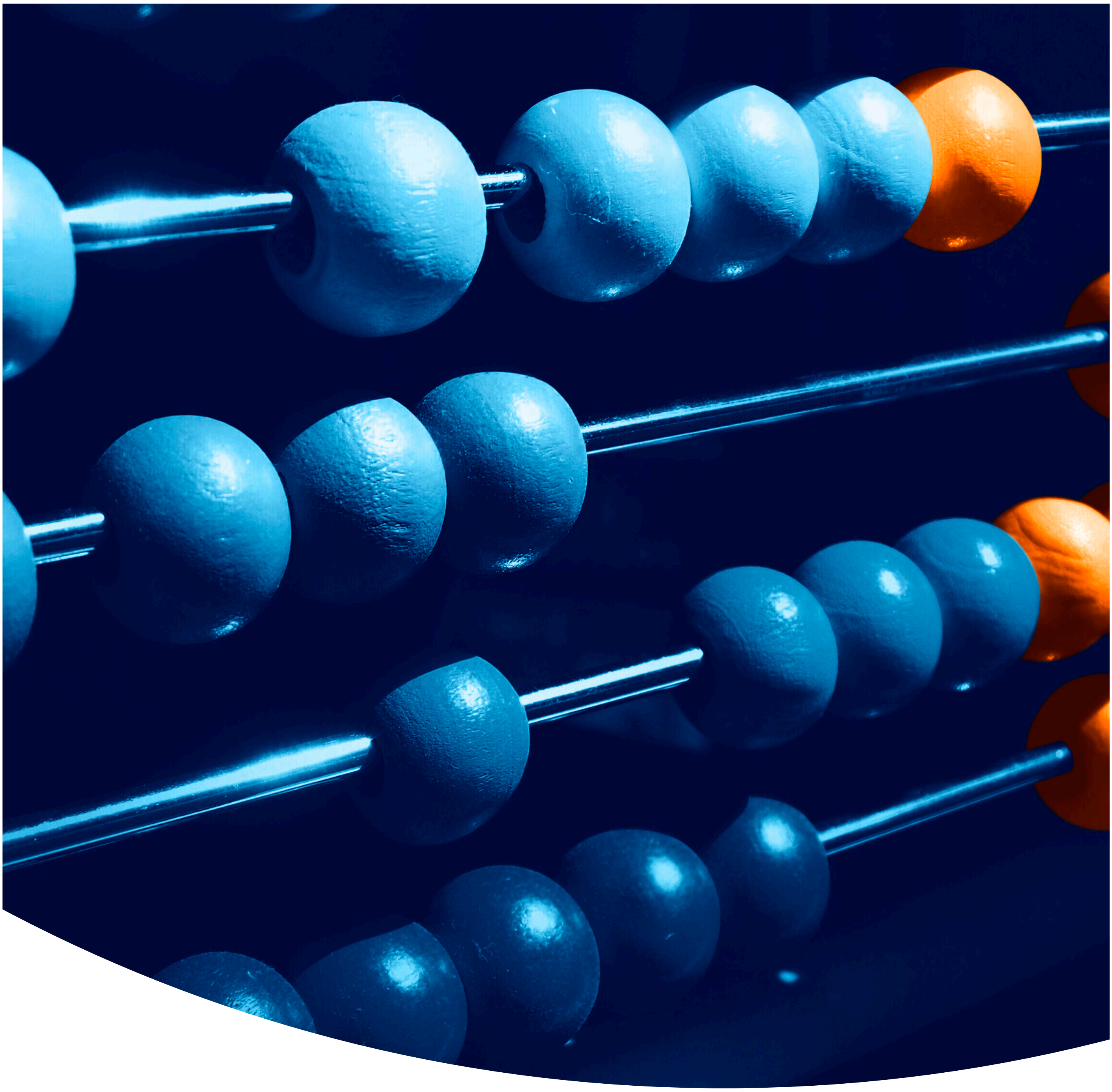

BARCLAYS FIXED INCOME ENGAGEMENT JUNE 2022

MEASURING SCOPE 3 GHG EMISSIONS

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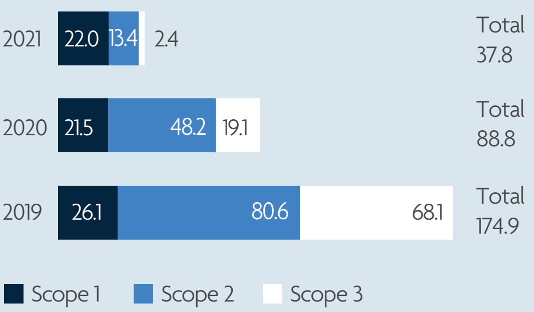
MEASURING SCOPE 3 GHG EMISSIONS

