



Barclays' Climate Strategy,
Targets and Progress
2022



22 March 2022



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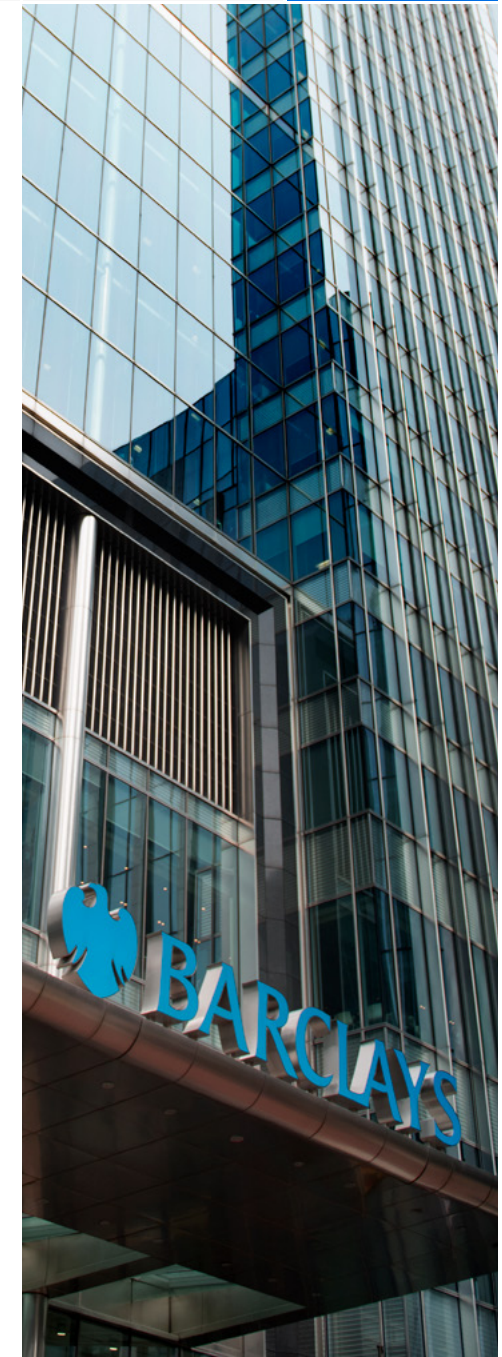
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Barclays PLC Climate-related Financial Disclosures 2021

We have published an annual climate-related financial disclosures report, consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The TCFD recommendations are a framework to help organisations more effectively disclose climate-related risks and opportunities. In this report, we provide detail on our climate-related governance, strategy, and risk management. The report also includes metrics and targets such as our exposure to sectors deemed at an elevated risk from climate change, and our capital markets activity in the carbon-related energy and extractive sectors. Our full TCFD Report can be found at: home.barclays/sustainability/esg-resource-hub/reporting-and-disclosures/



Introduction

Chairman's letter to shareholders

Nigel Higgins
Chairman



Dear Shareholders,

Two years ago Barclays laid out a new climate approach in response to the climate crisis. We set out an ambition to become net zero by 2050, across all of our direct and indirect emissions, and we committed to align all of our financing activities with the goals and timelines of the Paris Agreement. We made it clear at the time that we would approach the climate challenge thoughtfully and transparently, reporting to shareholders and other stakeholders and be accountable for our progress.

This document sets out our climate strategy and targets and reports on the progress which we have made. It also sets out those areas in which the bank has continued to evolve its approach. Probably most notably, Barclays is now committing to use the International Energy Agency's (IEA) 1.5°C-aligned scenario as its baseline for new targets. We have already set 2025 targets for Power and Energy, but we are now adding 2030 targets, and for Cement and Steel as well. We are also committing to phase out financing of thermal coal.

We took the decision a year ago that, at the 2022 Annual General Meeting, we would offer our shareholders a vote on our approach to climate change in the round. We have had discussions with several major shareholders and industry bodies over many months and are grateful for their input. It is not a simple task to address the climate challenge whilst also giving appropriate support to those companies which we believe are committed to the transition. We also respect legitimate concerns about energy security, energy poverty and the just transition. We hope that we have got the balance right. The appalling invasion of Ukraine has made it even more imperative to accelerate the energy transition, whilst imposing real challenges in achieving uniform year-on-year progress. Nonetheless, our commitment to our climate ambition and



It is not a simple task to address the climate challenge whilst also giving appropriate support to those companies which we believe are committed to the transition."

Chairman's letter to shareholders continued

strategy is unchanged and by next year we will be setting targets to cover more of the sectors we finance. We also anticipate recent events will accelerate the demand for investment in low-carbon energy infrastructure and capacity across the world and are determined to finance, on an even greater scale, the investment needed for transition.

There is much to be done to accelerate and improve the transition pathways. At the top of that list are coherent national approaches to energy policy, and ideally a global approach, setting clear targets and a clear timeframe for the decarbonisation of energy supply, almost certainly involving some kind of carbon pricing and clear incentives to improve, for instance, domestic energy efficiency. The IEA's net zero scenario makes very clear our dependence on behavioural change and public policy changes to drive the necessary shift in the patterns of both demand and supply.

We would also like to see greater global coherence around taxonomies, data and measurement. We should not have different territorial ways of measuring a crisis that does not recognise national or regional boundaries.

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We believe that our original championing of net zero and Paris alignment have made a difference in banking.”

Barclays puts considerable effort into both the expansion of its green and sustainable financing activities and the diminution in its fossil fuel financing. We also seek to contribute meaningfully to the improvement of policy and data capture and measurement. These are issues owned by the Board and discussed at the majority of Board meetings in 2021. They are also owned by senior management (10% of Executive Director remuneration is now tied to our progress in this field).

Shareholders and other stakeholders have challenged Barclays on its approach to the climate crisis and we have welcomed the engagement. We hope you agree that our approach is both progressive and responsible. We believe that our original championing of net zero and Paris alignment has made a difference in banking. We have also ensured that our approach covers capital markets and contracted financing commitments as well as actual loans made. Clearly more needs to be done to extend this to the retail and consumer space, which is where policy leadership is so vital.

We do hope that shareholders support the work that we have done so far and will support the Board on Resolution 26, recognising that, as always, there is more to be done.

Nigel Higgins
Chairman

CEO introduction

C.S. Venkatakrishnan

Group Chief Executive, Barclays



The drive to net zero will be one of the defining issues of our lifetime, with implications for each one of our customers and clients. As the person entrusted with the leadership of this company, I am completely committed to bringing our ideas, our resources, our energy and our passion to achieving the net zero ambition for Barclays.

For the world to reach net zero emissions, three things are required. First is an enormous increase in low-carbon infrastructure and capacity, including renewable energy networks, and technology to improve energy efficiency, particularly in transportation, building heating and cooling and food production. Second is a co-ordinated and material diminution in carbon intensive activity, particularly fossil fuel consumption. Third is ambitious action to protect, enhance and restore natural ecosystems such as forests and oceans.

It is also important that the economic opportunities presented by an orderly transition are widely shared and available, particularly in developing countries. Realising a just and orderly transition of this kind will be a massive and complex global undertaking.

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It is important that the economic opportunities presented by an orderly transition are widely shared and available, particularly in developing countries.”

As the IEA notes, limiting the global temperature rise to 1.5°C “requires nothing short of a total transformation of the energy systems that underpin our economies.”¹ More and more countries and companies have announced targets to limit emissions, but the world is not yet on track to limit global warming to 1.5°C.

To achieve this ambitious goal, we must cooperate and coordinate globally across the public and private sectors. We need to establish common standards and transparent reporting, and to create the political and economic conditions for success.

CEO introduction continued

There will also be a significant need for new investment. It is estimated that at least \$3-5 trillion of additional investment will be required each year, for the next 30 years, in order to finance the transition.² As a large global financial intermediary, Barclays has an important role in helping channel investment, including our own capital, into new green technologies and low-carbon infrastructure projects. We also have a contribution to make in the advice, products and financing support that we offer our customers and clients. Above all, we must help develop common standards to define and measure progress – financial markets depend upon them.

Barclays has been a leader among global investment banks in announcing its ambition to be net zero by 2050, with a commitment to align its financing, including capital markets activities, to the goals and timelines of the Paris Agreement. To this end, we published a comprehensive, transparent methodology, via BlueTrack™, to measure and report our progress. However, this was just the first step, and we were clear that we had more work to do.

