaints. Total Barclays UK complaint volumes (including PPI) were down 1% year-on-year. Barclays International complaint volumes have shown a small increase (2%) year on year. The level of complaints we receive remains too high and reducing them further will continue to be a key priority for us in 2019

#### Conduct indicators

Barclays has operated at the overall set tolerance for Conduct risk throughout 2018. The tolerance is assessed by the business through key indicators which are aggregated and provide an overall rating which is reported to the Board Reputation Committee as part of the Conduct Dashboard. We remain focused on the continuous improvement being made to manage Conduct risk effectively, with an emphasis on enhancing governance and management information to facilitate the identification of risks at earlier stages. For further information on the management and performance of Conduct risk, please refer to the Risk review section on pages 146 and 212 of the Barclays PLC Annual Report 2018.

#### Note

a Open APIs are publicly available application programming interfaces that provide developers programmatic access to our products and services and use them in third-party applications. For example, a bookshop can integrate Barclays' payment initiation API into its web shop. After selecting the desired book, the customer is directed to her bank to authorise the payment without using a card or sharing any details with the bookshop. We make our open APIs available on the Barclays API Exchange website.



## Colleagues

### How we are doing

Sustainable engagement of colleagues

79%

2017 78%, 2016 75%

Women in senior leadership roles

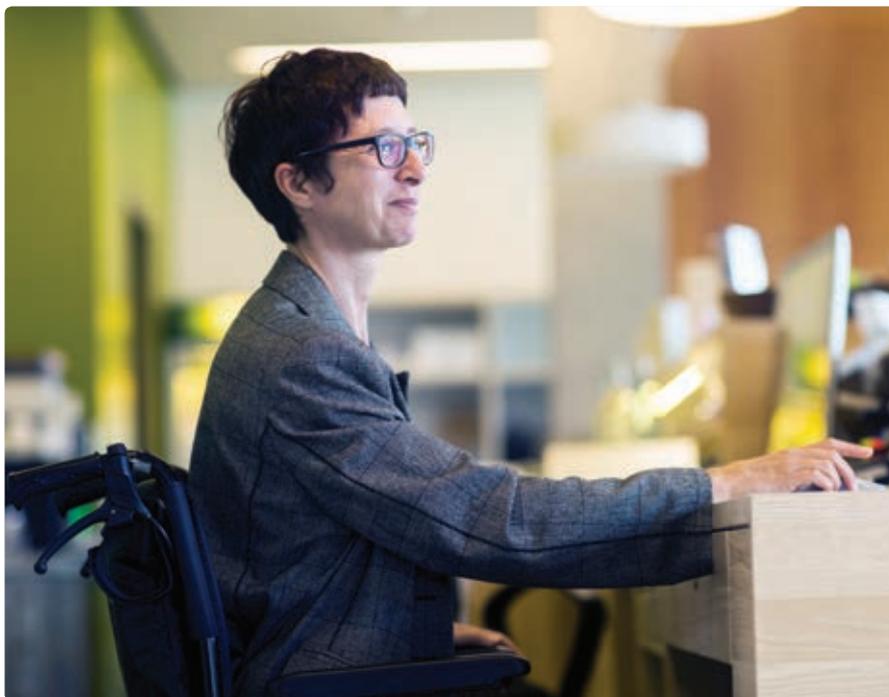
24%

2017 23%

"I would recommend Barclays as a good place to work"

86%

2017 82%



### Key outcomes we will look to achieve include:

#### Promoting and maintaining:

- a diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- engaged and enabled colleagues
- a positive conduct and values-based culture.

#### How we measure success

#### Measures used in our evaluation include, but are not limited to:

- diversity and inclusion statistics
- employee sustainable engagement survey scores
- conduct and culture measures.

### How we are doing

#### Areas of encouragement

##### *A diverse and inclusive workforce*

We continue to focus heavily on our culture, and in particular how we provide the right environment for all of our colleagues to feel able to bring their whole selves to work. We were delighted that 91% of our employees who responded in our Your View employee opinion survey agreed that we had made real progress again this year.

