Climate Change Statement
- our approach to sensitive sectors

March 2022

BARCLAYS

Contents

About this document

This document updates our previous positions as set out in our April 2020 statement and sets out our revised position and approach to sensitive sectors.

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Our climate strategy

In March 2020, Barclays announced its ambition to be a net zero bank by 2050, becoming one of the first banks to do so.

We have a strategy to turn that ambition into action:

1. **Achieving net-zero operations** | Barclays is working to achieve net zero operations and reducing supply chain emissions, investing in the continued decarbonisation of our operations, and in the development of a net zero pathway for the emissions from our supply chain.
2. **Reducing our financed emissions** | Barclays is committed to aligning its financing with the goals and timelines of the Paris Agreement.
3. **Financing the transition** | Barclays is providing the green and sustainable finance required to transform the economies we serve.

Our strategy is underpinned by the way we assess and manage our exposure to climate-related risk.

Over the coming years, our strategy will continue to evolve. It will need to adapt to reflect market, technological, regulatory and geopolitical developments affecting the shape and timing of the transition to a low-carbon economy. We will keep our policies, targets and progress under review in light of the rapidly changing external environment and the need to support governments and clients in delivering an orderly energy transition and providing energy security. Progress may vary and we need to be able to adapt our approach to optimise the effectiveness and impact of our support for the transition, whilst remaining focused on our ambition of becoming a net zero bank by 2050.

This document sets out more detail on our restrictive policies for sensitive sectors, in particular setting final phase out dates with respect to our progressive phase out of the financing[1] of thermal coal mining and coal-fired power generation.

Reducing our financed emissions

We are committed to align all our financing[1] to the goals and timelines of the Paris Agreement. In order to meet this ambition, we need to reduce the client emissions that we finance, not just for lending but for capital markets activities as well.

All three elements of our strategy are important but we recognise that the majority of our carbon emissions result from the activities of the clients we finance, known as 'financed emissions'. As a result, working with our clients must be at the heart of our strategy to achieve our net zero ambition.

We have a significant portfolio across sectors of the economy that are critical to the transition, putting us in an important position to work with clients that are in the process of decarbonising their activities, as many of our clients have already begun to do. For example, in the Energy and Power sectors, we are supporting our clients to transition to less carbon intensive sources of energy, adopt new technologies and support increased electrification.

We believe that Barclays can make the greatest difference by supporting our clients to transition to a low-carbon economy, rather than by simply phasing out support for them. This is particularly true for our clients in highly carbon-intensive sectors. Exiting these companies at this stage could push them to less transparent sources of funding, and to sources that may be significantly less supportive of the transition. Many highly carbon-intensive sectors require financing to transition, including Power, Energy, Cement, Steel, Transport and Materials. Restricting the flow of capital to these sectors could be harmful to the pace of the transition, limiting the real terms impact on global warming.

Our priority is therefore to support our customers and clients to transition, engaging with them constructively and collaboratively, including in relation to the responsible retirement of carbon-intensive assets. For some sectors progress can occur in the short term while for others, the technologies required to transition are not yet fully available meaning they are likely to transition at a later point in time. Consistent with our Purpose, our climate strategy and our approach to risk management and to ensure that we achieve our ambition to be a net zero bank by 2050, where companies are unable or unwilling to reduce or eliminate their emissions, we will reduce our support over time. Such clients will find it increasingly difficult to access financing[1], including through Barclays. Since 2020, we have, for example, already declined to provide financing[1] to clients that have been unable to meet our existing policies in relation to thermal coal and oil sands.

Barclays' Approach to Sensitive Sectors

In addition to setting sector-specific emission-reduction targets, we have set explicit restrictions to curtail or prohibit financing[1] of certain activities and in sensitive sectors. These are set out in detail below, and include clear restrictions on thermal coal mining and coal-fired power generation, Arctic exploration and production, oil sands and hydraulic fracturing (fracking). Further restrictions are set out in our Position Statements in relation to Forestry and Agricultural Commodities and World Heritage and Ramsar Wetlands.

Updated Thermal Coal Position - Overview

Today, thermal coal is a climate risk and, increasingly, the financing of these activities is a credit risk.

We are therefore tightening our thermal coal policy in a number of areas. In particular, we are introducing final phase out dates for the financing[1] of thermal coal mining and coal-fired power generation. These vary by geography, as set out below, but the final phase out date for financing[1] clients engaged in[5] thermal coal mining or coal-fired power generation is 2035 (subject to limited exemptions as set out below). Consistent with our intent to phase out financing[1] of thermal coal activities, from 1 January 2023 we will not extend financing[1] to new clients engaged in[5] thermal coal mining.

