Update on Barclays' ambition to be a net zero bank by 2050

Barclays PLC

November 2020

Our approach to climate change

- We announced in March our **ambition to be a net zero bank by 2050**, and a **commitment to align our financing** in all sectors to the goals of the Paris Agreement
  - Across emissions from our **own operations, (Scope 1 and 2), which are already net zero**, and the emissions of the clients we finance – so-called ‘financed emissions’
  - Covering **capital markets as well as lending activity**, better reflecting the breadth of our support for clients through our investment bank
  - **Across all sectors, starting with Energy and Power**, which between them are responsible for up to three quarters of all emissions globally
- We have committed to **specific goals to help accelerate the transition to a low-carbon economy**:
  - £100bn of green financing by 2030 and £175m investment in green innovation over the next five years
- To deliver on our commitment to align all of our financing to the Paris Agreement, including our capital markets activity, it was necessary to **create a methodology that builds on and extends existing industry approaches**
  - **BlueTrack™** is our methodology for **measuring our financed emissions**, and **tracking them at a portfolio level** against the goals of the Paris Agreement
  - It is helping us to embed climate impact in our financing decisions, so that we can make active choices to re-shape our portfolio
  - **Transparency and collaboration are key to achieving a common approach** across the industry

We believe our net zero ambition and Paris alignment commitment represent the best way for Barclays to help accelerate the transition to a low-carbon economy by using the breadth and depth of our capital markets franchise to support financing needed to build a greener future

Partnering to address a global problem

- We have worked with **leading industry and academic groups** on common approaches to tackling the climate challenge, including:
  - Building on our work as a pilot bank for the **Paris Agreement Capital Transition Assessment (PACTA)** – a leading tool developed by the 2° Investing Initiative (2Dii)
  - Joining the **Partnership for Carbon Accounting Financials (PCAF),** supporting the development of the Global Carbon Accounting Standard
  - Joining the **'Financing a Just Transition Alliance'**, led by the **Grantham Research Institute at the LSE**, which looks at how the financial services industry can facilitate and support just transition activities
  - We're also engaging with our peers on emerging best practice in portfolio alignment, which is well summarised in the recent report by the **COP26 Portfolio Alignment Team**
- We will continue to engage with our peers, through established and emerging industry groups, to evolve our own approach and work towards standardisation across the industry
  - Our journey to becoming a net zero bank will require us to **evolve and adapt our approach** as part of the international financial services community
  - **We hope that the thinking we have done to date, and in building our BlueTrack™ methodology, will serve as a meaningful contribution to the shared challenge of tackling climate change**

Understanding the Greenhouse Gas Protocol

- The Greenhouse Gas Protocol provides comprehensive global frameworks to measure and manage greenhouse gas emissions, across what are known as three 'scopes'

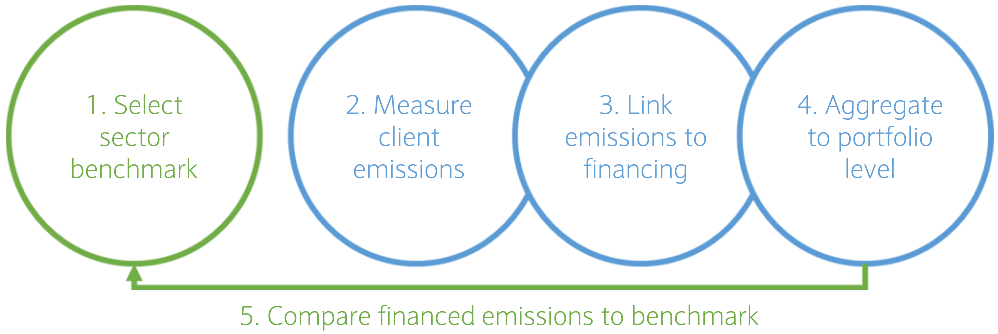
Scope 1	Scope 2	Scope 3
Direct emissions from an organisation's immediate operations	Indirect emissions from electricity and heating purchased by an organisation	Indirect emissions from an organisation's value chain (i.e. emissions from other organisations that produce its inputs or consume its outputs)