We were also proud to be recognised through a number of external awards in 2018:

- The Times Top 50 Employers for Women 2018
- Stonewall Top Global Employer for LGBT employees, 2018
- Working Families UK Best for Embedded flexibility for Dynamic Working, 2018
- UK Top 10 employer for Working Families, 2018
- Department of Work and Pensions Disability Confident Leader, 2017 to 2020
- Business in the Community Best Employer for Race 2018.

##### *Engaged and enabled colleagues*

An engaged workforce is critical to the success and delivery of our strategy. We continue to measure this with our annual Employee Opinion Survey, Your View, using the outputs to help shape our human capital agenda and areas of executive focus across all of our businesses and functions supported by small 'pulse check' surveys each quarter.

This year, our overall sustainable engagement increased to 79%, up four points from 2016, when we last had our all colleague survey. Our scores around Energise and Engage were also up five and four points on 2016 to 83% and 88%, respectively, which is above Financial Services Companies norms and our Enable score was up five percentage points to 65%.

##### *A positive conduct and value-based culture*

We have continued to make good progress on embedding our culture measurement framework and are now working with our businesses to develop further metrics to track and monitor performance on a more granular level which will be implemented in 2019.

We saw a notable increase on the question, 'Is it safe to speak up at Barclays', which went from 77% to 86%. Other key highlights which also demonstrate the continued embedding of the Values of Respect and Stewardship include: "Barclays is focused on achieving good customer and client outcomes" (92% favourable, 2016: 83%); "I would recommend Barclays as a good place to work" (83% favourable, 2016: 76%); and "I can be myself at work" (91% favourable. A new question for 2018).

#### Areas of continued focus

##### *A diverse and inclusive workforce*

Gender diversity, particularly at senior leadership levels within the organisation remains our focus. At the end of 2012 the percentage of women in our senior leadership roles (Managing Directors and Directors) was 20% and we set ourselves a target to reach 26% by the end of 2018. The 2018 year-end

# Key performance indicators

## Measuring performance

position was 24% at the Barclays Group level (2017: 23%), the 2% gap can be attributed to the divestment of our Africa business. Our 2021 target is to reach 28% women in our senior leadership roles with each of our businesses developing local actions to help reach this Group-wide target.

We report progress on the women in senior leadership target annually to HM Treasury as part of our commitment to the Women in Finance Charter. We have committed to the Hampton-Alexander recommended targets of 33% female representation on the Board of Directors by 2020 year-end, and 33% female representation across the Group Executive Committee and direct reports by 2020 year-end. We are currently at 27% (2017: 21%), and 28% (2017: 26%), respectively.

This year, we have again increased our activities to support the development of our senior female leadership population and we expanded our Encore! Programme to attract more women returners. At our graduate level, the percentage of female hires in 2018 was 37% across the Barclays Group (2017: 40%).

Under the Companies Act 2006, Barclays is required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 83,500 (47,500 male, 36,000 female), 555 were senior managers (401 male, 154 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior Managing Directors, and directors on the boards of undertakings of the Group, but exclude individuals who sit as Directors on the Board of the Company. The definition of senior managers within this disclosure has a narrower scope than the Managing Director and Director female representation data provided above.

### Engaged and enabled colleagues

Our score on the Enable pillar, which measures how Barclays is helping colleagues to meet challenges and overcome obstacles, has been on an upward trend since 2016. Yet it remains our biggest opportunity to improve, and we are not yet where we want to be. An area of continued opportunity is enabling our colleagues through enhanced technology and collaboration tools.

### A positive conduct and value-based culture

We will maintain our focus to embed meaningful tracking of our culture with the revised culture dashboards. We will continue to target efforts in our action plans to address the key opportunities for improvement, such as an obstacle-free working environment that allows colleagues to do their jobs well.



