STRATEGIC REPORT
For the Year Ended 31 December 2019

Business review and principal activities

The principal activities of Barclays Investment Solutions Limited (the 'Company') are asset management and the provision of stockbroking services, particularly discretionary portfolio management, custody, equity, fixed income and fund dealing, investment management of funds and administration of stock and cash plans for corporate clients for the benefit of their employees. The Company is authorised and regulated by the FCA.

Business performance

The Company's results for the year show a loss before taxation of £6,229,000 (2018: £14,394,000). Loss after taxation was £5,045,000 (2018: £11,659,000). There were no other items of other comprehensive (expense)/income.

The Company has net assets of £113,308,000 (2018: £118,353,000). Net cash flow used in operating activities was £26,041,000 (2018: £26,198,000 generated from operating activities).

Future Outlook

Barclays Investment Solutions Limited, along with its immediate parent, Barclays Bank UK PLC, adopts Barclays PLC's annual business and capital planning process. This involves the development of a 5 year Medium Term Plan for the Company's business which is approved by the Board.

For the purposes of the Medium Term Plan, the Company produces revenue, impairment, cost, balance sheet and asset under management forecasts in line with the Group's central macro-economic forecast as applicable to the Company's business. The forecasts are produced with the input of key stakeholders from across the Company, where the model validation is subject to approval by Barclays Bank PLC's Independent Validation Unit in accordance with Model Risk Management policy, before being subject to review and challenge by the Company's senior management and Board.

The revenue and cost projections have been utilised to generate a forecast of the Company's capital adequacy position over the planning horizon. The Directors are satisfied that the Company is adequately capitalised over the forward looking planning horizon.

Principal risks and uncertainties

The Company is exposed to internal and external risks of ongoing activities. These risks are managed as part of the Company's business model.

Whilst the direct and indirect impact of the Coronavirus (COVID-19) outbreak remains uncertain, a number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact on GDP during 2020. Concerns remain as to whether these policy tools will counter anticipated macro-economic risks and a prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries. In addition, an escalation in geopolitical tensions or increased use of protectionist measures may also negatively impact the Company's business. Where these macro-economic risks result in market volatility, there is a risk of a reduction in future revenue where fees are based on the market value of client assets.

Enterprise Risk Management Framework

For the Company, risks are identified and overseen through the Enterprise Risk Management Framework, which supports the business in its aim to embed risk management and a strong risk management culture.

The Enterprise Risk Management Framework specifies the principal risks of the Company and the approach to managing them.

Risk Appetite

Risk Appetite defines the level of risk the Company is willing to take across the different risk types, taking into consideration varying levels of financial and operational stress. Risk Appetite is key in any decision making process, including ongoing business planning, new product approvals and business change initiatives.

Risk Appetite (continued)

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 its 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 Management.

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. 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 Directors of the Company receive regular information in respect of the risk profile of the Company, and have ultimate responsibility for Risk Appetite and capital plans.

The Directors have established a Board Risk Committee and a Board Audit Committee to implement and oversee this framework. The Board Risk Committee defines the risk appetite of the Company within that framework and the Board Audit Committee monitors the key performance indicators, by reviewing the controls that operate within the framework.

Board Risk Committee

The role of the Board Risk Committee is to:

- review, on behalf of the Board, the risk profile of the Company for financial and non-financial risks;
- consider and recommend, to the Board and within the parameters set by the Barclays PLC Board Risk Committee and Barclays Bank UK PLC Board Risk Committee, the Company's appetite for financial and non-financial risks;
- review, on behalf of the Board, the management of the Company's principal risks; and
- commission, receive and consider reports on key financial and non-financial risk issues in the Company.

Board Audit Committee

The role of the Board Audit Committee is to assess:

- the integrity of the Company's financial statements;
- the effectiveness of the Company's internal controls;
- the effectiveness of the internal and external audit processes; and
- the Company's relationship with the external auditors.

The Board Risk Committee and Board Audit Committee meet at least twice a year to fulfil their responsibility to monitor and manage the risks of the Company.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 31 December 2019

Principal Risks

The Enterprise Risk Management Framework identifies eight principal risks relevant for the Company. These are:

1. Credit Risk - The risk of loss to the firm from the failure of clients, customers or counterparties, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest and other receivables.

2. Market Risk - The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

3. Treasury and Capital Risk - This comprises:

   a. Liquidity Risk - The risk that the firm is unable to meet is contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

   b. Capital Risk - The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environment or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

4. Operational Risk - The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

5. Model Risk - The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

6. Reputation Risk - The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counter parties, investors, regulators, employees or the public.

7. Conduct Risk - The risk of detriment to customers, clients, market integrity, competition or Barclays from inappropriate supply of financial supply of financial services, including instances of wilful or negligent misconduct.