Scope 3 greenhouse gas (GHG) emissions are defined by the United States Environmental Protection Agency as 'the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain'. As with any business we engage with, scope 3 GHG emissions is an area of focus. This is due to the fact that Scope 3 often represents the largest change a corporation can bring about to its total GHG emissions due to the breadth of categories that are included, from the goods a company purchases, the investments it makes, through to the disposal of the goods it sells. Barclays is not alone in this regard and has received negative press, especially around their Oil &Gas financing. This was a key area of focus for us in our engagement meetings with Barclays, as was discussing the results from the recent Bank of England climate stress test.

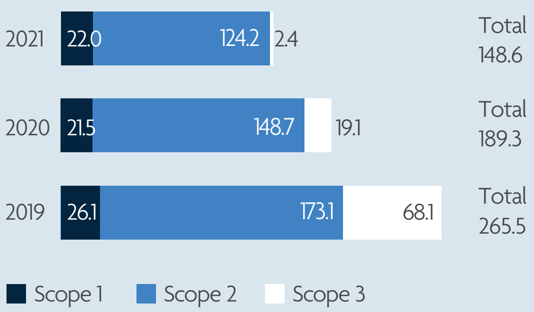
Taking a closer look at Barclays scope 1, 2 and 3 emissions, Barclays only account for business travel as part of the below scope 3 calculation to give a total of 37,000 tCO2e.

Operational footprint dashboard

Total GHG emissions by scope (market based)
'000 tonnes CO_2e



Total GHG emissions by scope (location based)
'000 tonnes CO_2e



Scope 1 and 2 (market based) GHG emission reductions (against a 2018 baseline)

-86%

Against a target of -80% by the end of 2021
2020: -73%

Source: https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/Barclays-TCFD-Report-2021.pdf#page=45

However, their loan book remains a significant source of scope 3 GHG emissions. Barclays give their carbon related asset financing in the table shown below yet only calculate scope 3 for the energy (coal, oil and gas) line item of this table.

Carbon-related assets (including sub-sector breakdown)

	2021 £m	2020 £m	% change
Agriculture, Food and Forest Products	**14,719**	14,627	0.63%
Agriculture	**5,043**	5,802	
Food, Bev and Tobacco	**8,800**	8,129	
Energy	**25,646**	27,981	-8.34%
Coal Mining and Coal Termminals	**45**	29	
Oil & Gas	**12,869**	15,613	
Power Utilities	**12,732**	12,339	
Materials and Building	**51,960**	51,804	0.30%
Cement	**324**	358	
Chemicals	**4,308**	4,926	
Construction and Materials	**2,919**	3,201	
Homebuilding and Property Development	**5,774**	6,035	
Manufacturing	**14,385**	14,110	
Metals	**742**	936	
Mining (incl. deiversified miners)	**1,408**	1,608	
Packaging Manufacturers: Metals, Glass and Plastics	**370**	254	
Real Estate	**21,493**	20,084	
Steel	**236**	292	
Transport	**11,422**	11,305	1.04%
Automotive	**5,568**	5,530	
Aviation	**2,049**	1,991	
Other Transport Services	**1,663**	1,495	
Ports	**189**	239	
Road Haulage	**1,026**	1,137	
Shipping	**927**	912	
Subtotal (elevated risk sectors)	**46,535**	**50,537**	-7,92%
Grand Total	**103,747**	**105,717**	-1.86%

Source: https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/Barclays-TCFD-Report-2021.pdf#page=51

