Climate Change Statement

February 2023

BARCLAYS

Contents

About this document

This document updates our previous positions as set out in our April 2020 statement and updated in our March 2022 statement and sets out our revised position and approach to sensitive sectors including updates to our thermal coal policy and position on oil sands.

February 2023

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. In 2022 we continue to reinforce our group-wide strategic priority to capture the opportunities and support our clients as they transition their businesses to a low-carbon economy.

We have a three-part strategy to turn our net zero ambition into action:

1. **Achieving net-zero operations** | Barclays is working to reduce its Scope 1, Scope 2 and Scope 3 operational emissions consistent with a 1.5°C aligned pathway and counterbalance any residual emissions.
2. **Reducing our financed emissions** | Barclays is committed to aligning its financing with the goals and timelines of the Paris Agreement, consistent with limiting the increase in global temperatures to 1.5°C
3. **Financing the transition** | Barclays is helping to provide the green and sustainable finance required to transform the economies, customers and clients we serve.

Our strategy (including our climate strategy) is driven by consideration of all relevant risks and considerations, as well as our Purpose to deploy finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and the long-term.

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 is likely to vary year to year and we need to be able to adapt our approach to respond to external circumstances and to manage 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 of thermal coal mining and coal-fired power generation.

Reducing our financed emissions

Although financed emissions account for the greatest proportion of our climate impact, addressing our operational emissions is also important to meeting our ambition to be a net zero bank by 2050. We are aiming to integrate sustainability into every aspect of how we run our business, from decarbonising our operations to managing our impact on biodiversity and nature.

We are committed to align all of our financing to the goals and timelines of the Paris Agreement, consistent with limiting the increase in the global temperatures to 1.5^0C. To meet our ambition, we need to reduce the client emissions that we finance, not just for lending but for capital markets activities as well.

We are continuing to set emission reduction targets for our portfolios where possible, aligned with the ambitions of the Net-Zero Banking Alliance, of which we are a founding member.

We have assessed our financed emissions for six sectors, including two new sectors that have been assessed for the first time in 2022: Automotive Manufacturing and Residential Real Estate.

Our priority is 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 unwilling to reduce or eliminate their emissions consistent with internationally accepted pathways, they may find it difficult to access financing, including through Barclays.

Barclays' Approach to Sensitive Sectors

In addition to setting sector-specific emission reduction targets, consistent with our Purpose and considering relevant risks and other factors, we have set explicit restrictions to curtail or prohibit financing of certain activities 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.

The experience of the last few years leads us to recognise that client transition pathways will vary and the ability of our clients to meet our expectations in relation to coal and other sensitive sectors in the future may be affected (positively or negatively) by external factors, including, for example, the public policy and regulatory environment, technological advancement, geopolitical or regional developments, energy security, cost of living and just transition factors. We intend to continue to work with and support our clients as they transition their businesses and will monitor and engage with them on their progress, and the impact of external factors over time, through our Enhanced Due Diligence (EDD) and Client Transition Framework[11]. We will continue to keep our policies, targets and progress under review in light of the output of that work, the changes to the external environment and the need to support an orderly energy transition and provide energy security.

Updated Thermal Coal and Oil Sands Positions

Thermal Coal

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

Further to the announcements made in 2022 we are updating our thermal coal policy and are aligning the phase-out date for coal-fired power generation for all EU and OECD countries to 2030. This is in alignment with the phase-out date for thermal coal mining.

Our updated position is set out in detail below.

Oil Sands

Since 2020, as part of our climate strategy we have only provided financing[4] to oil sands exploration and production companies[1] 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. As a result of this policy, our lending exposure to oil sands exploration and production companies[1] had reduced to zero at the end of 2022. In light of this position and consistent with Barclays' business strategy, we are further restricting our business appetite so that with effect from 1 July 2023 we will not provide:

- Financing[4] to oil sands exploration and production companies[1];
- Direct financing[9] wholly or primarily to be used for the construction of new: (i) oil sands exploration, production and/or processing[2] assets; or (ii) oil sands pipelines[3]; or
- General corporate purposes financing that is specified as being wholly or primarily for the construction of new: (i) oil sands exploration, production and/or processing[2] assets; or (ii) oil sands pipelines[3].

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

Restrictions on business appetite are as follows:

- No project finance for greenfield development or material expansion[5] of thermal coal mines anywhere in the world;
- No general corporate purpose financing that is specified as being for new or material expansion[5] of thermal coal mining;
- We will not provide financing[4] to new clients[6] engaged in[7] thermal coal mining;
- No financing[4] to clients that generate more than 30% of revenues from thermal coal mining;
- We will not provide general corporate purposes financing to clients with entities engaged in[7] opening new thermal coal mines or material expansion[5] of existing thermal coal mines unless an undertaking is received from the borrower or we are otherwise satisfied that the proceeds of the general corporate purposes financing will not be made available to entities engaged in[7] opening new thermal coal mines or material expansion[5] of existing thermal coal mines;
- By 2030, we will phase out financing[4] to all clients engaged in[7] thermal coal mining (EU and OECD) and for the rest of the world no longer provide financing[4] to clients that generate more than 10% of revenue from thermal coal mining;
- By 2035, we will phase out financing[4] for all clients engaged in[7] thermal coal mining.