8. Legal Risk - The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meets its legal obligations including regulatory or contractual requirements.

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose the firm to Operational and Market Risks as well as many aspects of Conduct Risk.

Credit Risk, Treasury and Capital Risk and Market Risk are collectively known as Financial Principal Risks, the management of which is detailed in Note 17. The remaining risks are referred to as Non-Financial Principal Risks.

Climate change risk management

Overview

The Barclays Group has a longstanding commitment to Environmental Risk Management (ERM) and its approach, aided by regulatory initiatives, has continued to evolve, incorporating climate change in recent years as the understanding of associated risks has grown. In 2018, a dedicated Sustainability team was created to consider how the Barclays Group approaches wider sustainability and Environmental Social Governance (ESG) matters, working closely with the ERM function.

Principal Risks (continued)

Climate change risk management (continued)

In 2019, the Barclays Group published an Energy & Climate Change Statement (https://home.barclays/statements/barclays-energy-and-climate-change-statement) which articulates our focus on three areas: financing growth of renewables and businesses addressing environmental challenges; taking a responsible approach to financing energy sources with a greater carbon intensity; and reducing our own carbon footprint. It is supported by an internal standard containing guidelines for restricting or supporting financing activities in carbon-intensive energy sectors, as well as enhanced due diligence requirements for environmentally or socially sensitive sectors.

For more detail on how climate change risks arise and their impact on the Barclays Bank UK Group, refer to material existing and emerging risks on pages 30 to 31 of the Barclays Bank UK PLC Annual Report 2019.

Key performance indicators

Throughout the year, performance against the qualitative and quantitative measures associated with the risks to which the Company is exposed are reported and reviewed on a monthly basis at the Company's Risk Committees in order to manage the Company's risk profile within the Risk Appetite.

The Board Audit Committee monitor appropriate key performance indicators to evaluate and report to the Directors on the Company's financial and non-financial risk profile, in particular with respect to the performance versus risk appetite.

The Company's exposure to financial principal risks, as defined by Barclays, is limited, as the most material risk to the business is operational risk.

The Company is subject to the Operational Risk Framework. This consists of a number of integrated components. These work together to provide an effective capability to manage and measure Operational Risk, using an Evaluate-Respond-Monitor approach.

This approach facilitates the risk reporting to the Company's Board and its committees focusing on risk events and matters for escalation enabling committees to oversee and challenge.

Any control exceptions or risk events deriving from non-financial risks have been assessed and where appropriate reflected in the financial statements.

The Directors consider this implementation of the Enterprise Risk Management Framework supports the identification and oversight of internal and external risks of ongoing activities.

Section 172(1) statement

The Directors of large organisations like Barclays are required by law to consider a range of factors when making decisions, and to make a clear statement about how they have done that.

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:
- the likely consequences of any decision in the long term;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Key stakeholders of the Company are our customers; our suppliers; and our shareholder, Barclays Bank UK PLC. The Directors also took into account the views and interests of a wider set of stakeholders, including our regulators.

Section 172(1) statement (continued)

Additional information on the wider set of stakeholders, how management and/or the Directors engaged with them, the key issues raised and actions taken can be found on pages 14 to 15 of the Barclays PLC Annual Report 2019, and pages 8 to 9 of the Barclays Bank UK PLC Annual Report 2019, which are incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome.

How does the Board engage with stakeholders?
The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Company means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays Group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays Group.

The Board considers and discusses information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

The following are some examples of how the Directors have had regard to the matters set out in sections 172 (1)-(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

Engagement in action

Serving and protecting our customers
The behaviours of Barclays' customers continue to evolve, placing even greater reliance on Barclays' digital capabilities in how we serve their needs in the most convenient way for them. Given the increased reliance they place on them, customers expect those digital capabilities to be available whenever they need them, and for them to protect their interests at all times.

Despite the challenging market environment, the Board concurs with management that it is critical that our investment keeps pace with those expectations. The Board has, as a result, continued to direct heavy investment in our technology, specifically, in areas of most concern to our customers, such as operational resilience, cyber security and in supporting our customers against the ever present threat of scams; ensuring that the Barclays Group is as safe to bank with virtually as it has been physically for over 325 years.

During the financial year the Company committed to the implementation of a single integrated digital platform for clients, which will address the full range of needs of the client base of both the Company and its shareholder, Barclays Bank UK PLC. The further build out of our digital capability in 2020 and beyond remains fundamental to Barclays' group strategy to put customers at the centre of everything we do.

This report was approved by the board on 23 April 2020 and signed on its behalf.

DocuSigned by:
Dirk Klee
89232A6E0B8D479...
D Klee
Director