The key changes in our thermal coal policy are:

For thermal coal mining:

- Bringing forward our existing plan to step down revenue thresholds, so that from 1 January 2023 we will not extend financing[1] to new clients[4] engaged[5] in thermal coal mining and existing clients that generate more than 30% of their revenue from thermal coal mining;
- Introducing phase out dates for clients engaged in[5] thermal coal mining of 2030 in OECD and 2035 in rest of the world;
- Introducing tighter restrictions on General Corporate Purposes (GCP) financing for clients engaged in opening new thermal coal mines[2] or material expansion[3] of existing thermal coal mines;

For coal-fired power generation, we are also introducing phase out dates, whilst recognising the different pace of power sector transition and legislation in different areas of the world:

- Introducing phase out dates for clients engaged in[5] coal-fired power generation in the UK and EU by 2030, and in the rest of the world (including the USA) by 2035;
- Introducing tighter restrictions on general corporate purposes (GCP) financing for clients engaged in[5] the development of new coal-fired power plants[2] or material expansion[3] of existing coal-fired power plants;

These restrictions build upon or in some cases replace existing restrictions. Our updated position is set out in detail below.

Thermal Coal Policy

Thermal Coal Mining:

- No project finance for greenfield development or material expansion[3] of thermal coal mines anywhere in the world;
- No general corporate purpose financing that is specified as being for new or material expansion[3] of thermal coal mining;
- No financing[1] to clients that generate more than 50% of revenue from thermal coal mining;
- By 2023, we will not provide financing to new clients[4] engaged in[5] thermal coal mining;
- By 2023, we will no longer provide financing[1] to existing clients that generate more than 30% of revenues from thermal coal mining;
- By 2023, we will not provide general corporate purposes financing to clients with entities engaged in[5] opening new thermal coal mines[2] or material expansion[3] of existing thermal coal mines unless an undertaking is received from the borrower or we are otherwise satisfied that the proceeds of the GCP financing will not be made available to entities engaged in[5] opening new thermal coal mines[2] or material expansion[3] of existing thermal coal mines;
- By 2030, we will phase out financing[1] to all clients engaged in[5] thermal coal mining (OECD) and for the rest of the world no longer provide financing[1] to clients that generate more than 10% of revenue from thermal coal mining;
- By 2035, we will phase out financing[1] for all clients engaged in[5] thermal coal mining.

Coal-fired Power:

- No project finance to enable the construction or material expansion[3] of coal-fired power stations anywhere in the world;
- No general corporate purposes (GCP) financing that is specified as being for coal-fired power plant development or material expansion[3] of coal-fired power plants;
- No financing[1] to clients that generate more than 50% of revenue from coal-fired power generation;
- By 2023, we will not provide general corporate financing to clients with entities engaged in developing new coal-fired power plants[2] or material expansion[3] of existing coal-fired power plants unless an undertaking is received from the borrower or we are otherwise satisfied that proceeds of such GCP will not be made available to entities engaged in[5] developing new coal-fired power plants[2] or material expansion[3] of existing coal-fired power plants;
- By 2025, we will no longer provide financing[1] to clients that generate more than 30% of revenue from coal-fired power generation;
- By 2030, we will phase out financing[1] to clients engaged in[5] coal-fired power generation (UK and EU) and for rest of the world (including USA) no longer provide financing[1] to clients that generate more than 10% of revenue from coal-fired power generation;
- By 2035 we will phase out financing[1] for all clients engaged in[5] coal-fired power generation.

Restrictions relating to % revenue generated by clients from thermal coal activities applies to the consolidated revenues of the entity being financed, whether transacting with a group parent, subsidiary or joint venture.

General exceptions apply to our thermal coal policy above in the following circumstances:

- Where Barclays is providing transition finance for companies reducing their thermal coal portfolio including retrofitting of existing facilities;
- Where Barclays is providing finance for decommissioning plants for those unable to transition.

In addition, exceptions to the phase out date(s) for coal-fired power plants apply if:

- Remaining coal-fired power plants are abated to reduce GHG emissions to near zero OR
- Remaining coal-fired power plants solely utilised as backup to low carbon power supply OR
- Remaining coal-fired power plants are required to remain open by operation of law, regulation or contract.

Mountain Top Removal Coal Mining

Mountain Top Removal (MTR) coal mining refers to surface coal mining (and the associated reclamation operations) that remove entire coal seams running through the upper fraction of a mountain, ridge, or hill, by removing all of the overburden and creating a level plateau or gently rolling contour with no high-walls remaining[7].

The following additional restrictions are in place for clients active in MTR:

- Barclays does not directly finance[6] MTR projects or developments;
- We apply Enhanced Due Diligence (EDD) to financing[1] facilities involving clients which practice MTR.

Arctic Oil and Gas

Arctic oil and gas refers to new exploration and extraction of oil and gas in the area within the Arctic Circle which is subject to sea ice, and includes the Arctic National Wildlife Refuge (ANWR) and the Coastal Plains[8]. The ANWR is a particularly fragile and pristine ecosystem which is central to the livelihoods and culture of local indigenous peoples. We have therefore introduced the following restrictions:

- We will not directly finance[6] oil and gas projects in the Arctic Circle, including but not limited to the ANWR.
- In addition, we will not provide any financing[1] to companies primarily engaged in oil and gas exploration and production operations in the Arctic Circle, including but not limited to the ANWR.
- We will also not provide financing[1] to ancillary Arctic oil and gas businesses where proceeds are known to be for supporting new oil and gas exploration, production or new pipeline transportation projects in the Arctic Circle.