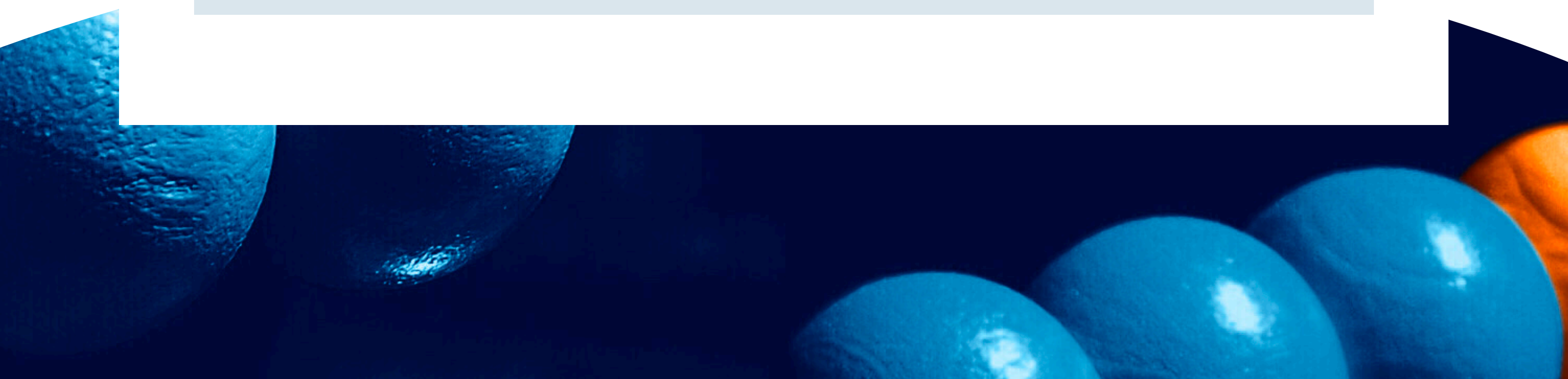
Barclays calculate that the emissions resulting from their Energy loan book (coal, oil & gas) as of December 2021 are 58,600,000 tCO2e (75,000,000tCO2e in 2020). To put this in context the GHG emissions of the UK in 2020 were calculated as 405,500,000 tCO2e (2020 UK Greenhouse Gas Emissions, Final Figures (publishing.service.gov.uk)). Using 2020 numbers Barclays energy book emissions alone would have been the equivalent of 18.5% of the UK's greenhouse gas footprint. Therefore, what Barclays choose to do with their loan book and their future decisions on financing is of great significance to the global effort to reduce greenhouse gases.

Furthermore, as of today absolute emissions are not given for the Power sector (only intensity figures) and no emissions are published for the rest of the table so we do not yet know most items comprising the GHG footprint attributable to the financing shown above. During our engagement work we learnt that many of these sectors will be reported on from February 2023 (in the 2022 Annual report) where Barclays will publish both absolute emissions as well as intensity figures. We would view this as major progress as and when these figures are disclosed.

Barclays full answer to us is given here:

1. *We are committed to NZBA and therefore will be setting targets for high emitting sectors that are material in our portfolio by April 2024. This will probably cover the majority of the emissions associated with our portfolio (therefore a majority of our Cat 15 emissions) by the time we're complete with this stage. However, we will continue to set targets on more sectors in keeping with our commitment to align all our financing with the goals of the Paris Agreement. When we set targets, we will always disclose the actual emissions level (either intensity or absolute – going forward likely both at the same time) and will continue to report annually on progress against that target (and will report intensity and absolute annually as NZBA requires it) – so by 2024 we will have a much better view of our financed emissions.*

2. *Noting this sector-by-sector approach will take time to cover our whole portfolio for lending and capital market activities, we have additionally started work to develop a high level, modelled assessment of our overall balance sheet emissions. This work will progress in 2022 and is consistent with the approach outlined by the Partnership for Carbon Accounting Financials (PCAF), of which Barclays is a member. Hence, we will also report our PCAF-aligned financed emissions (note, however, this is only associated with lending activity, and not capital markets activity).*