- For Scope 1 and 2 emissions, Barclays is already net zero
- We have halved our operational emissions over the last two years through the procurement of green energy. Our residual footprint from our properties and business travel is fully offset
- We are committed to going further: as a member of the RE100 initiative, we are committed to sourcing 100% renewable electricity. We are targeting 90% by 2021 and 100% by 2030 at the latest

- For Scope 3 emissions, Barclays has set an ambition to be net zero by 2050
- For a bank, Scope 3 entails emissions footprint of the business activities we finance around the world, across all sectors (i.e. financed emissions)

Introducing BlueTrack™

- BlueTrack™ is the methodology developed by Barclays for measuring our financed emissions, and tracking them at a portfolio level against the goals of the Paris Agreement



1

BlueTrack™ begins by selecting an appropriate Paris-aligned climate scenario for each sector: an independent, third-party model of future global emissions from that sector.

We extract the relevant time series information from that scenario to make a portfolio benchmark, which provides a limit for emissions each year.

2

Measuring the emissions produced by the clients we finance starts by setting boundaries to define the emissions for which a given company is responsible.

We then capture and process data from a variety of internal and external sources to quantify those emissions.

3

We then link those emissions to Barclays based on the amount of financing we have provided.

This involves defining the financing activities considered in-scope, determining how provided financing should be spread across the various business activities of diversified clients, and appropriately linking financing to the client's emissions.

4

Then we aggregate company-level emission measurements and financing information into portfolio-level metrics.

This is either a simple or weighted sum across all clients in a portfolio, depending on whether the portfolio in question uses an absolute or emissions intensity metric.

5 We then compare our financed emissions to the benchmark for that sector, on our climate dashboard.

Our approach to measuring emissions

- BlueTrack™ uses both an **absolute emissions** metric, and an **emissions intensity** metric:

Absolute Emissions	Emissions Intensity
Measurement of total emissions over time. For example, if a company emits 10 tonnes of carbon dioxide this year, its absolute emissions measurement would be 10 tonnes	Measurement of emissions per unit of output. If the same example company produced 10 units of electricity this year, its emissions intensity would be 1 tonne CO_2/unit of electricity

- **The most appropriate choice of metric for each sector depends on the nature of the portfolio being measured, and how far its emissions have already reduced**
- Generally speaking, **we believe that most portfolios will be best measured primarily using emissions intensity, at least in the earlier stages of de-carbonisation**. This encourages transition to lower emitting fuel sources. Emissions intensity measures are also less affected by volatility, which can change the calculation of absolute emissions
- **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. It is different because it cannot reduce its emissions intensity below a certain point (a barrel of oil cannot be de-carbonised), and so **a reduction in absolute emissions is the more appropriate measure**

Our first two BlueTrack™ sectors

Energy Sector

The Energy sector is responsible for extracting fossil fuels from the earth – mainly coal, oil and gas

- All emissions related to fossil fuel extraction and use (Scope 1, 2, and 3 under the Greenhouse Gas Protocol) are attributed to the extracting company; not just the direct and indirect emissions from their own operations (Scope 1 and 2), but also the emissions associated with combustion of the fuel extracted (Scope 3)
- This is a key design choice, which recognises that both producers and consumers of fossil fuels share responsibility for reducing their emissions

Target: Energy portfolio **absolute emissions will reduce by 15%[1] by 2025**, and continue to track the IEA SDS benchmark reduction on an ongoing basis.

Power Sector

The Power sector is responsible for generating the world's supply of electricity

- We attribute to each company the emissions that result from combustion of fossil fuels to produce electricity (Scope 1)
- We do not consider the Scope 2 emissions of the sector, as they are marginal in the context of electricity production
- Scope 3 emissions for the power and utilities sector generally comprise the emissions that result from the combustion of natural gas provided to end-users for residential or commercial heating. These emissions are already accounted for in Scope 3 of the Energy sector that produces the natural gas

