

Environmental risk in lending – statement of our approach

Barclays has a governance structure in place to facilitate clear dialogue across the business regarding issues of potential environmental and social risk.

Barclays has a strong and longstanding commitment to managing the environmental and social risks associated with commercial lending. We recognise that a bank's major environmental impacts tend to be indirect, via business relationships, arising from the provision of financial services to business customers operating in sensitive sectors. We also believe that appropriate risk management of these environmental and social impacts is not only the right thing to do, but also makes good business sense. Our approach to environmental and social risk management is based on a combination of policy, standards and guidance. This enables us to adopt a robust approach, while maintaining the flexibility to consider potential clients and transactions on their respective merits.

Environmental risk is regarded as a credit risk driver, and is considered within the Barclays in credit risk assessment process. The Climate risk team is responsible for advising on the environmental and climate-related credit risks to Barclays associated with particular transactions. Environmental risks in credit are governed under the Client Assessment and Aggregation Policy and Standard, which are embedded within the Wholesale Credit Risk Control Framework, which is part of the Enterprise Risk Management Framework.

Barclays' approach to environmental credit risk management addresses both direct and indirect risks.

Environmental risk assessment process

There are established lines of communication between Barclays lending managers, the credit teams, the central Environmental Risk Management team. Initially, the lending manager will liaise with the credit teams and, if a proposed transaction is judged to have material environmental sensitivities, guidance can be obtained from the Environmental Risk Management team.

Our industry-specific risk guidance notes cover more than 50 environmentally and socially sensitive activities across 10 different sectors, which are listed below. We undertake due diligence for agribusiness, forestry and forest products, infrastructure, oil and gas (conventional and unconventional), coal fired power, hydropower, nuclear power, and mining.

Agriculture and fisheries

Chemicals and pharmaceuticals

Forestry and logging

Infrastructure

Manufacturing

Metals and mining

Oil and gas

Power generation, supply and distribution

Service industry

Utilities and waste management

The Equator Principles

Where the Bank is financing infrastructure projects which have potentially adverse environmental impacts the Group's Client Assessment and Aggregation policy and supporting Environmental Risk Standard will apply. This policy identifies the circumstances in which the Bank requires due diligence to include assessment of specialist environmental reports. These reports will include consideration of a wide range of the project's potential impacts including on air, water and land quality, on biodiversity issues, on locally affected communities, including any material upstream and downstream impacts, and working conditions together with employee and community health and safety. Adherence to the Environmental Risk Standard is the mechanism by which Barclays fulfils the requirements of the Equator Principles. These Principles are an internationally recognised framework for environmental due diligence in project finance. Barclays was one of the four banks which collaborated in developing the Principles, ahead of their launch in 2003 with 10 adopting banks. There are now over 80 banks worldwide which have adopted the Equator Principles (see www.equator-principles.com).

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