## Citizenship

### How we are doing

#### Access to financing

**£27.3bn**

2017 £31.7bn

#### People helped to improve skill sets through employability partnerships

**2.4m**

2017 2.1m

#### Global carbon emissions reduction

**38%**

2017 26.1%

### Key outcomes we will look to achieve include:

- making decisions and doing business in a way that provides our clients, customers, shareholders, colleagues and the communities we serve with access to a sustainable and prosperous future.
- proactively managing the environmental and societal impacts of our business.

### How we measure success

#### Measures used in our evaluation include, but are not limited to:

- delivery against the Shared Growth Ambition
- colleague engagement in citizenship activities
- external benchmarks and surveys.

### How we are doing

#### Areas of encouragement

#### Delivery against the Shared Growth Ambition

We met or exceeded five out of six internal objectives on the annual Shared Growth Ambition metrics. Performance was ahead of target against our annual internal milestones for the three focus areas of 'Access to financing', 'Access to digital and financial empowerment' and 'Access to employment'. We also met or exceeded our 2018 annual targets for The Barclays Way training and carbon emissions reduction. Supplier payment on time was below target due to a change in systems, which impacted performance during the year.

#### Access to financing

We have continued to build our capability to deliver financing solutions across a range of social and environmental sectors including renewable energy, education, healthcare and development finance institutions. Our financing volume is tracked and screened using Barclays Impact Eligibility Framework, developed in collaboration with Sustainalytics a global provider of ESG and corporate governance, research, ratings and analytics. In 2018 Barclays facilitated £27.3bn in financing for specific social and environmental sectors across our business (2017: £31.7bn). The reduction from prior year reflects market conditions, including the impact of changes in U.S. tax law which caused certain qualifying clients to accelerate new debt issuance from 2018 into 2017. Underlying environmental financing increased 11% to £5.3bn, driven by a range of capital markets transactions and a growing volume from our dedicated green product portfolio.

We expanded our green product portfolio, including the launch of the first Green Mortgage for retail customers by a mainstream UK institution, added Green Trade Finance to our Corporate Banking green product set, and structured several innovative transactions such as the first Sustainability-linked Revolving Credit Facility for a US borrower.

We also deepened client engagement on these issues and hosted Barclays' inaugural Green Frontiers conference with a keynote presentation from former US Vice President Al Gore. We continue to engage with industry groups and policymakers on enhancing sustainable finance flows and providing a supportive policy framework.



#### [Access to financial and digital empowerment](#)

We continue to focus on empowering customers and providing dedicated products, tools and training to help enhance access to financial services, manage digital security and improve financial health. We helped support around 260,000 people in 2018 (2017: 205,000) through initiatives such as Barclaycard Initial for those with a limited credit history; our Digital Eagles network, comprised of specially trained Barclays employees working to provide free technology support to both customers and non-customers alike. See the Barclays UK performance overview on pages 30 to 33 for further information on the support we provide to financially vulnerable customers, disabled people and older customer groups, and tools to enhance financial health and tackle fraud.

#### [Access to employment](#)

Barclays is committed to helping people gain access to the skills they need to secure meaningful employment, connecting job seekers and employers, and supporting entrepreneurs to scale their businesses to create new jobs. We helped improve the skills of over 2.4 million people in 2018 (2017: 2.1 million), driven by a range of employability partnerships around the world, our global Connect with Work programme and our LifeSkills programme in the UK.

We held programmes for the third year of the 'Unreasonable Impact' programme, created in partnership with the Unreasonable Group, focused on scaling innovative ventures that solve environmental and societal problems and grow to create new jobs. More than 90 ventures have participated to date in programmes across

the UK and Europe, US and Asia.

Our programmes received a number of awards. Barclays was named on the Fortune 2018 Change the World List for the first time for positive social impact connected to core business strategy. Additional awards include the Business in the Community (BITC) Outstanding Employment Award for our Connect with Work programme, and the Corporate Engagement Award for Best Environmental or Sustainable Programme and Better Society Innovation Award, both for Unreasonable Impact.