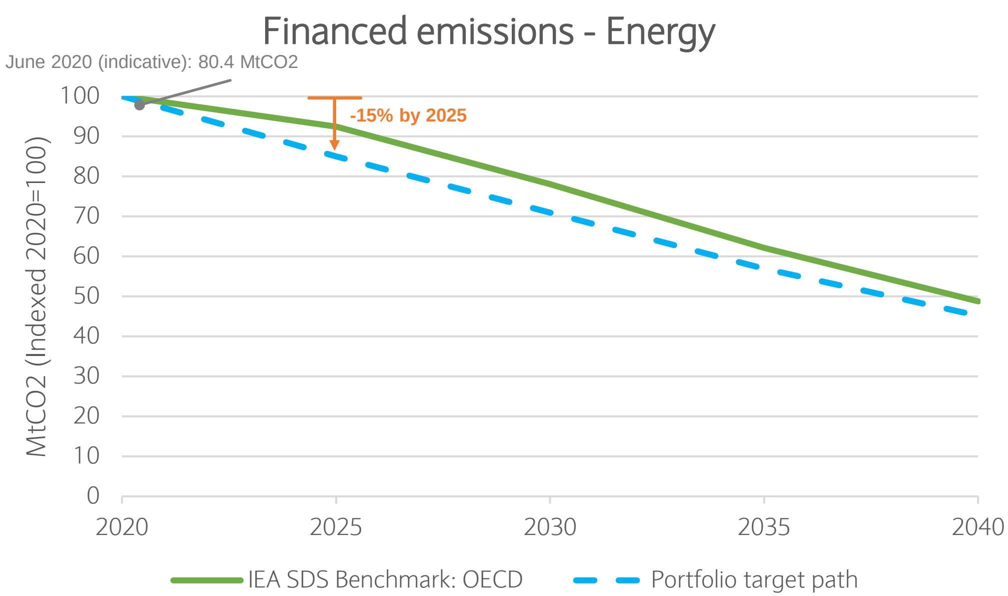
Target: Power portfolio **emissions intensity will reduce by 30%[1] by 2025**, on the way to alignment with the IEA SDS benchmark by 2035.

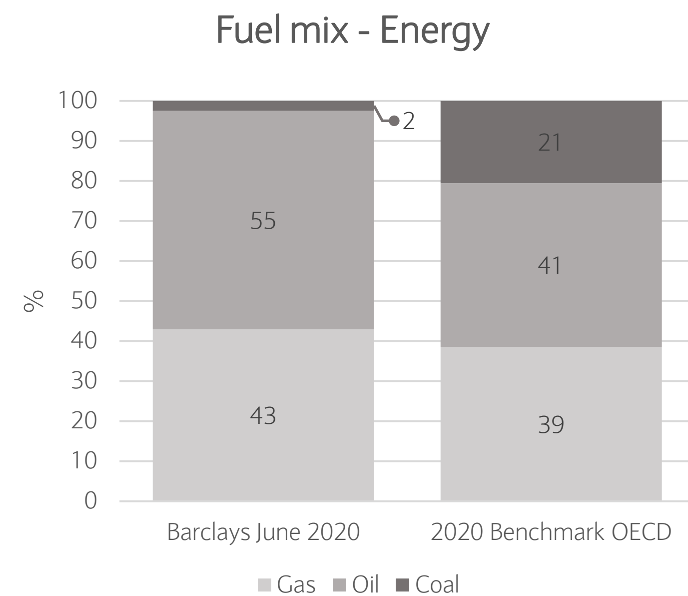
- We have derived Paris-aligned benchmarks for both the Energy and Power sectors using the International Energy Agency's Sustainable Development Scenario (IEA SDS), as set out in the 2019 World Energy Outlook

[1] From a baseline of 12 months to 31 December 2020. Final baseline data will be available early in 2021. Indicative baseline data as at 30 June 2020: Power emissions intensity – 314 $KgCO_2/MWh$; Energy absolute emissions – 80.4 $MtCO_2$. The metrics used in the BlueTrack™ methodology are an evolution of initial work conducted earlier in 2020 |

Energy: Reducing absolute emissions by 15%[1] by 2025

- The absolute emissions benchmark for our Energy portfolio is taken from the IEA SDS scenario's OECD fossil fuel production forecasts, which we believe most accurately reflect the geographic range of our client base
- Our Energy portfolio has already reduced in intensity - only 2% of the fuel mix is now represented by coal