Today, we are announcing a number of important updates to our approach. These include:

- Setting 2030 targets, all of which integrate a 1.5°C-aligned scenario, to reduce our financed emissions across four of the highest-emitting sectors in our portfolio: Energy, Power, Cement and Steel. We plan to continue this work until we have set targets for material high-emitting sectors in our portfolio, which we aim to have completed by 2024, consistent with our commitments as a founding member of the Net-Zero Banking Alliance.
- Incorporating methane into our methodology for measuring greenhouse gas (GHG) emissions for Energy.
- Updating our restrictive policies, in particular setting final exit dates with respect to the financing of thermal coal mining and coal-fired power generation.
- Updating our targets to reduce our operational emissions.
- Aligning the remuneration of our Executive Directors with our climate commitments, as set out in our Directors' Remuneration Report 2021.

While Barclays will continue to play a leading role in the financial services industry, we do not do it alone. Last year, we became a founding member of the Net-Zero Banking Alliance (NZBA), part of the Glasgow Financial Alliance for Net Zero (GFANZ).

We want to be part of a financial system that works together to accelerate the transition, and we will engage constructively with policymakers and others to address policy challenges.

The industrial revolution took over a century to transform the planet, and we cannot hope to undo overnight its deleterious impact on the environment. We are still at an early stage of a long journey, but are committed to the destination and will persevere to reach it. One of my foremost priorities is for Barclays to demonstrate steady and significant progress against our net zero ambition.

C.S. Venkatakrisnan
Group Chief Executive, Barclays

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1. International Energy Agency, Net Zero by 2050, A Roadmap for the Global Energy Sector.
2. \$3-5 trillion as estimated in the GFMA/BCG (Global Financial Markets Association/Boston Consulting Group) Climate Finance Markets and the Real Economy report, December 2020.

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.

Our climate strategy is informed by our Purpose:

We 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.

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 strategy, our existing targets and progress to date. We are also announcing a number of important updates to our approach, including:

- Setting 2030 targets, all of which integrate a 1.5°C-aligned scenario, to reduce our financed emissions across four of the highest-emitting sectors in our portfolio: Energy, Power, Cement and Steel. We plan to continue this work until we have set targets for material high-emitting sectors in our portfolio, which we aim to have completed by 2024, consistent with our commitments as a founding member of the Net-Zero Banking Alliance.
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Selected targets and progress

The table below sets out selected targets and policies we have previously announced, progress against them, and the new announcements we are now making.

Strategic pillar		Previously announced target/policy	Progress ⁴	New announcement	
1	Achieving net zero operations ¹	By the end of 2021	2021 Performance		
		<ul style="list-style-type: none"> -80% GHG emission reduction Scope 1² and 2³ (market-based) against a 2018 baseline Source 90% renewable electricity for our global operations 	<ul style="list-style-type: none"> -86% GHG emission reduction 94% renewable electricity Carbon neutral for Scope 1, Scope 2 and Scope 3⁵ business travel emissions since 2020 	<ul style="list-style-type: none"> -90% GHG emission reduction in Scope 1 and 2 (market-based) by the end of 2025 against a 2018 baseline Source 100% renewable electricity for our global operations by end of 2025 	
2	Reducing our financed emissions	By the end of 2025	2021 Performance	By the end of 2030⁶	
		Portfolio reduction targets			
		Energy	<ul style="list-style-type: none"> -15% absolute CO₂ emission reduction against a 2020 baseline (Scopes 1, 2 and 3) 	<ul style="list-style-type: none"> -22% absolute CO₂ emission reduction 	<ul style="list-style-type: none"> -40% absolute CO₂e⁷ emission reduction against a 2020 baseline of 78.5 MtCO₂e (Scopes 1, 2 and 3)
		Power	<ul style="list-style-type: none"> -30% CO₂ emission intensity reduction against a 2020 baseline (Scope 1) 	<ul style="list-style-type: none"> -8% CO₂ emission intensity reduction 	<ul style="list-style-type: none"> -50% to -69% CO₂ emission intensity reduction against a 2020 baseline of 320 kgCO₂/MWh (Scope 1)
		Cement	n/a	n/a	<ul style="list-style-type: none"> -20% to -26% CO₂e emission intensity reduction against a 2021 baseline of 0.620 MtCO₂e/Mt (Scopes 1 and 2)
Steel	n/a	n/a	<ul style="list-style-type: none"> -20% to -40% CO₂e emission intensity reduction against a 2021 baseline of 1.926 MtCO₂e/Mt (Scopes 1 and 2) 		

1. Operations include company cars, offices, retail branches and data centres where Barclays has operational control.

2. Scope 1 emissions include our direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants.

3. Scope 2 emissions include our indirect GHG emissions from purchased electricity and purchased steam and chilled water.

4. Full details set out in Barclays PLC Annual Report 2021.

5. Scope 3 business travel emissions are our indirect emissions from commercial air travel and other transport.

6. Full details set out in our About BlueTrack™ whitepaper, available online.

7. The 2030 target for Energy reflects a methodological update and includes not just CO₂ but also methane. The target is expressed in CO₂e terms. The 2020 baseline for Energy will be recalculated to include methane. Power emissions data does not include methane but it is not considered material. Steel and Cement data includes all GHG emissions.

Strategic pillar		Previously announced target/policy	New announcement
2 Reducing our financed emissions continued		Existing restrictions in relation to thermal coal financing will continue to apply other than as updated below⁸	
Restrictive policies	Thermal Coal Mining	<ul style="list-style-type: none"> By 2025: no financing to entities that generate more than 30% of their revenue from thermal coal mining By 2030: no financing to entities that generate more than 10% of their revenue from thermal coal mining 	<ul style="list-style-type: none"> By 2023: no financing to new clients engaged in⁹ thermal coal mining and no financing to existing clients that generate more than 30% of revenues from thermal coal mining By 2023: we will not provide general corporate financing (GCF) to clients with entities who are engaged in opening new thermal coal mines or material expansion of existing thermal coal mines unless an undertaking is received or we are otherwise satisfied that the proceeds of GCF will not be made available to such entities By 2030: in OECD – phase out of financing to clients engaged in thermal coal mining. In the rest of the world – no financing to clients that generate more than 10% of their revenue from thermal coal mining By 2035: phase out of financing to clients engaged in thermal coal mining
	Thermal Coal Power	<ul style="list-style-type: none"> By 2030: no financing to entities that generate more than 10% of their revenue from thermal coal power 	<ul style="list-style-type: none"> By 2023: we will not provide GCF to clients with entities who are engaged in developing new coal-fired power plants or material expansion of existing coal-fired power plants unless an undertaking is received or we are otherwise satisfied that the proceeds of GCF will not be made available to such entities By 2030: in the UK and EU – phase out of financing to clients engaged in thermal coal power. In the rest of the world (including USA) – no financing to clients that generate more than 10% revenue from thermal coal power By 2035: phase out of financing to clients engaged in coal-fired power generation

Strategic pillar		Previously announced target/policy	Progress	New announcement
3 Financing the transition		Existing targets	2021 Performance	
		<ul style="list-style-type: none"> Facilitate £100bn green financing between 2018 and 2030 Invest up to £175m by 2025 of Barclays' own capital in environmentally-focused early-stage companies Grow Barclays' green bond portfolio to £4bn over time 	<ul style="list-style-type: none"> c. £62bn green financing facilitated £54m capital invested £3.4bn green bond portfolio 	We are reviewing our sustainable financing strategy and all green financing frameworks and targets. We expect to provide a further update later this year, including new and more granular green financing targets

