

Barclays

Type of Engagement: Allocation Review

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Introduction

In November 2020, Barclays PLC issued a Green Bond (the “2020 Green Bond”) under the 2019 Barclays Green Bond Framework,¹ aimed at financing or refinancing a portfolio of green mortgages for energy-efficient residential buildings. Throughout 2021 and 2022, Barclays Bank PLC also issued Green Structured Notes (“GSN”) and European Commercial Papers (“ECP”), collectively referred to as the “Green Instruments”, under the 2021 Barclays Green Issuance Framework² aimed at financing or refinancing renewable energy, energy efficiency, and sustainable transportation projects. Barclays PLC and Barclays Bank PLC are collectively known as “Barclays” or the “Bank”.

In March 2023, Barclays engaged Sustainalytics to review the projects funded with proceeds from the 2020 Green Bond and Green Instruments and provide an assessment as to whether the projects met the use of proceeds criteria outlined in the respective Barclays Green Bond Framework and Barclays Green Issuance Framework (the “Frameworks”). This report will be published on Barclays’ website pursuant to the 2019 Green Bond Framework and 2021 Barclays Green Issuance Framework.

Sustainalytics has calculated the estimated impact achieved by the 2020 Green Bond and Green Instruments in a separate report.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 Green Bond and Green Instruments based on whether the projects and programmes met the use of proceeds and eligibility criteria of the Frameworks.³

Tables 1 and 2 list the relevant use of proceeds and eligibility criteria from the Frameworks.

Table 1: 2019 Green Bond Framework - Residential Mortgage Eligibility Criteria⁴

Use of Proceeds Category	Eligibility Criteria
Buildings	<p>Proceeds may be allocated towards financing and/or refinancing energy efficient residential properties in England and Wales (the Residential Mortgages) based on Energy Performance Certificate (EPC) data and which are originated within the three years prior to the date of the relevant Barclays Green Bond issuance.</p> <p>A formula is used to estimate the maximum carbon intensity of residential properties which can qualify as Eligible Mortgage Assets. The formula was derived using the below components:</p> <ul style="list-style-type: none"> • Properties that meet the top 15% carbon intensity threshold in terms of estimated emissions performance in their local market; • The UK government’s linear target of ‘close to zero’ emissions by 2050; and

¹ Barclays, “Barclays Green Bond Framework”, (2019), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/fixed-income-investors/20191212-Green-Bond-Framework.pdf>

² Barclays, “Barclays Green Issuance Framework”, (2021) at <https://home.barclays/content/dam/home-barclays/documents/investor-relations/debtinvestors/creditratings/20211021-Barclays-Green-Issuance-Framework-July-2021.pdf>

³ Sustainalytics notes that for the Green Instruments, the review is limited to the use of proceeds components only.

⁴ While the 2019 Barclays Green Bond Framework includes several use of proceeds categories, table 1 only includes the use of proceeds categories financed with proceeds from the 2020 Green Bond.

	<ul style="list-style-type: none"> The mid-point between issuance date and maturity of the potential Barclays Green Bond. <p>The formula will be updated when a new EPC dataset is released and will be set out in the terms and conditions of each Barclays Green Bond issuance that finances and/or refinances Eligible Mortgage Assets.</p> <p>Using the July 2019 data release, the top 15% carbon intensity threshold for properties within the dataset is 26 kgCO₂/m²/year. Accordingly, the formula to determine the carbon intensity of a property in the midpoint for a potential Barclays Green Bond is $y = -0.8387x + 1719.4$, where x is the year of the bond midpoint, and y is the resulting target carbon intensity of the property in kgCO₂/m²/year.</p>
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Table 2: 2021 Barclays Green Issuance Framework - Relevant Use of Proceeds Categories and Eligibility Criteria⁵

Use of Proceeds Category	Sub-category	Eligibility Criteria
Energy Efficiency	Commercial and residential buildings	<p>Building Level</p> <ul style="list-style-type: none"> Development, acquisition, retrofit and/or refurbishment of new or existing buildings achieving a rating of LEED Gold or above, BREEAM Excellent or above, or other equivalent internationally recognised green building certification schemes, complying with a recognised threshold set by the CBI, or otherwise evidenced to be performing in the top 15% of buildings in the relevant market. Energy efficient new build buildings with an Energy Performance Certificate (EPC) rating of A or B, as issued through the Barclays Green Home Mortgage (i.e. qualifying for a pricing discount under the product criteria). Retrofit of existing buildings achieving a minimum 20% energy and/or carbon emission reduction or energy efficiency after retrofit is within the top 15% of buildings in the relevant market.
Renewable Energy	Electricity generation	<ul style="list-style-type: none"> The generation of electricity from: <ul style="list-style-type: none"> Wind power⁶ Solar power, Geothermal power with a direct emissions threshold of < 100 grams of CO₂/kWh Biomass or biogas power from waste materials or certified sustainable crops⁷ Ocean power Small-scale (<25 MW), run-of-river hydropower Large-scale (>25 MW) hydropower where the lifecycle emissions from decaying organic matter

⁵ While the 2021 Barclays Green Issuance Framework includes several use of proceeds categories, table 2 only includes the use of proceeds categories financed with proceeds from the Green Instruments.