Coal-fired Power

Restrictions on business appetite are as follows:

- No project finance to enable the construction or material expansion[5] of coal-fired power stations anywhere in the world;
- No general corporate purposes financing that is specified as being for coal-fired power plant development or material expansion[5] of coal-fired power plants;
- No financing[4] to clients that generate more than 50% of revenue from coal-fired power generation;
- We will not provide general corporate purposes financing to clients with entities engaged in[7] developing new coal-fired power plants or material expansion[5] of existing coal-fired power plants unless an undertaking is received from the borrower or we are otherwise satisfied that proceeds of such general corporate purposes financing will not be made available to entities engaged in[7] developing new coal-fired power plants or material expansion[5] of existing coal-fired power plants;
- By 2025, we will no longer provide financing[4] to clients that generate more than 30% of revenue from coal-fired power generation;
- By 2030, we will phase out financing[4] to clients engaged in[7] coal-fired power generation (EU and OECD) and for rest of the world no longer provide financing to clients that generate more than 10% of revenue from coal-fired power generation;
- By 2035 we will phase out financing[4] for all clients engaged in[7] 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[8].

Restrictions on business appetite are as follows:

- Barclays will not directly finance[9] projects or developments using MTR coal mining.
- We apply Enhanced Due Diligence (EDD) to financing 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[10].

Restrictions on business appetite are as follows:

- We will not directly finance[9] oil and gas projects in the Arctic Circle[10].
- We will not provide any financing[4] to companies primarily engaged in oil and gas exploration and production operations in the Arctic Circle[10].
- We will not provide financing[4] 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[10].

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.

Restrictions on business appetite are as follows:

- We will not directly finance[9] projects involving fracking in the UK and Europe;
- In addition, we will not provide any financing[4] to companies primarily engaged in fracking activities in the UK and Europe;
- Any financing[4] 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.

Current restrictions on business appetite are as follows:

- We will only provide financing[4] 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.
- Any financing[4] 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.

From 1 July 2023 restrictions on business appetite will be as follows:

- We will not provide financing[4] to oil sands exploration and production companies[1].
- We will not provide direct financing[9] wholly or primarily to be used for the construction of new: (i) oil sands, exploration, production and/or processing[2] assets; or (ii) oil sands pipelines[3].
- We will not provide general corporate purposes financing that is specified as being wholly or primarily for the construction of new: (i) oil sands exploration, production and/or processing[2] assets; or (ii) oil sands pipelines[3].
- Any financing[4] 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.

Approach to Enhanced Due Diligence

We conduct EDD on a case-by-case basis on clients in these sensitive energy sectors that fall outside explicit restrictions. These clients are analysed against specific environmental and social risk considerations in addition to the above requirements which include, but are not limited to:

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.

Referral and escalation procedure

Where client relationships or transactions are assessed as higher-risk following an enhanced due diligence review they are then considered for escalation to the Climate Transaction Review Committee (CTRC) for consideration and a decision on whether to proceed if transaction related. CTRC includes representation from the Group Executive Committee.

Governance

This document is approved by the Head of Public Policy & Corporate Responsibility and shared with the Group Executive Committee for adoption across the Group.

Key Definitions

1. *Oil Sands exploration and production companies* means companies that majority own (>50%) or operate oil sands exploration, production & processing[2] assets, excluding those that generate less than 10% of revenue from these activities.
2. *Processing* in this context refers to Canadian oil sands clients that process and upgrade extracted oil sands bitumen in situ only.
3. *Oil sands pipelines* means pipelines whose primary use is for the transportation of crude oil extracted from oil sands.
4. *Financing* refers to all lending, underwriting, arranging and distributing debt and equity, trade and working capital finance.
5. *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.
6. *New Client* means no member of the group was a client of Barclays as at 1 April 2022.
7. In relation to *Thermal Coal Mining and Coal-fired Power*, a client is defined as *"engaged in"* if it generates more than 5% of its revenues from the activity.
8. 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.
9. *Directly finance or direct financing* refers to project finance, or other lending/underwriting or the arrangement and distribution of debt or equity, where the use of proceeds is known to be for a particular project.
10. The *Arctic Circle* refers to the area within the Arctic Circle which is subject to sea ice, the Arctic National Wildlife Refuge (ANWR) and Coastal Plains.
11. *The Client Transition Framework* is an internally developed tool designed to support our evaluation of our corporate clients' current and expected future progress as they transition to a low-carbon business model.