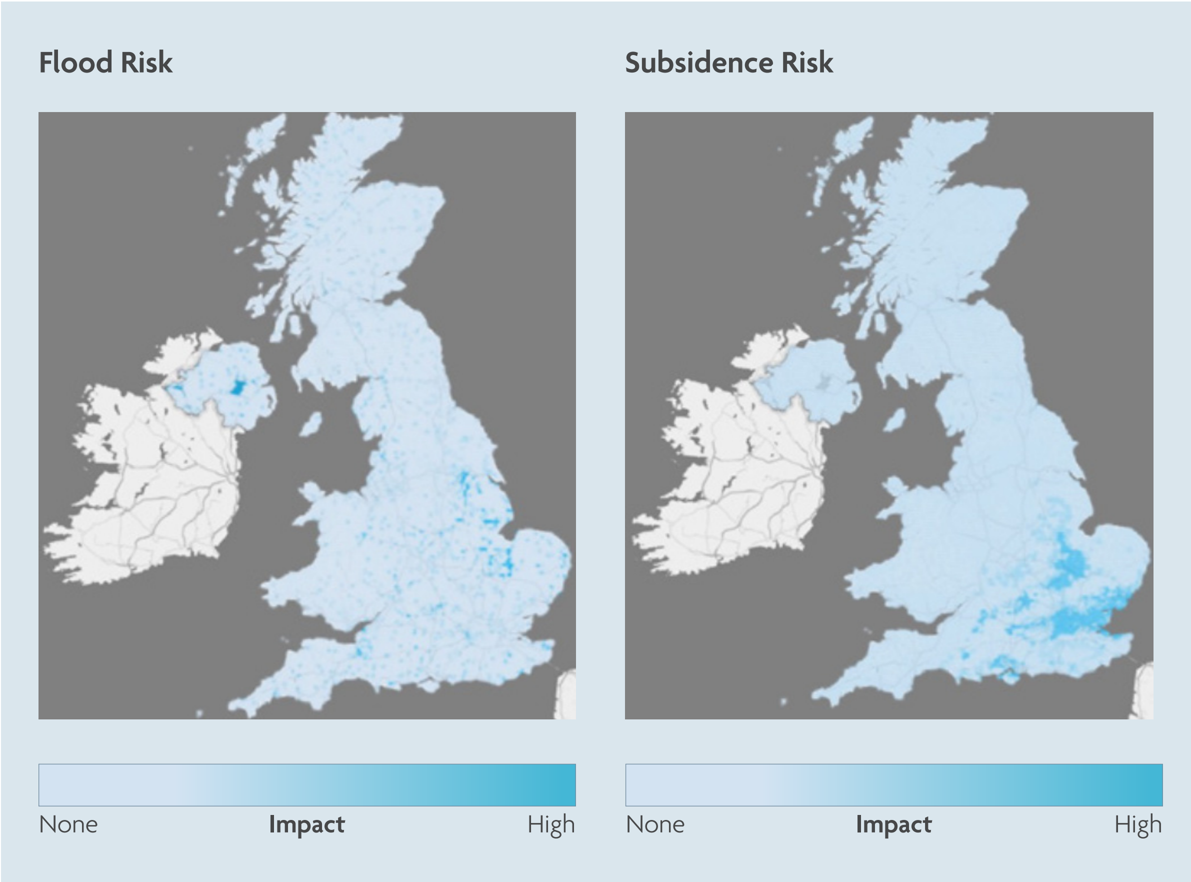


BANK OF ENGLAND CLIMATE STRESS TEST

Turning to the BoE climate stress test several interesting points emerged. The Bank of England uses three scenarios in which they asked the UK's largest banks and insurers to calculate the expected impact to their businesses. [Results of the 2021 Climate Biennial Exploratory Scenario (CBES) | Bank of England](). The third scenario was of interest to us as it describes global temperatures reaching 3.3°C higher relative to pre-industrial levels. This leads to chronic changes in precipitation, ecosystems, and sea-levels, which are unevenly distributed globally, and in some cases irreversible. There is also a rise in the frequency and severity of extreme weather events. This permanently affects living and working conditions, buildings, infrastructure, and permanently lowers UK and global GDP growth. We were concerned that the assessments given here by Barclays underestimated the impacts of this 3rd scenario: [Barclays-TCFD-Report-2021.pdf (home.barclays)]() and look forward to any updates we receive on this in their next TCFD report.

	2021 £m	**2020 £m**	**% change**
	EA	*LA*	*NAA*
Wholesale Credit	Medium	High	Medium
Mortgages	Low	Medium	Medium
Cards	Low	Low	Low

For Barclays' UK mortgage portfolio, the most material physical climate hazards were deemed to be flood and subsidence risk. Barclays published areas of risk maps that illustrated the regions most at risk.