8. Full details of our restrictive policies, including definitions and exceptions, are set out in the Appendix.

9. On this page an entity is "engaged in" if it generates more than 5% of its revenue from the activity.

Working with our clients

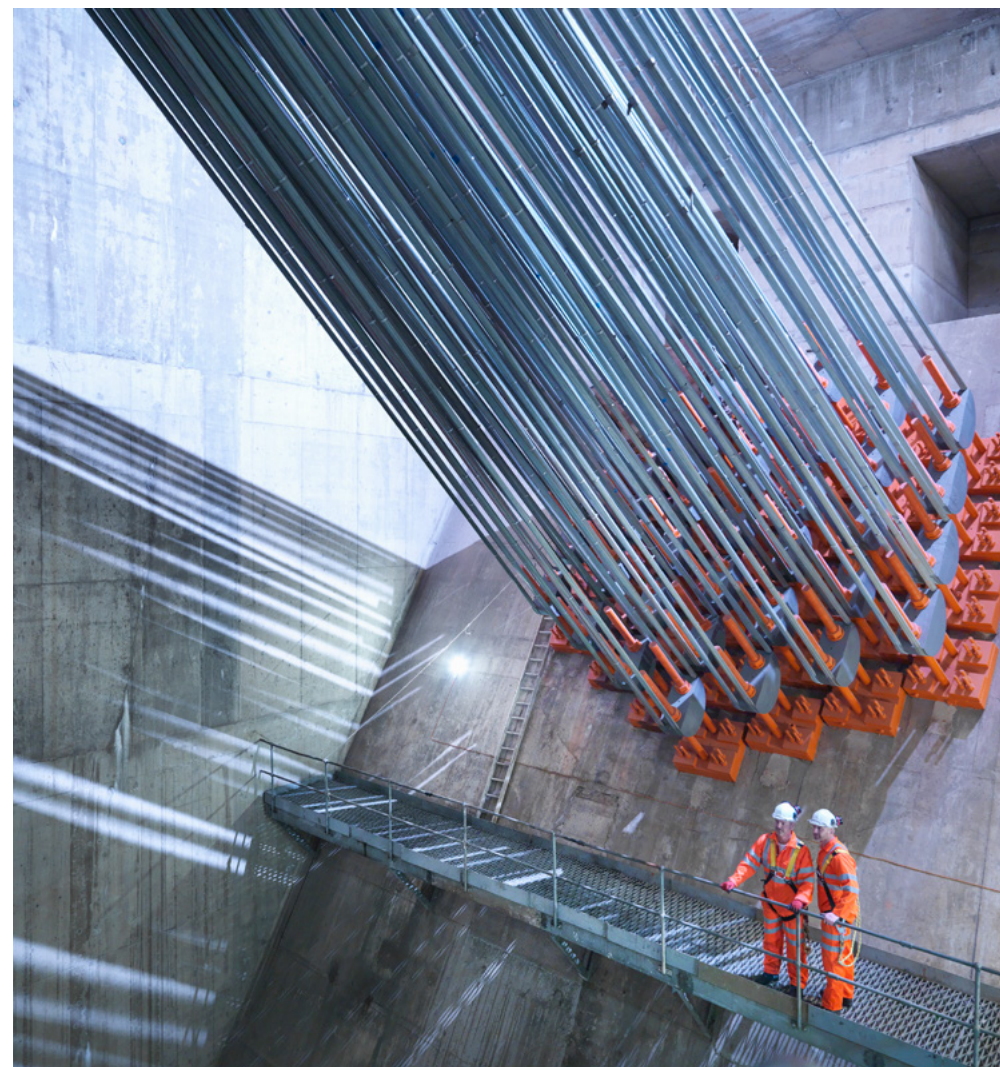
All three elements of our strategy are important, but we recognise that the majority of our carbon emissions result from the activities of the clients we finance, known as 'financed emissions'.

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 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 finance 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. 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 companies will find it increasingly difficult to access financing, including through Barclays. Since 2020, we have, for example, declined to provide financing to clients that have been unable to meet our existing policies in relation to thermal coal and oil sands.

The trajectory for our clients' transition is influenced by a number of factors, including technological advancement, the public policy environment, behavioural change in society and the scale of change needed to adapt their business models. Client transition pathways will vary, even within the same sectors and geographies. We are developing a client transition framework to enable us to measure and monitor our clients' progress and seek opportunities to accelerate their progress through the provision of advice and financing solutions. This will help us to better understand their plans, the progress they are making to align with a 1.5°C pathway, as well as their financing needs. The high-level framework, together with sector-based transition pathways, will allow us to more clearly understand how our clients' activities align with Barclays' net zero ambition and to identify and support their financing needs.

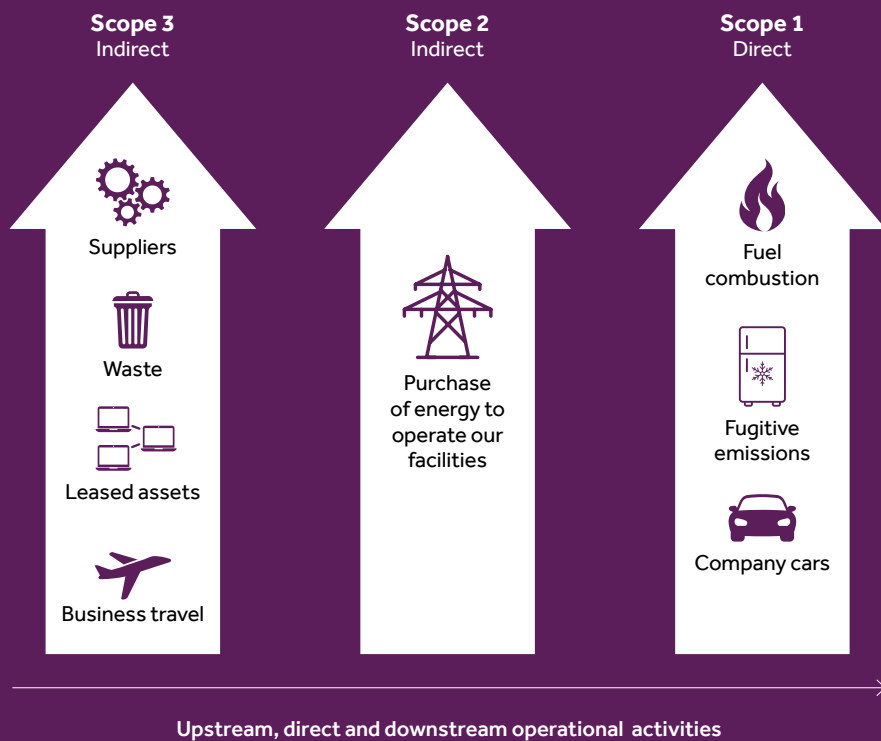


Our targets and progress

1 Achieving net zero operations

We are committed to reducing greenhouse gas emissions associated with our operations and supply chain.

Operational emissions by scope



Progress to date

We have been carbon neutral for our Scope 1¹⁰, Scope 2¹¹ and Scope 3 business travel¹² emissions since 2020. We have achieved this by reducing or eliminating sources of carbon dioxide emissions associated with our operations and business travel and by compensating any remaining emissions by purchasing carbon credits under the Verified Carbon Standard (VCS). We have reduced our Scope 1 and 2 emissions by 86% since 2018 and we powered 94% of our operations with renewable electricity in 2021. More detail on our progress is set out in our TCFD Report available online: home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/Barclays-TCFD-Report-2021.pdf.



Defining net zero operations

We define net zero operations as the state in which we will achieve a GHG reduction of our Scope 1 and Scope 2 emissions by at least 90% against a 2018 baseline and use carbon removals to eliminate any residual operational emissions we cannot yet abate.

We are defining carbon neutral as first reducing carbon dioxide emissions then counterbalancing carbon dioxide emissions from Scope 1, Scope 2 and Scope 3 business travel with carbon offsets.

In 2020, we disclosed that we were already net zero from our own operations based on the common acceptance at that time, that net zero and carbon neutral were interchangeable terms. To reflect the most recent interpretations of both these terms in public disclosure, we will make a distinction between net zero operations and carbon neutral in our disclosure from now on.

10. Scope 1 emissions include our direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants.

11. Scope 2 emissions include our indirect GHG emissions from purchased electricity and purchased steam and chilled water.

12. Scope 3 business travel emissions are our indirect emissions from commercial air travel and other transport.

Next steps and new targets

We intend to remain carbon neutral for Scope 1, Scope 2 and Scope 3 business travel emissions, while investing in the continued decarbonisation of our operations and in the development of a net zero pathway for the emissions from our supply chain. We will continue to increase the share of renewable energy used, improve the energy efficiency of our buildings and data centres, progressively remove reliance on fossil fuel, reduce the level of waste we create, and minimise our emissions from business travel.

We are announcing a new target to achieve a 90% reduction in GHG emissions across Scopes 1 and 2 by 2025. We are also targeting 100% of renewable electricity procured by the end of 2025. In addition to using green tariff and energy attributes certificates to achieve this target, we aim to sign Power Purchase Agreements and increase on-site renewable energy generation.

An important part of our journey to achieve net zero will also be to address GHG emissions associated with the products and services we purchase, and to that end we have been working over the past few years with our key suppliers and the CDP¹³ to engage our supply chain and drive climate change transparency and action. We aim by 2025 for suppliers covering 70% of addressable spend to be disclosing their GHG emissions and have science-based emission reduction targets in place, and we aim to achieve net zero emissions in our supply chain well in advance of 2050.