Our climate dashboard is available online at home.barclays/netzero

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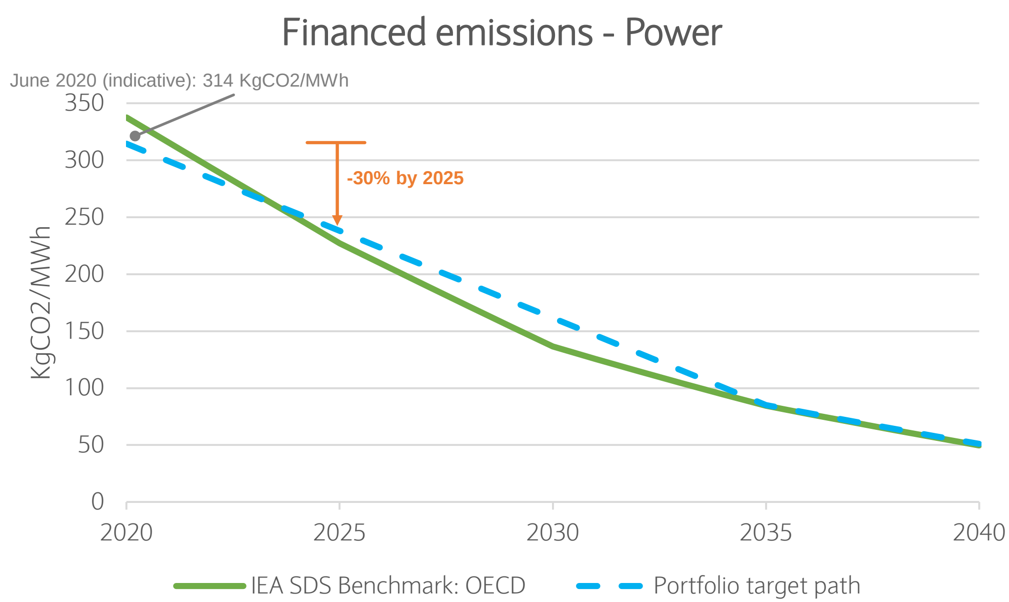
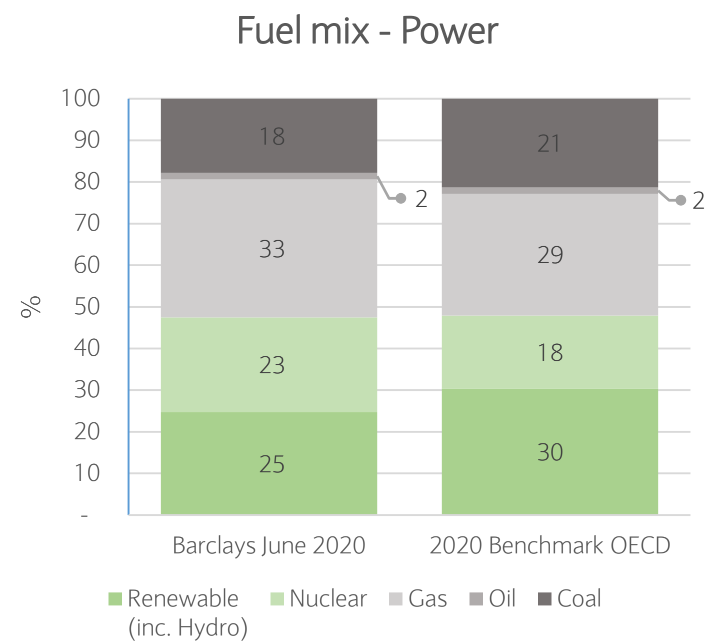
Power: Reducing emissions intensity by 30%[1] by 2025

- For our Power portfolio, we believe the IEA SDS electricity production pathway for the OECD is the most appropriate benchmark. The emissions intensity of the IEA SDS pathway is derived by dividing electricity total emissions by electricity production





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Accelerating the transition

An Energy Banking team assisting clients in their transition

- Our Energy Banking team is a multi-disciplinary group that is helping clients accelerate the transition to a low-carbon economy, recognising the commercial opportunities that transition will create