We highlighted our concerns that the flood risk maps were not as developed as the BoE stress test maps in the 'No Additional Action' (NAA) scenario and also highlighted that UK household flood insurance coverage could fall sharply, as insurance on some properties may become unaffordable once the Flood Re scheme ends as per current legislation in 2039. That said, the vast majority of households would still be able to afford insurance. We also raised concerns about the rise in average winter precipitation included in the NAA scenario, which was nearly 25% higher compared to the late 20th century.

LITIGATION RISK

Another concern that we covered was litigation risk. The BoE report (box C) details hypothetical legal cases that will potentially increase as climate change impacts take hold. During our meetings Barclays did say they are mindful of these risks and do touch on it on page 40 to 41 of their TCFD report.

Summary of hypothetical legal cases

Case	Summary of legal case raised
1	**Direct causal contribution:** a corporate is founf liable for their representative contribution to manmade climate change.
2	**Violation of fundamental rights resulting in cessation or reduction of operations:** a corporate is prevented from practising carbon-intensive activities that violate fundamental human and dignity rights; this has a significant impact on financial services.
3	**Greenwashing:** a corporate is found to be misleading customers (eg false advertising, mislabelling as 'environmentally friendly', underreporting disclosures) and must pay out compensation to customers/investors).
4	**Misreading the transition:** a corporate is sued on the basis that it continued to sell a carbon-intensive product while in knowledge it would become redundant due to goverment net-zero policy, they must refund and compensate customers.
5	**Indirect casual contribution (related to exposure to Utilities sector only):** utilities are sued for their indirect contribution to climate change which amplifies physical risks due to inadequate or negligent preparation.
6	**Director's breach of fiduciary dutied (related to cover against asset managers only):** investors of an asset manager allege that the entity's directors have understated the physical and/or transition risk to their assets in their disclosures. Investors seek payment for damages from the director's breach of fiduciary duty.
7	**Indirect causal contribution (financing):** a case is brought against financiers of carbon-intensive activities, as they have contributed indirectly to manmade climate change through financing activities of carbon majors.

GENDER PAY GAP/WOMEN IN FINANCE CHARTER

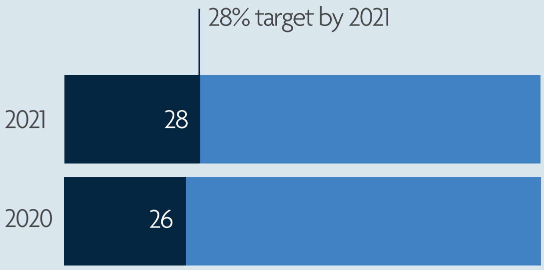
The final engagement points we raised were regarding their gender pay gap and Women in Finance targets.

Barclays are a signatory to the Women in Finance charter women_in_finance_charter.pdf (publishing.service.gov.uk) and a key part of this charter involves setting targets for female representation at the most senior levels of a company.

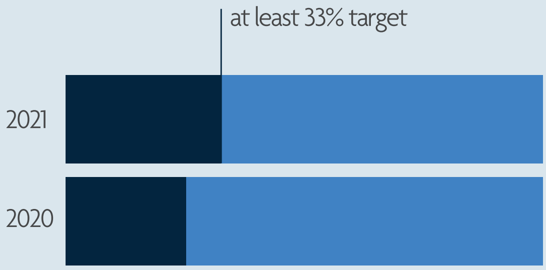
As shown in the Barclays Annual Report, we asked about failure to meet their own Exco targets which Barclays see as a work in progress.

Female colleagues

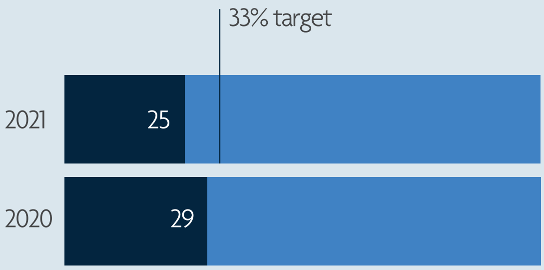
Females at Managing Director and Director level
%