13. CDP (formerly the Carbon Disclosure Project) is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

The following table summarises our short- and long-term approach to achieve net zero operations and reduce supply chain emissions.

Year	Approach	2021 Performance
2025	Power all our operations with 100% renewable electricity	94%
	Reduce Scope 1 and 2 GHG emissions by 90% (market-based)	86%
	70% of our vendors, by addressable spend, to have science-based GHG emissions reduction targets in place	52%
	Transition all UK company cars to electric vehicles (EV)	27%
2030	Transition the rest of our global fleet to EV or ultra-low emissions vehicles (ULEV) where EVs are not viable	10%
	Reduce Scope 1 and 2 GHG emissions by 50% (location-based)	33%
2035	Reduce energy intensity by 70% across key campuses	21%
	Generate 10% on-site renewable electricity across key campuses	0.1%
	Divert 90% of waste from the landfill, incineration and the environment across key campuses	46%
	Improve water efficiency across key campuses	89% of water recycled in Pune



Carbon offsetting for our operations

We purchase carbon offsets, under the VCS, to compensate for any remaining emissions in operations and business travel.

We conduct due diligence as part of our procurement of carbon offsets. We have invested in a portfolio of credits, under the VCS, that come from approved methodologies. In addition to internal reviews, we also undertake third-party review of the project portfolio from an independent voluntary carbon markets advisory firm, which is not directly involved in the sourcing process. All final projects must pass independent due diligence screening based on risk assessment in five key areas – location, technology, additionality, environmental/social impacts and environmental/social benefits.

We firmly support initiatives to enhance the integrity and quality of the voluntary carbon markets including the work of the Taskforce on Scaling Voluntary Carbon Markets.

To achieve net zero operations we will look into procuring credits from a range of high-quality carbon removal solutions.

2 Reducing our financed emissions

We are committed to align all our financing 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.

Portfolio reduction

Targets and progress to date

In November 2020, we set targets, informed by Paris-aligned benchmark scenarios, to reduce our financed emissions. We prioritised the Energy and Power sectors because they are responsible for up to three-quarters of all Greenhouse Gas (GHG) emissions globally and because Barclays has meaningful exposure to them.

We set a target of 30% reduction in the CO₂ intensity of our Power portfolio by 2025, as well as a target of 15% CO₂ reduction in absolute emissions of our Energy portfolio by 2025. Both of these targets were set

against a December 2020 baseline, and both were aligned with the IEA's Sustainable Development Scenario (SDS). We are one of only a small number of banks to set 2025 targets for Energy and Power, and one of a small number of our investment banking peers to have set an absolute emissions reduction target for Energy – effectively creating a 'carbon budget' for our Energy sector financing.

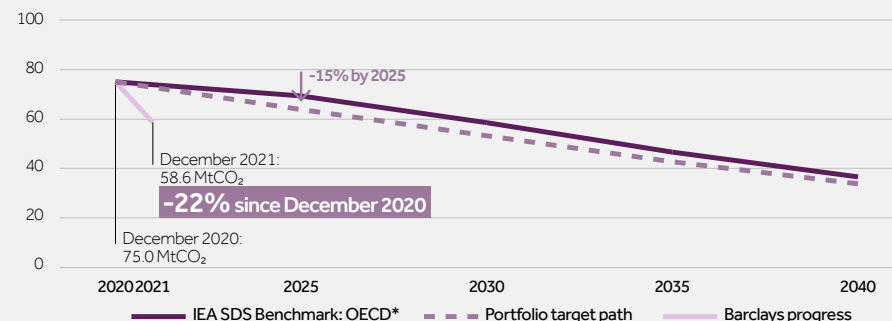
We have made solid progress against our targets. At December 2021, we had achieved an 8% reduction in Power CO₂ intensity and a 22% reduction in absolute financed emissions in Energy.

However, it is important to note that progress towards our targets will likely be volatile and non-linear. This reflects a number of variables generally beyond our control. For example, progress may be impacted by geopolitical developments that result in energy supply pressures, such as the conflict in Ukraine, or by the varying pathways that individual companies take as a result of the technologies available to them to transition. In the short term, we may also experience decreases or increases in our metrics due to the volatility of the mix and volume of capital markets financing, or if issuance volumes increase significantly following the COVID-19 pandemic.

Our current estimate of our clients' activities based on our disclosed methodology

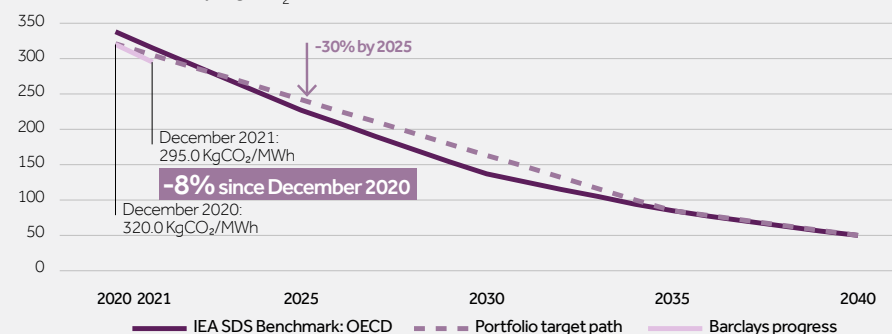
BlueTrack™ financed emissions – Energy

Absolute emissions MtCO₂



BlueTrack™ financed emissions – Power

Emissions intensity KgCO₂/MWh



In 2021, we continued to develop our methodology, including adding granularity and updated external client and industry data as it became available. As our methodology evolves we will continue to review the impact on our reported baselines and we will reperform estimates from time to time with available data.

Notes

* www.iea.org/reports/world-energy-outlook-2019

**The 2021 Benchmark OECD data provided is interpolated i.e. as the IEA 2019 SDS OECD report only provides data for certain time points, the years in between these time points are linearly interpolated to generate estimated values, including the value used for 2021.

We continue to focus on understanding our Power and Energy clients' transition plans. There has been a notable acceleration in clients' targets and climate commitments, particularly as they look to decarbonise their own operations (Scope 1 and 2) with some Energy clients also now including Scope 3 emissions in their climate targets. In our Energy portfolio, approximately three-quarters of our financing is with Energy producers that have published decarbonisation targets; over half of our financing is to clients that have committed to becoming net zero in their Scope 1 and 2 carbon emissions by 2050. We have also seen an increase in decarbonisation commitments from our Power clients. As companies release their annual reported emissions data for 2021 in the coming months, we expect to see further details and evidence of their progress against their commitments, which will be reflected in our metric over time.

Next steps and new targets

As a founding member of the Net-Zero Banking Alliance (NZBA), we have committed to setting science-based targets for material high-emitting sectors in our portfolio by 2024. Our objective is to set emission reduction targets that represent significant progress towards our net zero ambition, but are also achievable given the expected pace of the transition in each sector.

Having already set 2025 targets for Energy and Power, we are now setting 2030 targets for both sectors. We are also setting 2030 targets for two additional high-emitting sectors: Cement and Steel.

We had previously said we would set targets for Metals (Steel and Aluminium) but we are now setting a target for the Steel sector only. This follows a detailed review of our financing portfolios in each of these sectors, that identified Barclays does not have material exposure to the Aluminium sector. Our exposure is predominantly through diversified mining companies where aluminium production is a small element of their overall activities and it would therefore be difficult to set stand-alone aluminium emissions intensity reduction targets.

Scenarios – use of a 1.5°C-aligned pathway

When we set out our initial strategy in November 2020, we committed to evolving our methodology and benchmark scenarios as science, data and analytics expertise in this area advanced, updating BlueTrack™ over time.

We initially adopted the IEA Sustainable Development Scenario (SDS) to derive benchmarks and inform our target setting. We chose the IEA SDS because it was developed by a reputable external provider; was aligned with the Paris Agreement goals; and, in contrast to some other scenarios, offered a sufficiently high-resolution dataset to meet our needs. We have always been clear that we would keep our use of the IEA SDS under review and, as other useable scenarios and benchmarks developed in line with climate science, we will look to incorporate them into our approach.