#### [Proactively managing the environmental and societal impacts of our business](#)

We released statements in April 2018 on our approach to the coal sector and Ramsar Wetlands and World Heritage Sites. This was followed by a more comprehensive statement on our approach to energy and climate change in January 2019 (which strengthened and replaced our Coal Statement), and which includes a wider range of sensitive energy sectors. See the box on page 25 for more information.

We published an updated Statement on Modern Slavery which includes additional information on the work our financial crime teams are doing in partnership with law enforcement agencies to identify suspicious activity and support our customers. The statement is available on our website [home.barclays/citizenship/our-approach/human-rights.html](http://home.barclays/citizenship/our-approach/human-rights.html)

We continued to manage our operational environmental impacts, reducing global

carbon emissions by 38% (2017: 26.1%) and exceeding our target of 30% reduction by 2018 against the 2015 baseline.

We achieved 82.1% (2017: 89%) on-time payment by value to our suppliers, falling short of our public commitment of 85% for the first time. This metric was affected by a change in systems which impacted performance during the year.

#### [Colleague engagement in citizenship activities](#)

Our colleagues are central to the success of our citizenship strategy and in driving our societal impact. Beyond the financial services we provide, our colleagues support the local communities in which we operate through volunteering, matched fundraising and payroll giving. We provide the opportunity to engage via our Barclays programmes such as LifeSkills and Digital Eagles among others, but similarly support other charitable activities in which our colleagues participate. We have active internal Environmental, Green Banking and Social Innovation networks. We celebrate our colleague engagement and participation through our 21st annual Citizenship Awards, which saw almost 1,500 employees nominated. 87% of colleagues who responded to the annual Your View employee survey are proud of Barclays' contribution to the community and society, above the global Financial Services Companies norm.

#### [Areas of continued focus](#)

Banks play a key role in connecting the providers and users of capital. Barclays recognises this role in serving society, and our success as a business has always been inextricably linked to the progress of the people and businesses that we serve.

As society's expectations of businesses continue to evolve, we aim to stay ahead of those expectations. It is by focusing on our core products and services, and our relationships, that we can make the greatest positive impact.

So as we move forward into 2019, our citizenship and sustainability work will evolve to align with our new Purpose, and will go further towards improving the positive social environmental impact of the business we do every day.

# Key performance indicators

## Measuring performance

### Capital and products

We will continue to develop opportunities to achieve positive outcomes through the products and services we provide across the diverse consumer and wholesale client segments we serve:

- We will facilitate £150bn of social and environmental financing by 2025, including funding for sectors such as renewable energy, clean technology, education, affordable housing and national and supranational development institutions.
- We remain committed to the green bond market as an investor and after meeting our £2bn target, we now aim to double our green bond investment to £4bn over time.

### Skills and employability

We will scale our partnerships with leading community organisations to address critical skills development and employability opportunities:

- we aim to upskill ten million people to support all generations across the UK through LifeSkills by 2022
- we will also use our networks to help provide pathways to employment using a demand-driven approach. We will help place 250,000 people into work through our Connect with Work partnerships across the UK, US and Asia by 2022.

### Economic growth

Barclays has been part of the fabric of the UK for over 328 years. In addition to our role in the UK as a leading employer and provider of financial services across all segments of the economy, we will also pursue targeted local economic growth initiatives working in partnership with stakeholders:

- we will support business growth across the UK through dedicated regional and industry focused growth funds
- we will work with partners to identify the opportunities to Build Thriving Local Economies and run pilot schemes in four different local economies around the UK by 2022.

### Sustainable innovation

We recognise the role of innovation in solving some of society's major challenges and the part Barclays can play in supporting new ideas to flourish and entrepreneurs and ventures to grow and thrive:

- we will support innovative business models and help to mentor over 250 high impact

businesses solving social and environmental challenges through our Unreasonable Impact accelerator by 2022

- we will continue to support Barclays' Social Innovation Facility (SIF) to enable colleagues to develop new products and services that allow Barclays to generate both commercial and social value.