£100bn target for green financing

- By the end of 2019 we'd already facilitated over £13bn of green financing, and our green financing in the first half of 2020 was nearly as much as for the whole of 2019
- There is increasing demand for more innovative products, such as Sustainability Linked Loans and Bonds
- There is also potential for growth in areas such as securitisation, as households borrow to finance solar panels, electric vehicles and making homes more energy efficient

£175m investment in green innovation

- Our Sustainable Impact Capital Initiative will invest £175m over the next five years in the equity of innovative and environmentally-focused private companies
- These will be principal investments made by Barclays, in areas such as the acceleration of innovative carbon-efficient technologies and supply-chains, and supporting the development of viable markets for carbon capture and sequestration

Climate embedded in our governance structure

Barclays PLC Board

The Board oversees social and environmental matters, including our approach to climate change

Group Executive Committee

Our net zero ambition is represented on **Barclays' Executive Committee (ExCo)** by Sasha Wiggins, Group Head of Public Policy and Corporate Responsibility

Group Head of Public Policy and Corporate Responsibility

Group Chief Risk Officer

Global Head of Sustainability and ESG

Head of Climate Risk

Barclays UK

Barclays International

Barclays Execution Services Limited

Barclays' climate journey

March 2020

- Announced ambition to be net zero
- Updated restrictions for sensitive energy sectors

May 2020

- Climate resolution passed at Annual General Meeting

November 2020

- Update on methodology and targets for aligning our financed emissions

2021 onwards

- Continuing our detailed disclosures through our ESG Report, TCFD disclosures and other reporting frameworks
- Enhancing and refining BlueTrack™ methodology over time:
  - Ultimately extending to cover our entire financing portfolio (a couple of additional Industry & Manufacturing sub-sectors in 2021)
  - Updating over time to track newer benchmark scenarios as they are developed
  - Greater utilisation of company disclosures and improved input data quality

Further resources

ESG Resource Hub: home.barclays/society/esg-resource-hub/

ESG Report: home.barclays/content/dam/home-barclays/documents/citizenship/ESG/Barclays-PLC-ESG-Report-2019.pdf

Barclays 2020 Annual General Meeting Notice of Meeting: home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/AGM2020/NOM-2020.PDF

Green Finance Framework: home.barclays/content/dam/home-barclays/documents/citizenship/ESG/impact-eligibility-framework.pdf

Statements and policy positions: home.barclays/society/esg-resource-hub/statements-and-policy-positions/

ESG Reporting Framework: home.barclays/content/dam/home-barclays/documents/citizenship/ESG/2019-ESG-Reporting-Framework_vF.pdf

ESG ratings and benchmarks: home.barclays/society/esg-resource-hub/esg-ratings-and-benchmarks/

Appendix

Barclays' AGM climate resolution and sensitive energy sector commitments

- At the Annual General Meeting (AGM) in May 2020, shareholders endorsed the climate resolution and Barclays committed to:

AGM Notice of Meeting[3] pg.13

- Set an ambition to be a **net zero bank in Scopes 1, 2 and 3 by 2050**, in line with the objectives of the Paris Agreement[1]
- Set, disclose and implement a strategy, with targets, to **transition its provision of financial services[2]** across all sectors (starting with, but not limited to, the energy and power sectors) to align with the goals and timelines of the Paris Agreement
- **Report annually** on progress under that strategy, starting from 2021, including a summary of the framework, methodology, timescales and core assumptions used

- We also described the introduction of new restrictions in the following **sensitive energy sectors**:

Barclays' Position on Climate Change

Increasing restrictions in sensitive energy sectors to accelerate the transition to a low-carbon future