Over the past few years, and since we initially adopted the IEA SDS scenario, it has become increasingly clear that the world must go further than limiting global warming to less than 2°C above pre-industrial levels, as the Paris Agreement set out. The Intergovernmental Panel on Climate Change, among others, has been clear that we must limit global warming to a maximum of 1.5°C in order to avoid the worst consequences of climate change. The IEA subsequently introduced an updated scenario in May 2021, IEA NZE2050, which achieves net zero emissions by 2050 and models emissions consistent with limiting the global temperature rise to 1.5°C with a 50% probability.

We have integrated this scenario to derive our benchmarks and set our 2030 targets, replacing the IEA SDS scenario we were previously using. This also reflects our participation in the Net-Zero Banking Alliance (NZBA), which is part of the Glasgow Financial Alliance for Net Zero (GFANZ), and requires all signatories to use science-based decarbonisation scenarios that reach net zero by mid-century or sooner, with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

New targets to reduce our financed emissions

In 2022, we are setting new 2030 targets for four high-emitting sectors: Energy, Power, Cement and Steel.

- **Energy** -40% in absolute CO₂e emissions (2020 emissions baseline of 78.5 MtCO₂e). This target includes an update in our methodology, to include methane emissions alongside CO₂
- **Power** -50% to -69% in CO₂ intensity (2020 baseline of 320 kgCO₂/MWh)
- **Cement** -20% to -26% in CO₂e intensity (2021 baseline of 0.620 MtCO₂e/Mt)
- **Steel** -20% to -40% in CO₂e intensity (2021 baseline of 1.926 MtCO₂e/Mt)

Metrics used to set our targets

We have used a carbon emissions intensity metric to set targets for Power, Cement and Steel. We see carbon intensity as the most appropriate measure of our performance, at least in the earlier stages of decarbonisation, as it encourages transition to lower emitting fuel sources. We will also aim to report the absolute financed emissions for each sector from Full Year 2022, where targets have been set, to provide full transparency.

An exception to our general measurement approach is the Energy sector, which is responsible for extracting fossil fuels from the earth – mainly coal, oil and gas. The Energy sector cannot reduce its carbon emissions intensity below a certain point (for instance, a barrel of oil cannot be decarbonised). Therefore, a reduction in absolute carbon emissions is the more appropriate measure for Energy.

Incorporating methane

In the Energy sector, we will now include methane emissions, in addition to CO₂ emissions. This will provide a more granular and accurate measure of absolute emissions for Energy, where methane is a material gas emitted by upstream clients. Reducing methane emissions from this activity would have a measurable short-term effect on climate change and is economically and practically easy to abate in many circumstances. We include all GHG emissions, including methane, for Steel and Cement.

Methane emissions are not as directly material in the Power sector. Therefore, we continue to measure only CO₂ for our Power intensity target.

Use of target ranges

For Energy, we have set an absolute emissions target, consistent with IEA NZE2050, which captures Scopes 1, 2 and 3 of the emissions of our clients. In the near term, we expect absolute reductions to be achieved through a combination of significant reductions in Scope 1 and 2 emissions by clients and some reduction in the provision of finance to higher emitting/higher risk clients. As our assessments of client transition plans and risk profiles become more granular, in the absence of declines in production levels as clients switch to renewable energy sources, we are likely to need to reduce the number of clients we support, or the quantum of financing we make available to them, to further reduce our absolute financed emissions, consistent with our strategy and management of risk. Reducing our absolute financed emissions in this way gives us greater control in our ability to achieve our target, so we have set a specific or spot

BlueTrack™

Our approach to reducing our financed emissions is underpinned by BlueTrack™, a methodology we have developed for measuring our financed emissions and tracking them at a portfolio level against the goals of the Paris Agreement. BlueTrack™ builds on and extends existing industry approaches to cover not only lending, but also capital markets financing, setting us apart from many of our peers. This better reflects the breadth of our support for clients through our investment bank.

BlueTrack™ starts by selecting an appropriate benchmark for a sector, which defines how financed emissions for a portfolio need to change over time in line with the goals of the Paris Agreement. We then determine how our sector portfolios are performing against these benchmarks: by estimating the emissions that our clients produce, determining how those emissions should be linked to the financing we provide, and then aggregating those measurements into a portfolio-level metric. This portfolio-level metric is then compared

target for financed emission reduction in the Energy sector, rather than a range.

For Power, Cement and Steel, we have set emissions intensity targets and, as a result, we are using a target range. While we are clear what reduction is required to converge with the IEA NZE2050 pathway, we recognise there are additional dependencies and variables outside our

to the benchmark. This approach allows us to make active choices to reshape our portfolio within our 'carbon limit' for each sector. This reflects our focus on transition and shows specifically how we are accelerating the shift from higher-carbon to lower-carbon activity.

For this reason, BlueTrack™ does not currently take into account carbon offsets purchased at a client level or at a portfolio level.

We will continue to enhance and refine BlueTrack™ over time, including as climate data quality improves and as company disclosures become more granular. We continue to engage with peers to share our experience and many welcomed our level of transparency in relation to our methodology. We have also been pleased to hear that some have used BlueTrack™ to inform their own approach.

More details about BlueTrack™ are set out in our About BlueTrack™ whitepaper, available online: home.barclays/sustainability/addressing-climate-change/reducing-our-financed-emissions/bluetrack/

control that will determine the pace of the transition and therefore how quickly we are able to reduce our financed emissions intensity in these sectors:

- For each sector, the lower emissions reduction in the range reflects an estimated emissions reduction trajectory based on our current view of sector and client pathways and commitments;

- For each sector, the higher emissions reduction in the range is in line with the IEA NZE2050 pathway that is consistent with limiting global warming to 1.5°C. This pathway incorporates an assumption that public policy interventions, shifts in demand and new technologies will enable our clients to accelerate their transition plans beyond current commitments or expectations.

Top-down portfolio assessment

Our approach is to set granular targets for each sector within our financing portfolio. However, we recognise that it will take time to set targets for our entire portfolio using this approach, so we have 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.

Next sectors in our target setting

We will continue to set targets for sectors in our financing portfolio. We will introduce targets for additional sectors in 2023 and 2024 and have already started work to set targets for Automotive Manufacturing and Residential Real Estate, which we will aim to announce in time for the 2022 Annual Report. The phasing of these announcements reflects the considerable work required to establish our baseline emissions for each sector and to set appropriate targets, taking account of both our lending and capital markets financing activities.

Restrictive policies

In addition to setting sector-specific emission-reduction targets, we have set explicit restrictions to curtail or prohibit financing of certain activities and in sensitive sectors. These are summarised below and set out in detail in the Appendix. They 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.

Thermal Coal

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

We are committed to not providing any project finance for the construction or material expansion of coal-fired power plants or the development of greenfield thermal coal mines anywhere in the world. We are also committed to not providing general corporate financing that is specified as being for new or expanded coal mining or coal-fired power plant development.

In 2020, we introduced tightened restrictions on financing of thermal coal mining and coal-fired power generation. In particular, we set a limit on the amount of revenue which any entity may derive from thermal coal mining and/or power, progressively decreasing from 50% since 2020 to 30% by 2025, to 10% by 2030.

Next steps and new announcements

We are announcing a tightening of our thermal coal policy in a number of areas. In particular, we are introducing final phase-out dates for the financing 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 clients engaged in¹⁴ thermal coal mining or coal-fired power generation is 2035 (subject to limited exemptions as set out in the Appendix). Consistent with our intent to phase out thermal coal financing, from 2023 we will not extend financing to new clients engaged in thermal coal mining.

Further 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 2023 we will not provide financing to existing clients that generate more than 30% of their revenue from thermal coal mining;
- Introducing phase out dates for entities engaged in thermal coal mining of 2030 in OECD and 2035 in the rest of the world;
- Introducing tighter restrictions on General Corporate Purposes (GCP) financing for clients engaged in opening new thermal coal mines or material expansion 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 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 the development of new thermal coal-fired power plants or material expansion.

These restrictions build upon or in some cases replace existing restrictions. Our updated position is set out in detail in our Climate Change Statement - our approach to sensitive sectors, and available to read in the Appendix.

Unconventional Oil & Gas

In 2020, we introduced tightened restrictions with a commitment not to directly finance oil and gas projects in the Arctic Circle nor to provide finance to companies we consider to be primarily engaged in these activities.

We will also not provide financing 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. We continue to enforce this policy.

In 2020, we strengthened our approach to the financing of oil sands. We will only provide financing 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. We continue to enforce this policy and have declined to

extend or renew financing to clients that are unable to commit to such plans or projects. In 2021, we reduced our lending exposure to clients in scope of our oil sands policy by approximately c.23% year-on-year.