### Environmental stewardship

Banks have an important role to play in ensuring the world's energy needs are met while helping to limit the threat that climate change poses to people and to the natural environment. We are focused on three areas of activity at Barclays:

- financing the growth of renewable energy sources and proactively supporting the development of businesses aiming to solve the world's environmental challenges
- taking a responsible and sustainable approach to the necessary financing of sources of energy that are more carbon intensive or those with higher environmental impact; and
- reducing the carbon footprint of our own operations and supply chain throughout the world. We will reduce operational scope 1 and 2 emissions by 80% by 2025 and commit to RE100 – the world's most influential companies committed to 100% renewable power – to procure 100% of global operational energy needs from renewable sources by 2030, with an interim target of 90% by 2025.

### Contributing to global initiatives

We will continue to engage with industry groups and policymakers on enhancing sustainable finance flows and providing a supportive policy framework. This includes supporting the Task Force on Climate-related Financial Disclosures, the IIF Sustainable Finance Group and a range of Green Finance initiatives with the UK Government and the Corporation of London.

Barclays is one of the 28 founding banks of the Principles for Responsible Banking under the United Nations Environment Programme – Finance Initiative (UNEP FI). We support the finalisation of the Principles and will work to implement them over time. We support the creation of national green finance strategies, which specifically aim to support the mobilisation of finance towards the low-carbon economy.

### External ESG ratings and surveys

Barclays is evaluated on ESG factors by a wide range of external agencies. Currently there is significant variance between methodologies, with relatively opaque scoring models and limited consistency in the underlying data used at present. We believe it is important that these agencies, working with companies, investors and other market participants, continue to enhance consistency and transparency to support increasingly robust ESG data and ratings in the future.

Across a set of ESG Ratings, our performance was broadly stable year-on-year with methodology changes the primary drivers of scoring. The FTSE4Good ESG Rating<sup>c</sup> was flat at 4.3/5 (2017: 4.3/5 with an 81st percentile ranking against the global banks sector. Barclays was rated BBB by MSCI ESG Ratings (2017: BBB) and scored 60 points in Sustainalytics ESG Ratings<sup>e</sup> (2017: 61 points). We saw a decline in our RobecoSAM<sup>f</sup> scores due to changes in methodology, down by 4 points to 75 points (2017: 79 points), against a sector average of 54 points. Institutional Shareholder Services<sup>g</sup> (ISS) released new environmental and social quality scores to assess corporate disclosures. On a 1-10 scale where 1 is highest, Barclays was rated as '1' for social reporting and '2' for environmental reporting. Barclays was rated as A- in the 2018 CDP climate disclosure survey, up from B in 2017.

### Enhancing disclosures

We recognise that markets and stakeholders need clear, relevant and consistent information and will continue to focus on enhancing disclosures, particularly on climate change, and across wider ESG factors, including the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We have enhanced our TCFD aligned disclosures in 2018 and set out a high-level implementation plan. See pages 26 to 27 for further information.

Barclays publishes an annual Environmental Social Governance (ESG) Report as part of the Annual Report suite of documents. We have provided additional detail on material ESG themes in the 2018 Report available at [home.barclays/annualreport](http://home.barclays/annualreport)

 Barclays PLC ESG Report 2018 is available at [home.barclays/annualreport](http://home.barclays/annualreport)

### Notes

a Eligible environmental and social transactions and relevant products are tracked through a use of proceeds framework. Further detail is available in the ESG Report and online at [home.barclays/citizenship](http://home.barclays/citizenship).

b Unique participants measures colleague involvement in eligible volunteering, matched fundraising, regular giving initiatives. Data sourced from internal reporting systems including several manual sources and includes employee self-reported activity.

c Source: FTSE Russell.

d Source: MSCI ESG Inc.

e Source: Sustainalytics Inc.

f Source: RobecoSAM.

g Source: Institutional Shareholder Services.