⁶For avoidance of doubt, offshore wind facilities are assessed using the CBI Marine Renewable Energy criteria at <https://www.climatebonds.net/standard/marine>.

⁷ Sustainable crops are defined as, among others, crops certified under the Roundtable on Sustainable Biomaterials (RSB) or ISCC Plus; soy certified under RTRS; sugarcane certified under Bonsucro. Additional certification schemes may be considered but should be as or more credible and robust as those listed here.

		<p>are <100 gCO₂/kWh or where the power density of the dam is > 5 Watts/m²</p> <ul style="list-style-type: none"> • The generation of electricity from waste to energy processes. • The construction and operation of a facility used for cogeneration of heat/cooling and power from renewables.
Sustainable Transport	Vehicle energy efficiency	<ul style="list-style-type: none"> • Vehicle, rail or boat fleet retrofit or replacement with zero-emission technologies including electric or non-polluting hydrogen technologies. • Hybrid engines and technologies operating below < 75 gCO₂/p-km. • Acquisition/manufacture of new vehicles, locomotives and boats which are zero-emission.

Issuer’s Responsibility

Barclays is responsible for providing accurate information and documentation relating to the projects funded, including description of projects and amounts allocated.

Independence and Quality Control

A leading provider of ESG research and ratings to investors, Sustainalytics conducted the verification of the use of proceeds from the Barclays’ 2020 Green Bond and Green Instruments. The work undertaken as part of this engagement included collection of documentation from Barclays and review of said documentation to assess conformance with the Frameworks.

Sustainalytics relied on the information and the facts presented by Barclays. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Barclays.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not meet the use of proceeds criteria outlined in the Frameworks.

⁸ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2020 Green Bond and Green Instruments to determine if the projects meet the use of proceeds criteria outlined in the Frameworks.	All projects reviewed complied with the use of proceeds criteria.	None

Appendices

Appendix 1: 2020 Green Bond Allocation (as at 31st December 2022)

Use of Proceeds Category	Sub-category	Net Bond Proceeds Allocation (GBP)
Buildings	Residential mortgages	400,446,122
Total amount		400,446,112

Appendix 2: Green Instruments Allocation (as at 31st December 2022)

Use of Proceeds Category	Sub-category	Net Bond Proceeds Allocation (GBP) ⁹
Renewable Energy	Mixed solar and wind	2,060,461
	Solar PV	19,945,150
	Wind	134,600,800
Energy Efficiency	Residential buildings	62,561,013
Sustainable Transport	Electric vehicles	2,349,696
Total amount		221,517,119¹⁰

⁹ Due to rounding, the net bond allocation per use of proceeds category may not sum up to the total amount allocated.

¹⁰ Sustainalytics notes that the Barclays Green Issuance Framework of July 2021 states that assets already utilised by Barclays as collateral in any existing external funding transaction will not be selected as eligible assets. Sustainalytics further notes that, as at 31 December 2022, Barclays had included GBP 96.8 million of the total eligible green assets (GBP 378.6 million) in retained securitization notes. The amount of GBP 22.6 million from these securitized notes was posted externally as collateral, and hence utilized as collateral and part of the eligible asset pool at the same time. Barclays has confirmed that the retained securitization notes were not labelled as green, social or sustainable instruments, and has removed all of the green assets from retained securitizations temporarily pending further review.

Appendix 3: Details on the Green Instruments

Type	Note ISIN	Issuance Date	Maturity Date	CCY	Notational CCY	Notational GBP
GSN (Equity¹¹)	XS2315553078	20/12/21	27/12/28	USD	2,236,000	1,691,313
GSN (Equity)	XS2316643860	17/02/22	24/02/25	USD	574,000	421,297
GSN (Equity)	XS2316664783	17/02/22	24/02/25	EUR	2,846,000	2,374,595
GSN (Equity)	XS2320894152	08/12/21	08/12/26	EUR	15,000,000	12,858,980
GSN (Equity)	XS2326914509	21/02/22	21/02/29	GBP	252,340	252,340
GSN (Other¹²)	XS2338720167	17/02/22	18/02/27	USD	1,769,000	1,298,387
GSN (Equity)	XS2345447721	07/02/22	08/02/27	EUR	30,000,000	25,364,187
GSN (Equity)	XS2345477470	09/02/22	10/02/25	EUR	2,000,000	1,687,365
GSN (Equity)	XS2377613836	14/07/22	14/07/25	GBP	5,000,000	5,000,000
GSN (Equity)	XS2377613919	14/07/22	14/07/25	GBP	10,000,000	10,000,000
GSN (Other)	XS2409676934	30/11/22	30/11/28	EUR	29,273,000	25,261,428
ECP	XS2486861979	25/05/22	24/05/23	USD	170,000,000	135,307,227
Total						221,517,119

¹¹ Instruments where pay-offs are equity-linked. Sustainalytics notes that the review exercise is limited to the use of proceeds component of such instruments and that information on the structure of securities is solely included for transparency purposes.

¹² Instruments where pay-offs are rates-linked. Sustainalytics notes that the verification exercise is limited to the use of proceeds component of such instruments and that information on the structure of securities is solely included for transparency purposes.

Disclaimer

Sustainalytics has also been engaged to deliver a CBI Post-Issuance report, which has been prepared by a distinct, separate team.

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