Barclays does not directly finance projects involving fracking in the UK and Europe, nor do we provide any financing to companies primarily engaged in fracking activities in the UK and Europe. Any financing of fracking outside of these regions is subject to enhanced due diligence, requiring clients and transactions to demonstrate consideration of environmental and social impacts and risks. We continue to enforce this policy.

New announcements on thermal coal financing

A summary of our new announcements on thermal coal financing is also set out on page 11.

For full details on our restrictive policies, please see the Appendix.

14. An entity is "engaged in" if it generates more than 5% of its revenue from the activity.

Our approach to new investment in the Oil & Gas sector

We recognise that the transition to a low-carbon economy will require significant decline in oil and gas production. The IEA estimates that fossil fuels will need to decrease from 79% today to an estimated 22% of the world's energy supply by 2050 and, in its 'Net Zero Emissions by 2050: a Roadmap for the Global Energy Sector' report, it envisages no further new investment in fossil fuel supply projects. This is based on an assumption of significant deployment of clean and efficient energy technologies, including annual additions of solar PV and wind until 2030 that are four times higher than 2020 levels, as well as global energy efficiency improvements averaging 4% a year to 2030, which is around three times the average for the last 20 years. If these levels of investment are not achieved on a timely basis and/or geopolitical issues present additional challenges to near-term energy security, then governments may determine that new sources of oil and gas will continue to be required.

We also recognise that many of the companies engaged in new oil and gas projects are large, multinationals that are critical for the transition and actively engaged in it, committing significant resources and expertise to renewables, power infrastructure, EV networks and other essential elements of decarbonisation. Whilst these

companies are not yet on a 1.5°C-aligned pathway, they are developing strategies to ensure their continued relevance in and contribution to a low-carbon economy. Typically, these companies finance their exploration activities from cash flows rather than from project finance, so apart from exiting these client relationships completely, it would be impracticable for Barclays to try to impose restrictions on financing specific activities. To ensure a just and orderly transition our priority is to continue to engage with these clients rather than simply exit them.

We believe the financial services sector should take a considered approach to the IEA's assessment of future oil and gas requirements, taking a number of factors into account. These factors should include energy security; affordability; the ongoing need for substantial capital expenditure to provide the oil and gas still envisaged as being required in the IEA NZE scenario; the technical challenges of defining and monitoring reserves and production; and the ability of major energy companies to finance their activities from diverse sources of capital, including their balance sheets.

Barclays will be participating in a number of industry working groups alongside peers over the coming months, some of which will look at credible and consistent



approaches to transition pathways in sectors where targets are being prioritised by financial institutions, including oil and gas. This includes sector working groups of the Net-Zero Banking Alliance (NZBA), as well as the Sectoral Pathways group of the Glasgow Financial Alliance for Net Zero (GFANZ).

3 Financing the transition

The transition to a low-carbon economy is today's defining opportunity for innovation and growth. There is a significant opportunity for Barclays to play a leading role in helping to meet the demand for climate change related financing to support the transition. We are directing investment, including our own capital, into new green technologies and infrastructure projects that will build up low-carbon capacity and capability.

Targets and progress to date

In 2018 we set a target to facilitate £100 billion of financing specifically focused on green activities by 2030. Since then, we have facilitated £62.2 billion cumulative of financing for green activities, reflecting increasing demand for more innovative products, such as Sustainability Linked Loans and Bonds. In 2021, we facilitated £29.8 billion of green financing, up 69% from £17.6 billion in 2020.

All of our sustainable financing is tracked using the methodology set out in the Barclays Sustainable Finance Framework.

£62.2bn

Green financing facilitated since 2018.

Barclays' green financing

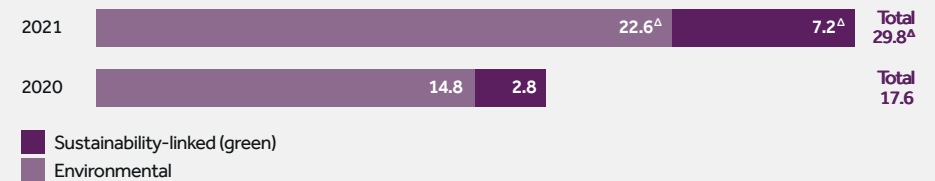
£100bn green financing (2018-2030)

£bn



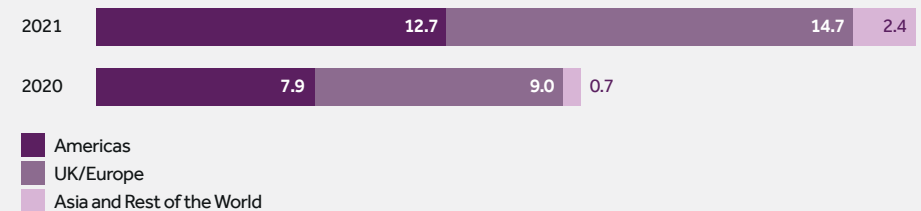
£62.2bn Green financing facilitated

£bn



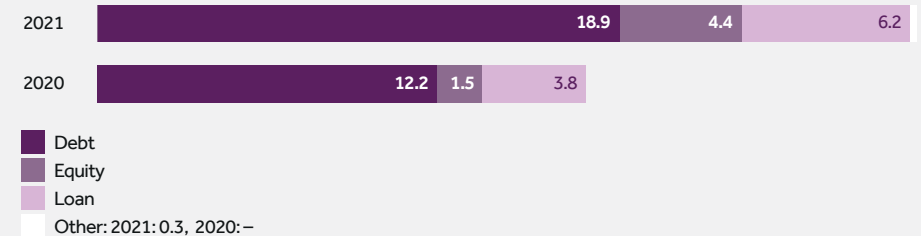
By region

£bn



By product

£bn



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Next steps and new targets

Having made significant progress against our target, ahead of our initial expectations, we are reviewing our sustainable financing strategy and all green financing frameworks and targets. We expect to provide a further update later this year, including new and more granular green financing targets. We are supporting public policy efforts to develop a robust taxonomy to standardise green finance target setting in the financial services sector, against which we can align our green financing framework.

£175m

Mandate to invest from our Sustainable Impact Capital Programme, of which we have invested £54 million to date.

Investing directly in sustainability-focused start-ups

Our Sustainable Impact Capital Programme has a mandate to invest up to £175 million of equity capital in sustainability-focused start-ups by 2025, helping to accelerate our clients' transition towards a low-carbon economy.

From the acceleration of innovative carbon-efficient technologies and supply chains to supporting the development of viable markets for carbon capture and sequestration, the Programme is seeking out and supporting clear, scalable propositions that deliver both environmental benefits and economic returns.

Through the Programme, we aim to fill growth stage funding gaps to help accelerate and scale catalytic and strategic solutions to environmental challenges.

The Programme has made meaningful progress towards its five year trajectory to meet our target by building a portfolio of strategic investments which have a focus on reducing carbon footprints and accelerating the transition to a low-carbon economy: £54 million of the £175 million overall target has been deployed since 2020, with £30 million invested in 2021, up 25% from 2020.

In 2022, the Programme will continue deploying capital to foster innovation to support Barclays' net zero ambition.

The role of nature and biodiversity

Nature and biodiversity are intrinsically connected to efforts to mitigate and adapt to the effects of climate change and are vital to ensuring a sustainable economy and healthy society. The financial sector will have an important role to play in stewarding responsible finance and in supporting new financial flows for a nature-positive future. As a financial services institution, Barclays has relationships with customers and clients across a wide range of sectors and geographies, who face risks to their operations, supply chains and markets from biodiversity loss and land-use change. Recognising the importance of this agenda, we are developing our understanding and evaluating the Group's environmental impacts and dependencies as well as where we can support our clients through the transition to a nature-positive economy.

Collaboration both within and across industries is essential to this transition. During 2021, Barclays became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum and joined the Get Nature Positive initiative alongside other businesses to identify opportunities to take nature-positive action. Barclays also contributed to the development of emerging methodologies to assess nature-related impacts and dependencies at a portfolio level, including the Natural Capital Finance Alliance's ENCORE biodiversity module.

During 2022, Barclays will progress this work and, in particular, our engagement with leading initiatives, with the aim of defining a comprehensive and robust approach to nature and biodiversity over time.



Collaboration

We believe that industry cooperation, particularly in setting common standards and transparent reporting, is important for all our stakeholders. We continue to engage with peers, industry experts and academics to assess the transition to a low-carbon economy and consider emerging methodologies and taxonomies.