## Our approach to sensitive energy sectors

Barclays is committed to a considered approach to energy and mining clients in sectors with higher carbon-related exposures or emissions from extraction or consumption, or those which may have an impact in certain sensitive environments or on communities. We conduct Enhanced Due Diligence (EDD) on a case-by-case basis on clients in these sensitive energy sectors, and will consider the following factors as a minimum:

- The client's adherence to the Equator Principles (if a project finance or credit transaction is deemed to be in scope) and relevant International Finance Corporation (IFC) performance standards;
- The client's adherence to local and national environmental regulation and standards and industry best practice;
- The client's management and implementation of procedures which minimise direct environmental impacts in the context of their operations;
- The client's responsible public and stakeholder engagement with impacted local communities and indigenous people;

- The client's approach to health and safety of the workforce and local communities; and,
- The client's transparent corporate governance and oversight of climate change issues and associated corporate risks, including disclosure against principles such as the Financial Stability Board (FSB) Taskforce on Climate-related Financial Disclosures (TCFD).

In order to assist and enhance the EDD process, we operate a training programme for credit teams.

External technical input may be obtained to assist the business in reviewing and assessing whether certain client activities meet our internal EDD criteria, or where there is uncertainty as to whether a certain activity is within scope of our EDD criteria.

Barclays will continue to align its approach to sensitive energy sectors with developments in government and public policy.

Because of the nature of the business activities and the associated social and environmental impacts and risks, Barclays will apply further sector specific EDD and, in some cases restrictions, to the following sensitive energy sources:

- Coal
- Arctic Oil and Gas
- Oil Sands

Barclays external statements can be found in the Statements section of [home.barclays.com/citizenship](https://www.barclays.com/citizenship) with further detail in the Barclays PLC ESG Report 2018

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## Task Force on Climate-related Financial Disclosures (TCFD)

Barclays is a member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and signed the Statement of Support for the TCFD Recommendations, which were published in June 2017. This disclosure outlines the progress Barclays has made to date in adopting these voluntary recommendations, and presents our plan on how we will achieve alignment to the recommendations by February 2021.

The TCFD recommendations aim to improve the disclosure of information to allow investors, regulators and other stakeholders to better assess and manage the risks and opportunities resulting from climate change. We rely on appropriate disclosures from clients to inform our own climate-related sector risk management. Clear understanding and analysis of potential financial risks and opportunities in short, medium and longer-term horizons is still at an early stage. We anticipate that disclosures will continue to develop over time, supported by improved analytical tools, data and market practice. This will support Barclays as a user of climate disclosures across industry sectors and subsequently to inform our own disclosures as a preparer.

We provide summary disclosures in the Strategic Report with additional detail, including results of pilot scenario analysis and wider activity in 2018, in the ESG Report.

### Governance

Barclays Group Executive Committee is responsible for managing the overall delivery of environmental and social matters, which includes climate-related risks and opportunities. On behalf of the Board, the Board Reputation Committee (RepCo) reviews and approves Barclays' overall approach to environmental and social issues, including the approach taken on climate change.

The TCFD Implementation Forum, a senior forum set up in 2017 to provide oversight and drive implementation of the TCFD recommendations met three times in 2018. The Forum has representation from across the bank, including: Group CEO Office; Green Banking; Strategy; Compliance; Corporate Relations, including Sustainability and Reputation Risk; Credit Risk; Investor Relations and business teams from Barclays International and Barclays UK.

## Strategy

Barclays has been integrating the management of climate-related risks and opportunities for a number of years, advising on, and developing green products. The Barclays Energy and Climate Change Statement focuses on financing the growth of renewable energy sources, taking a responsible and sustainable approach to the necessary financing required, and reducing the carbon footprint of our own operations and supply chain.

Increasing funding needs for the energy transition and climate resilient infrastructure will continue to provide opportunities to mobilise capital, advise clients and develop dedicated products. We continued to build our platform for green and sustainable finance. See page 25 for more information.