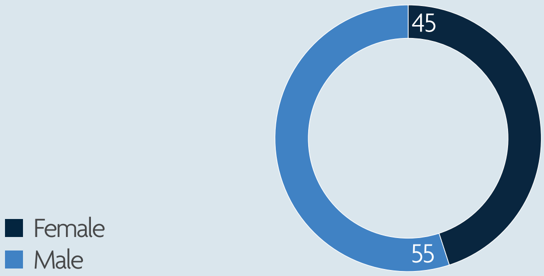
Females on Board of Directors
%

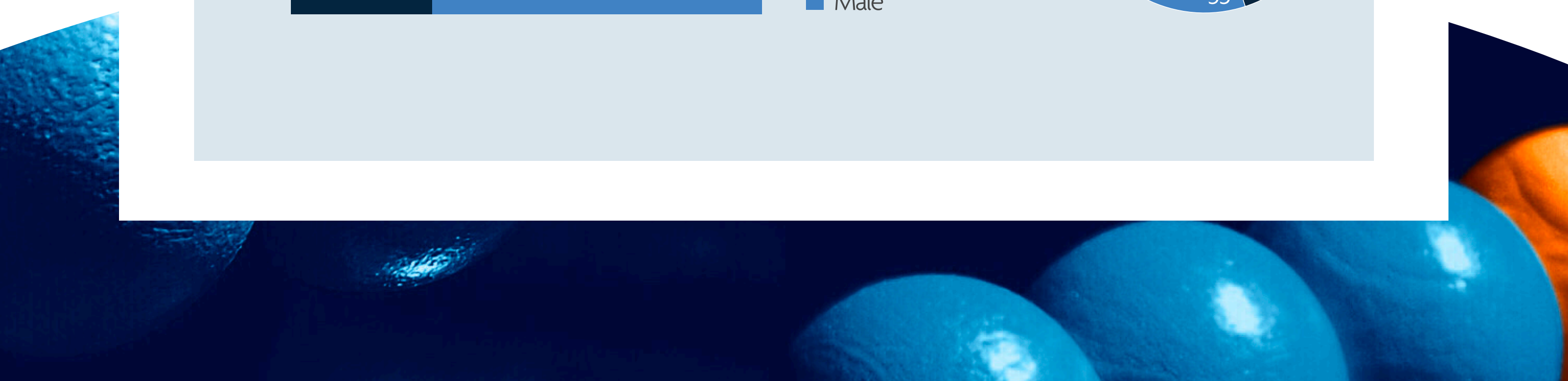


Females on Group ExCo and ExCo direct reports
%



Females in Barclays
%





They are also aware of the new rules brought in by the FCA PS22/3: [Diversity and inclusion on company boards and executive management (fca.org.uk)]: on a 'comply or explain' basis,

The targets are:
- At least 40% of the board are women.
- At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) is a woman.
- At least one member of the board is from a minority ethnic background (which is defined by reference to categories recommended by the Office for National Statistics (ONS).

Barclays full answer to us is given here:

1. *We are aware of the FCA's recently issued policy statement and (as noted in our 2021 Annual Report) responded to the consultation last year.*
2. *We already publish the gender make-up of our board and senior management in our D&I Report, and we publish data on our board ethnicity in line with the recommendations of the Parker Review.*
3. *Although the requirement to report against the FCA's targets will come into effect for our 2023 FY reporting, we will discuss with our Board whether they are minded to early adopt, and to report against these targets in our 2022 FY reporting.*
4. *We currently meet the target of having at least one senior board positions filled by a woman, following the appointment of Anna Cross as our Group Finance Director in April this year. Our Board gender diversity is currently 38%, exceeding both the Hampton Alexander target and our own Board Diversity Policy target of 33%. We also reported on the gender diversity of our Board Committees in our 2021 Annual Report (see p127).*
5. *We currently meet the target of having at least one member of the Board from a minority ethnic background. We have two Board members from an ethnically diverse background (15%), exceeding the Parker Review target and our own Board Diversity Policy target.*
6. *We will keep our targets under review in light of the FCA Policy Statement, and also the FTSE Women Leaders Review new diversity target recommendations.*
7. *As noted in our 2021 Annual Report, capturing the benefits of diversity of background and opinion is at the forefront of our search for new Board members, and we remain committed to continuing to bring the very best, diverse talent we can attract to the Board.*

Lastly, we asked Barclays to begin publishing the 14 principal adverse indicators which we are required to report on under SFDR by June 2023. We also asked for EU Taxonomy alignment calculations as we also will have to report on these by December 31st, 2022. As yet they do not report these but noted our request.

IMPORTANT INFORMATION

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