We also seek to work closely with governments in the geographies in which we operate, supporting the development of practical and ambitious policies where appropriate. Barclays supports the introduction of a carbon price, to incentivise the reduction of emissions across the economy.

We have been early and active partners with the most consequential industry initiatives on climate change, which continue to define leading practice and help set standards. We are always mindful of ensuring our engagements are appropriate and consistent with relevant regulatory requirements.

Trade associations

We endeavour to advance our climate change policy through the trade associations of which we are members. Many positions taken by trade associations result from negotiation and compromise among members with different or opposing views. We will contribute to these processes, seeking to influence how they evolve. Where a trade association's position on climate change does not align with our position, we will challenge it and otherwise seek to make our view clear. Barclays reserves the right to publicly dissent from a trade association's position. Should a trade association adopt a material position that is irreconcilable with our values or strategy, we are prepared to end our membership.

Selected industry initiatives

Net-Zero Banking Alliance	In 2021, Barclays was a founding member of the Net-Zero Banking Alliance, part of the Glasgow Financial Alliance for Net Zero.
Task Force on Climate-related Financial Disclosures	Barclays has signed the statement of support of the Financial Stability Board's (FSB) TCFD since 2017.
Sustainable Markets Initiative	Barclays is a member of HRH the Prince of Wales' Sustainable Markets Initiative's (SMI's) Financial Services Taskforce (FSTF) and is involved in both the Net Zero Emissions working group and the Carbon Offsetting working group. In late 2021, the FSTF published a Net Zero Practitioner's Guide for Banks, to which Barclays contributed.
The Partnership for Carbon Accounting Financials	Barclays has been a member of PCAF since 2020. During 2021, Barclays co-chaired the PCAF Working Group on Capital Markets Activities which published a Discussion Paper on Capital Markets Instruments in November 2021. Barclays was also involved in reviewing other new methods that PCAF published for consultation in late 2021, including Green Bonds, Sovereign Bonds and Negative Emissions.
PRA/FCA Climate Financial Risk Forum	During 2021, Barclays was a member of the Climate Financial Risk Forum's (CFRF) Disclosure Working Group and Innovation Working Group. Barclays contributed to reports published by the working groups during the year, including on a CFRF recommended climate data and metrics dashboard and certain Barclays case studies.
United Nations Environment Programme Finance Initiative	Barclays has been a member of UNEP FI for more than 20 years. In the last few years, Barclays has partnered with UNEP FI by engaging in their TCFD pilot project in 2018/19; by becoming a founding signatory of the Principles for Responsible Banking (PRB), by joining the Net-Zero Banking Alliance (the banking component of the Glasgow Financial Alliance for Net Zero (GFANZ)). A Barclays representative was elected on behalf of Western Europe to the UNEP FI Banking Board.
Paris Agreement Capital Transition Assessment	In September 2019, Barclays joined 16 other banks in piloting the Paris Agreement Capital Transition Assessment for Banks – a leading tool developed by the 2 ^o Investing Initiative. This was an important input in the development of BlueTrack™.

Governance and risk management

Oversight and management of climate-related issues are embedded within our governance structure. The Board and senior management have visibility of climate-related issues and are able to set climate-related strategy and oversee its implementation.

This includes the way we assess and manage our exposure to climate-related risk. The Board welcomes continued engagement with shareholders and other stakeholders on climate-related issues.

Barclays' governance structure relating to climate change

Board	Barclays PLC Board Responsible for the overall leadership of the Group (with direct oversight of matters relating to reputation, environment and culture).		
	Board Audit Committee Assesses the integrity of the Group's financial statements and evaluates the effectiveness of the Group's internal controls.	Board Risk Committee Reviews and monitors the Group's approach to managing the financial and operational risks including those associated with climate change.	
Management	Group Risk Committee Chaired by the Group CRO, monitors Principal Risks and key topics of a material nature to Barclays, such as climate change. The most senior executive body responsible for review and challenge of risk practices and risk profile, for climate risk and other principal risk types.	Group ExCo Responsible for the implementation of the Group's climate strategy across the Group.	
		Group CEO Accountable to the Barclays PLC Board for the implementation of the Group's climate change strategy.	Group Chief Risk Officer Senior Manager responsible for climate-related financial risk under the Senior Managers Regime.
	Climate Risk Committee Sub-committee of Group Risk Committee. Supports the oversight of Barclays Group climate risk profile.	Climate Transaction Review Committee Co-chaired by Group Head of PPCR considers the reputation risks associated with certain transactions and clients with reference to our stated position on climate.	Operational Sustainability Steering Committee Responsible for the development and implementation of Barclays' operational sustainability strategy.
Legal Entity/ Other	Business/Legal Entity Committees and Forums Business-specific forums which consider individual aspects relating to climate.		

Governance

The Barclays PLC Board sets the strategic direction and risk appetite of the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance. The Board is also responsible for the oversight of social and environmental matters, including climate-related risks and opportunities.

During 2021, the Board received four updates from the Group Head of Public Policy and Corporate Responsibility and Group Head of Sustainability, covering matters including progress on our climate strategy, policy updates, industry trends, stakeholder engagement and target-setting. The Board also received regular updates on Public Policy and Corporate Responsibility matters (together with Group Reputation Risk Reports) from the Group Head of Public Policy and Corporate Responsibility. These updates covered matters such as key government and regulatory policy, regulatory engagement and ESG matters including climate.

In addition to these Board briefings, the Group Head of Public Policy and Corporate Responsibility regularly engaged with the Barclays Group Chief Executive, Chairman and Non-Executive Directors on a range of matters relating to the Group's climate strategy.

The chart on page 26 summarises Barclays' governance structure and the different responsibilities relating to climate change.

Executive remuneration

The Group's climate strategy is reflected in the incentive arrangements for the Executive Directors of Barclays PLC. The annual bonus and Long Term Incentive Plan (LTIP) outcomes for the Executive Directors are based on a framework of performance measures and targets, set each year by the Remuneration Committee of the Barclays PLC Board. A proportion of the Executive Directors' bonus and LTIP awards each year are driven by strategic non-financial measures, which in both cases include measures relating to climate. For the 2022 bonus and 2022-2024 LTIP awards, 10% of the overall outcome for each will be determined by performance against climate and sustainability measures, reflecting our ambition to be net zero by 2050, including our commitment to align our financing with the goals of the Paris Agreement.

Risk management

Reflecting the increasing risks associated with climate change, and to support Barclays' ambition to be a net zero bank by 2050, in 2020, the Board Risk Committee made the decision that climate risk would become a Principal Risk within the Enterprise Risk Management Framework (ERMF) from 2022 to run alongside our other Principal Risk types.

To support this decision, in 2021 the Barclays Group delivered a Climate Risk Integration Plan with three overarching objectives:

- Governance Framework: Develop a Principal Risk Framework and Risk Appetite Statement and integrate climate drivers into limit setting.
- Scenario Analysis: Refine methodologies used for the 2020 scenario analysis to support the Bank of England Biennial Exploratory Scenario on climate change, with specific focus on wholesale credit and physical risk modelling.
- Carbon Modelling: Enhance the BlueTrack™ model to further develop the approach for the Energy sector, expand coverage to Cement and Steel and consider the overall net zero ambition of the Barclays Group.

Further information on our climate-related governance and approach to climate risk, including the use of scenario analysis, is set out in our TCFD Report.

Looking ahead

We are still at an early stage in our journey. We recognise there is a huge amount of progress still to make, but we are completely committed to achieving our ambition.

Over the coming years, we will aim to increase our momentum and continue to be transparent about our progress.

In the near term we are focused on making progress in a number of areas in particular:

1. Achieving net zero operations

- Develop a net zero pathway for our supply chain emissions.

2. Reducing our financed emissions

- Complete the review and target-setting for material high-emitting sectors by 2024, including setting targets for Automotive Manufacturing and Residential Real Estate in time for the 2022 Annual Report.
- Extend our assessment of financed emissions to the rest of our financing activities, across all sectors, using BlueTrack™.

- Continue work to reach a high-level assessment of financed emissions for our balance sheet consistent with PCAF methodology.
- Develop a client transition framework, using industry and sector pathways and best practice to assess clients' transition plans and facilitate engagement and communication of our expectations.

3. Financing the transition

- Review our sustainable finance strategy, green financing frameworks and targets in 2022.