Taking an exploratory approach in 2018, Barclays assessed credit risk (and opportunity) alongside 15 other banks as part of the United Nations Environment Programme Finance Initiative (UNEP FI) pilot project on both transition and physical risks. This was our first iteration of how scenario-based climate-related transition and physical risks could potentially be integrated into the credit risk process. Testing of transition risk was undertaken in Electric Utilities and Oil and Gas (sub-set Exploration and Production) up to 2030 and 2040; and physical risk in the UK Mortgage Portfolio up to 2020 and 2040. The pilot testing of these scenarios proved a useful exercise, and also indicated the current challenges with data and applying climate scenario methods over long-term time horizons.

## Risk management

Through the TCFD implementation programme, Barclays is taking steps to identify the relative significance of climate-related risks as they relate to the Principal Risks within the Barclays Enterprise Risk Management Framework (ERMF).

Environmental risk is recognised as a credit risk issue and Barclays has a dedicated Environmental Risk Management team, within the central Credit Risk Management function. An addition in 2018, resulting from both TCFD implementation and the UNEP FI pilot learnings, was to include the impacts of climate change in both the Environmental Risk Standard and the Client Assessment Standard. See page 134 of the 2018 Annual Report for information on environmental risk management within credit risk and the Pillar 3 disclosures available at [home.barclays/annualreport](https://www.barclays.com/annualreport)

## Metrics and targets

As disclosures develop, we would expect further dialogue over time between banks, corporates, investors and other market participants on appropriate, decision-useful and robust metrics to assess material financial risks and opportunities. Areas of focus include, among others, clarity over detailed definitions of carbon-related assets building on the TCFD high-level guidance; standardised methods for the calculation and presentation of credit exposure to carbon-related assets; definitions for climate-related and green financing across product categories; and suitable risk management metrics.

- Financing: Barclays facilitated £5.3bn in environmental financing in 2018 (2017: £4.82bn) which includes green bonds and loans for renewable energy and low-carbon technology.
- Treasury Green Bond Investment: Barclays remains committed to the green bond market as an investor and has continued to expand our green bond portfolio to £2.27bn in 2018 (2017: £1.56bn), meeting our target of £2bn. We now aim to double our investment to £4bn over time.
- Operations: In 2018 we set a science-based reduction target for scope one and two greenhouse gas emissions of 80% by 2025; this is in line with the level of decarbonisation required to keep global temperature increases well below two degrees.

## Structure and governance overseeing risk

**Barclays is exposed to internal and external risks as part of our ongoing activities. These risks are managed as part of our business model.**

### Enterprise Risk Management Framework

At Barclays, risks are identified and overseen through the Enterprise Risk Management Framework (ERMF), which supports the business in its aim to embed effective risk management and a strong risk management culture.

The ERMF specifies the Principal Risks of Barclays and the approach to managing them.

The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risk.

### Risk Appetite

Risk Appetite defines the level of risk we are willing to take across the different risk types, taking into consideration varying levels of financial and operational stress. Risk Appetite is key for our decision making process, including ongoing business planning, new product approvals and business change initiatives. In recent years we have taken significant steps to de-risk our business, setting us up for sustainable growth in the future.

The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risks.



### Three Lines of Defence

The First Line of Defence is comprised of the revenue generating and client facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The First Line identifies the risks, and sets the policies, standards and controls, within the criteria set by the Second Line of Defence.

The Second Line of Defence is made up of Risk and Compliance and oversees the First Line by setting the limits, rules and constraints on their operation, consistent with the Risk Appetite.

The Third Line of Defence is comprised of Internal Audit, providing independent assurance to the Board and Executive Committee.

Although the Legal function does not sit in any of the three lines, it works to support them all and plays a key role in overseeing Legal Risk throughout the bank. The Legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational and conduct risks.

### Monitoring the risk profile

Together with a strong governance process, using Business and Group level Risk Committees as well as Board level forums, the Board receives regular information in respect of the risk profile of the Group, and has ultimate responsibility for Risk Appetite and capital plans.

We believe that our structure and governance will assist us in managing risk in the changing economic, political and market environments.