Hydraulic fracturing

Hydraulic fracturing, commonly referred to as fracking, is an oil and gas well development technique, using a high pressure injection of liquid into the rock, which creates fracturing and allows natural gas and oil to flow more freely. Whilst this method of extraction has provided cheaper, more plentiful energy sources for many, it is also a sensitive sector that is of concern for many stakeholders. Impact areas include water consumption and quality, wastewater disposal, air emissions and impacts on local communities, including noise, traffic and seismic changes. Our appetite for doing business with this industry is as follows:

- We will not directly finance[6] projects involving fracking in the UK and Europe;
- In addition, we will not provide any financing[1] to companies primarily engaged in fracking activities in the UK and Europe;
- Any financing[1] for a company involved in fracking activities outside the UK and Europe, is subject to EDD.

Fracking clients and transactions which are subject to EDD must demonstrate consideration of environmental and social impacts and risks and, in addition, demonstrate the following:

- Compliance with legal, regulatory and permitting requirements and remediation plans resulting from any breaches;
- GHG emissions management and continuous reduction;
- Management of key environmental impacts, including: well construction and maintenance, water use and conservation, waste water management, water pollution management, air emissions management (including flaring);
- Engagement with local communities on impacts, including seismic impacts, noise, health and safety.

Oil Sands

Oil sands refers to naturally occurring deposits of water and clay, containing a heavy, viscous oil called bitumen. The development of Canada's oil sands reserves is Canadian government policy and, as such, the Canadian Oil Sands industry is highly regulated.

We will only provide financing[1] to clients who have projects to reduce materially their overall emissions intensity, and a plan for the company as a whole to have lower emissions intensity than the level of the median global oil producer by the end of the decade. This approach takes into consideration the just transition for the workforce and communities currently dependent on the oil sands industry in Canada.

In addition to this requirement, any financing[1] for a company involved in the exploration, extraction, transportation (including the construction of pipelines to carry oil sands), or processing of oil sands, is subject to EDD.

Oil sands clients and transactions which are subject to EDD must demonstrate consideration of environmental and social impacts and risks and, in addition, demonstrate the following:

- Compliance with all legal, regulatory and permitting requirements in the regions that they operate, showing evidence of any breaches being adequately remediated;
- Management and implementation of procedures which minimise direct environmental impacts including land reclamation, air, ground and water pollution, fresh water use, biodiversity protection, and impacts on protected areas such as boreal forests.

Enhanced Due Diligence

We conduct Enhanced Due Diligence (EDD) on a case-by-case basis on clients in these sensitive energy sectors that fall outside explicit restrictions, and will consider the following factors as a minimum:

i. 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;
ii. The client's adherence to local and national environmental regulation and standards and industry best practice;
iii. The client's management and implementation of procedures which minimise direct environmental impacts in the context of their operations;
iv. 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 and appropriate transition plans;
v. The client's approach to and track record in protecting the health and safety of the workforce and local communities;
vi. The client's approach to stakeholder engagement and consultation, including its commitment and adherence to the principles of Free Prior Informed Consent (FPIC) where indigenous peoples may be impacted by their operations;
vii. The client's approach to managing its human rights impacts, including its commitment and adherence to UN Voluntary Principles on Security and Human Rights where the client uses security personnel.

In order to assist and enhance the EDD process, we operate a mandatory training programme which has been rolled out to relevant colleagues.

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.

Key Definitions:

1. *Financing* refers to all lending, underwriting, issuance of debt and equity, trade and working capital finance;
2. *New thermal coal assets* i.e. development of new coal mines or development or commissioning of new thermal coal-fired power plants
3. *Material expansion* -:
   (a) For coal mining- means an increase in annual tonnage of thermal coal extracted from existing thermal coal mines by more than 20% measured from a baseline of maximum p.a. tonnage for preceding 3 years reported;
   (b) For thermal coal power production – means an investment to (i)extend the unabated operating lifetime of existing thermal coal power plants or (ii) increase net operational thermal power capacity by more than 20% measure from a baseline of maximum capacity for preceding 3 years reported.
   Material expansion in such cases relates to absolute global increases rather than increases for an entity or group as a result of mergers or acquisitions.
4. *New Client* means no member of the group was a client of Barclays as at 1 April 2022.
5. Where a client is defined as *"engaged in"* if it generates more than 5% of its revenues from the activity
6. *Directly finance* refers to project finance or other lending/ underwriting where the use of proceeds is known to be for a particular project.
7. The *Surface Mining Control & Reclamation Act* (SMCRA 1977), available at https://www.gpo.gov/fdsys/pkg/ CFR-2012-title30-vol3/pdf/CFR-2012-title30-vol3- sec716-3.pdf
8. The *Arctic Circle* is defined by the National Snow & Ice Data Center, available at https://nsidc.org/cryosphere/ arctic-meteorology/arctic.html