Additional work

- Continue work, with Financing a Just Transition Alliance (FJTA) and others, to translate the concept of a Just Transition into tangible actions for the industry.
- Progress our work to evaluate our nature-related risks and opportunities.



Appendix

Restrictive policies

In addition to setting sector-specific emission-reduction targets, we have set explicit restrictions to curtail or prohibit financing¹ of certain activities and in sensitive sectors. These are set out in detail in our Climate Change Statement: Our Approach to Sensitive Sectors 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.

Update on 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 of thermal coal mining and coal-fired power generation (thermal coal activities). These vary by geography, as set out below, but the final phase out date for financing for clients engaged in⁵ thermal coal mining or coal-fired power generation is 2035. Consistent with our intent to phase out thermal coal financing, from 2023 we will not extend financing to new clients engaged in⁵ 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 to new clients⁴ engaged in⁵ thermal coal mining and we will not provide financing to existing clients that generate more than 30% of their revenue from thermal coal mining;
- Introducing phase out dates for clients engaged in⁵ thermal coal mining of 2030 in OECD and 2035 in the rest of the world;
- Introducing tighter restrictions on General Corporate Purposes (GCP) financing for clients engaged in opening new thermal coal mines² or material expansion³ 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 in⁵ 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 in⁵ the development of new coal-fired power plants² or material expansion³ of 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 expansion³ of thermal coal mines anywhere in the world;
- No general corporate purpose financing that is specified as being for new or material expansion³ of thermal coal mining;
- No financing to clients that generate more than 50% of revenue from thermal coal mining;
- By 2023, we will not provide financing to new clients⁴ engaged in⁵ thermal coal mining;
- By 2023, we will no longer provide financing to existing clients that generate more than 30% of revenues from thermal coal mining;
- By 2023, we will not provide general corporate financing to clients with entities engaged in opening new thermal coal mines² or material expansion³ 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 in⁵ opening new thermal coal mines or material expansion³ of existing thermal coal mines;
- By 2030, we will phase out financing to all clients engaged in⁵ thermal coal mining (OECD) and for the rest of the world no longer provide financing to clients that generate more than 10% of revenue from thermal coal mining;
- By 2035, we will phase out financing for all clients engaged in⁵ thermal coal mining.

Restrictions relating to % revenue generated by clients from thermal coal mining apply to the entity being financed, whether transacting with a group parent, subsidiary or joint venture.

Coal-Fired Power:

- No project finance to enable the construction or material expansion³ 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 expansion³;
- No financing 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 in⁵ developing new coal-fired power plants² or material expansion³ of existing coal-fired power plants unless an undertaking is received from the borrower or we are otherwise satisfied that proceeds of such GCP financing will not be made available to entities engaged in⁵ developing new coal-fired power plants or material expansion³ of existing coal-fired power plants;
- By 2025, we will no longer provide financing to clients that generate more than 30% of revenue from coal-fired power generation;
- By 2030, we will phase out financing to all clients engaged in⁵ coal-fired power generation (UK and EU) and for the rest of the world (including USA) 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 for all clients engaged in⁵ thermal coal-fired power generation.

Restrictions relating to % revenue generated by clients from thermal coal-fired power generation listed above apply to the entity being financed, whether transacting with a group parent, subsidiary or joint venture.

Restrictive policies continued

General exceptions apply 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 back-up 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 remaining⁷.

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

- Barclays does not directly⁶ finance MTR projects or developments;
- We apply Enhanced Due Diligence (EDD) to financing facilities involving clients which practise 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 Plains⁸. 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 finance⁶ oil and gas projects in the Arctic Circle, including but not limited to the ANWR;
- In addition, we will not provide any financing 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 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 finance⁶ projects involving fracking in the UK and Europe;
- In addition, we will not provide any financing¹ to companies primarily engaged in fracking activities in the UK and Europe;
- Any financing¹ 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, wastewater 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 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.

In addition to this requirement, any financing 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, freshwater use, biodiversity protection, and impacts on protected areas such as boreal forests.

Restrictive policies continued

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 thermal coal mines or development or commissioning of new coal-fired power plants.
3. *Material expansion*: For coal mining – 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 three years; for thermal coal power production – investment to extend the unabated operating lifetime of existing thermal coal power plants or increase net operational thermal power capacity by more than 20% measure from a baseline of maximum capacity for preceding three years reported. 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. An entity is "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 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 www.nsidc.org/cryosphere/arctic-meteorology/arctic.html

Glossary

Term	Explanation
Absolute emissions	Emissions of any greenhouse gases generated from actions, expressed in absolute terms (e.g. tonnes of CO ₂ or tonnes of CO ₂ e)
BlueTrack™	BlueTrack™ is Barclays' methodology for measuring financed emissions, and tracking them at a portfolio level against the goals of the Paris Agreement. BlueTrack™ includes capital markets financing in addition to lending
Carbon neutral	We are defining carbon neutral as first reducing carbon dioxide emissions then counterbalancing carbon dioxide emissions from Scope 1, Scope 2 and Scope 3 business travel with carbon offsets
Carbon removals	The action of removing GHG emissions from the atmosphere and store it through various means, such as in soils, trees, underground reservoirs, rocks, the oceans, and even products like concrete and carbon fibre
Emissions intensity	Absolute Emissions expressed per a specific unit (e.g. tCO ₂ e/€M invested or lent, tCO ₂ e/MWh produced, tCO ₂ e/ton product produced, tCO ₂ e/MWh produced, tCO ₂ e/ton product produced, tCO ₂ e/€M company revenue)
Financed emissions	Emissions that banks and investors finance through their loans and investments
Greenhouse Gas (GHG)	The GHG protocol defines GHGs as the six gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydroflourocarbons (HFCs); perflourocarbons (PFCs); and sulphur hexaflouride (SF ₆)
Paris Agreement	The Paris Agreement is a legally-binding international treaty on climate change. It was adopted by 196 parties at COP21 in Paris. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels
Renewables	Energy taken from sources that are inexhaustible, e.g. wind, water, solar, geothermal energy, and biofuels
Scenario analysis	Efforts to mitigate and adapt to climate change are without historical precedent. Forward-looking analyses, such as scenario analysis, can help organisations consider a broader range of assumptions, uncertainties, and potential future states when assessing financial implications of climate change
Ultra Low Emission Vehicles (ULEVs)	In the UK, Ultra Low Emission Vehicles (ULEVs) are currently defined as having less than 75 grams of CO ₂ per kilometre (g/km) from the tail pipe (Source: https://carfueldata.vehicle-certification-agency.gov.uk/additional/2021/2021%20Booklet.pdf). Definitions may differ slightly in other jurisdictions but the term generally refers to vehicles that use low carbon technologies

Disclaimer

In preparing this document we have:

- (i) made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. This is for example the case in relation to financed emissions, sector targets, classification of environmental financing, operational emissions and measurement of climate risk;
- (ii) used ESG and climate data, models and methodologies that we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. However, these data, models and methodologies are not of the same standard as those available in the context of other financial information, nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There is an inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies will also be affected by underlying data quality which can be hard to assess.
- (iii) Understanding of approaches to climate transition is rapidly evolving. Approaches and information contained in this document may be subject to change without notice. Some of the content of this document (such as targets, restrictions, definitions, assessments, and estimations) is forward-looking, and developed based on our current information and belief, and is subject to future risks, dependencies and uncertainties and may change over time. Actual outcomes may differ from those set out in the document and Barclays does not undertake to update any forward-looking statements or other information contained in it, nor to inform you if any statements or information change in future. Our update on climate strategy, targets and progress has been developed using methodologies and data which are subject to certain assumptions and limitations, including the availability and accuracy of data, as well as other contingencies and risks. Any opinions and estimates should be regarded as indicative, and preliminary given these issues.
- (iv) Some of the information in this document has been or may have been obtained from public and other sources and Barclays has not independently verified it. Barclays makes no representation or warranty regarding its completeness, accuracy, fitness for a particular purpose or non-infringement of such information. Any opinions or views of third parties are those of the third parties identified, and not Barclays, its affiliates, directors, officers, employees or agents. Neither Barclays nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy or completeness, and they accept no responsibility or liability for the contents of this material, including any errors of fact, omission or opinion expressed. Barclays, its affiliates, directors, officers, employees or agents expressly disclaim any liability and responsibility for any decisions or actions which you may take and for any damage or losses you may suffer from your use of or reliance on this material. You are advised to exercise your own independent judgment (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any matter contained herein.

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