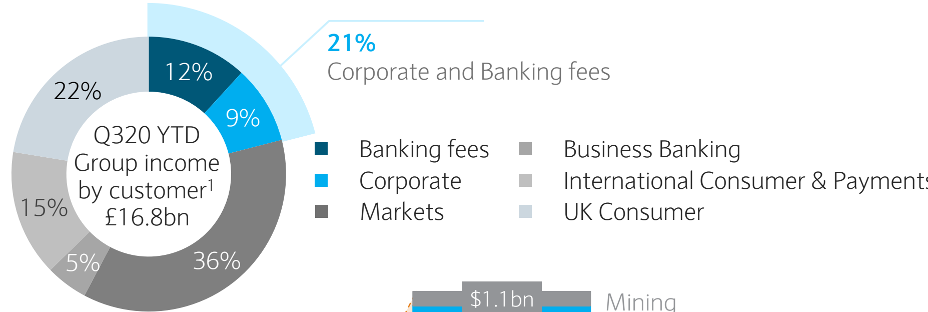
Coal	Arctic Oil and Gas	Oil sands	Fracking

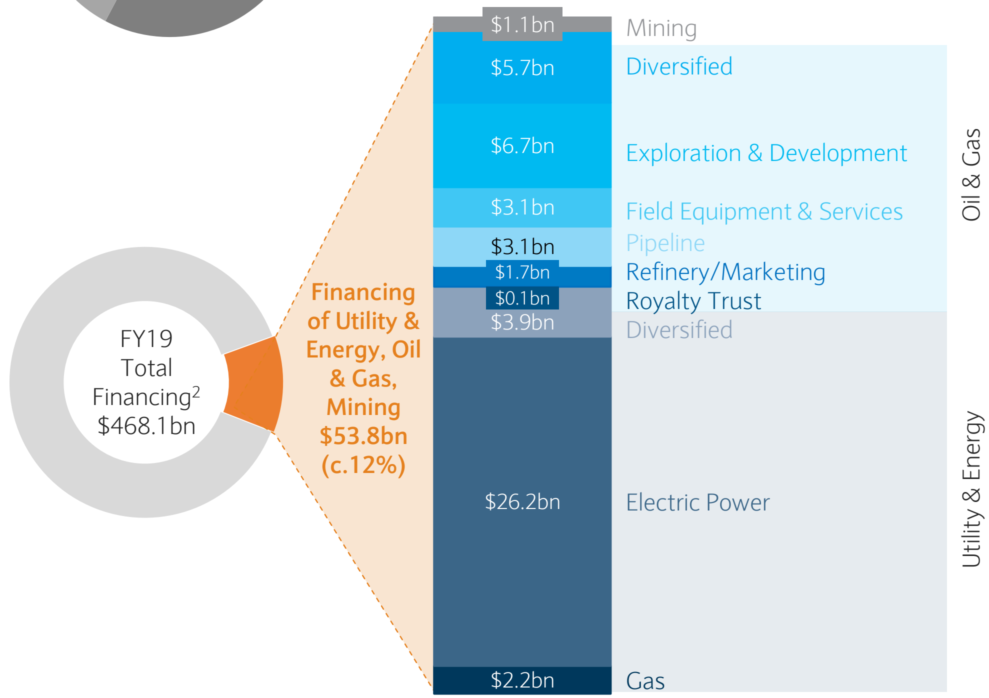
https://home.barclays/content/dam/home-barclays/documents/citizenship/ESG/Barclays-PLC-Climate-Change-2020.pdf

[1] http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf | [2] Particularly its financing activities, including project finance, corporate finance and underwriting | [3] https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/AGM2020/NOM-2020.PDF |

Contextualising Barclays' exposure to Energy and Power financing

- As our clients make the transition to a low-carbon world, **we expect any reduction in revenue earned from financing fossil fuel extraction or combustion to be replaced by financing the transition** of the installed asset base to new or emerging technologies
- In managing this transition thoughtfully, alongside our clients, we will look to capture **opportunities associated with the shift to a low-carbon economy**
- Barclays' financing of carbon-related assets is wider than our loan book and in particular extends to underwriting and distributing debt and equity securities in our debt and equity capital markets businesses (referred to as capital markets financing)





[1] Excludes negative income from Head Office | [2] Extract from Barclays 2019 ESG Report. Source: Dealogic with industry sector categories designated by Dealogic General and Specific Industry Group classifications. Financing volumes are reported on a manager-proceeds basis including bonds, equities, loans and securitised bonds |

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