Task Force on Climate-related Financial Disclosures (TCFD) Report 2024

Barclays Investment Solutions Limited

Contents

Introduction

Climate change

Welcome to the first Task Force on Climate-related Financial Disclosures (TCFD)[1] report from Barclays Investment Solutions Limited (BISL) ('we' or 'our').

Climate change is an urgent challenge with far-reaching implications for our planet and society. As a long-term investor, we seek to deliver competitive investment returns for our clients and recognise that climate change is a systemic risk that will impact all sectors and all geographies in which we invest, affecting asset valuations.

We believe the transition to net zero is going to be influenced by a number of factors, including market developments, technological advancement, the public policy environment, geopolitical developments and regional variations, and behavioural change in society.

2023 was a year where a number of climate-related records were broken as well as several noteworthy events taking place:

- The World Meteorological Organization (WMO) confirmed that 2023 was the warmest year on record[2].
- The Intergovernmental Panel on Climate Change (IPCC) published its AR6 Synthesis report[3] in 2023, making it clear that climate change is impacting climate extremes and that weather changes are human induced.
- A number of new regulations and standards came into force in 2023, increasing the momentum on ESG and climate-related reporting.

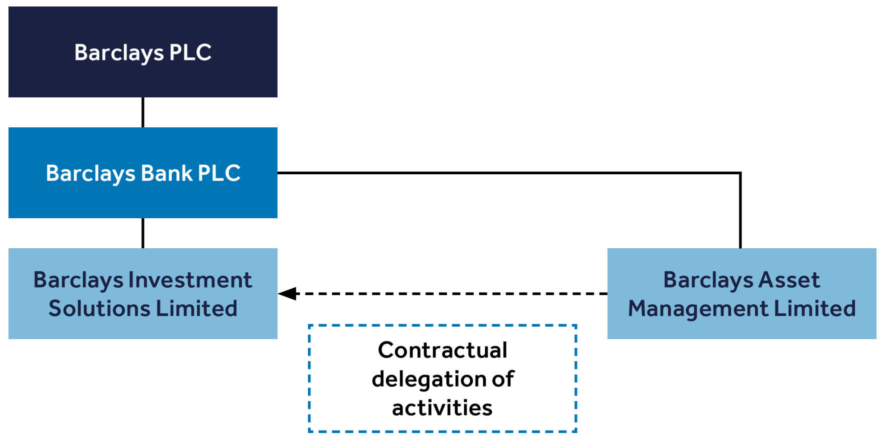
About and scope of the report

The Financial Conduct Authority (FCA) climate disclosure requirements, as set out in Chapter 2 of the ESG Sourcebook (the FCA Rules)[4], apply to asset managers, including investment managers, in the UK. The FCA Rules incorporate recommendations of the TCFD and apply to four business units within the Barclays PLC Group (the 'Group' or 'Barclays'). The legal entity for three of these business units is Barclays Bank PLC (BBPLC) which is reported separately[5]. The fourth business operates out of BISL, which is its own legal entity and is the focus of this report.

BISL is a subsidiary of Barclays[6] and its regulated activity is the provision of managed investment services. These are delivered through discretionary portfolio management and unitised Barclays-branded funds.

Barclays PLC published a Climate and Sustainability report within its Annual Report 2023 including disclosures consistent with the recommendations of the TCFD for the Barclays PLC Group as a whole. Where the Barclays PLC Climate and Sustainability report is relevant to this report, we have referred to it rather than duplicate the content.

Simplified organisational structure chart[7]



[1] Please see the TCFD and IFRS websites for further details.
[2] WMO is United Nations system's authoritative voice on the state and behaviour of the Earth's atmosphere, land and oceans interaction, the weather and climate it produces and the resulting distribution of water resources.
[3] Please see the IPCC website for the AR6 Synthesis report.
[4] Please refer to Chapter 2.2 of the ESG Sourcebook for further details.
[5] BBPLC TCFD report
[6] Please see the Barclays website for further details.
[7] The organisation chart is a simplified view of the structure.

BISL has been appointed as the investment manager for three fund ranges, including those where Barclays Asset Management Limited (BAML)[8] is the Authorised Fund Manager (AFM) within Private Bank and Wealth Management (PBWM), and is responsible for making all day-to-day investment decisions on behalf of every fund. For these fund ranges, BISL delegates the selection of assets, including shares, to other investment managers, by either investing into a fund or by giving a number of managers a portion of the money raised to invest on behalf of BISL (by means of segregated mandates). The discretionary portfolio management (DPM) portfolios typically contain third-party funds and BISL's own funds, but there is a small portion of direct equities held.

Senior manager's compliance statement

We have considered our obligations under Chapter 2 of the FCA's ESG Sourcebook and confirm that the disclosures made in this report, including any third-party or Group disclosures cross-referenced in it, comply with the requirements under that chapter[9]. BISL is the legal entity in scope of the FCA Rules and guidance.

This TCFD entity report[10] is separate to the Barclays integrated climate-related financial disclosures entity report – please see the Barclays Group Annual Report 2023 for further details. This report focuses on the climate-related activities of BISL only and covers the assets managed by BISL in relation to its TCFD in-scope business.

There will be instances where specific Group policies will be applied to BISL. Where appropriate, there may be instances where BISL specific business-level procedures are applied.

This report covers the period from 1 January 2023 to 31 December 2023. All metrics and data are as of 31 December 2023 unless stated otherwise.

As this is the first TCFD report for BISL, it has been prepared recognising that there are areas where further work is required. We have included TCFD-aligned disclosures where it is fair, clear and not misleading for us to do so. We have also explained limitations on our ability to disclose, and the steps being taken to address those limitations.

Jean-Damien Marie
Global Head of Investments, Private Bank and Wealth Management

[8] BAML is an asset management firm and the Authorised Fund Manager ("AFM") of a range of investment funds domiciled in the UK (a private limited company within the Barclays Group, and a wholly owned subsidiary of BBPLC). BAML is responsible for the investment management, risk management, distribution and administration of those funds – though delegates all day-to-day activities to third parties.
[9] Please see the FCA website for the FCA ESG Sourcebook, April 2024.
[10] This report is separate from the BISL and Barclays Private Bank DPM client on-demand reports, where requested and required under the FCA ESG Sourcebook.

Context of Barclays Investment Solutions Limited

On 1 May 2023, Barclays completed the transfer of its UK Wealth Management & Investments business to sit alongside the Private Bank. The combined business, Barclays Private Bank and Wealth Management (PBWM), provides UK clients with access to the full spectrum of wealth and private banking services, while opening up access to the broader key markets and wealth corridors where Barclays provides Private Banking in Europe, the Middle East, Asia and Africa. Consequently, internal organisational changes as of December 2023 were ongoing for PBWM. This report reflects the status of BISL for the reporting period.

Where appropriate and relevant, reference is made to changes that may have taken place in 2023 or may be ongoing at the time of writing this report. As Barclays Private Bank DPM is a business unit of BBPLC, it is reported within the BBPLC TCFD entity report[11].

Private Bank DPM[11] and Wealth Management – BISL falls under Wealth Management – are at different stages of addressing climate-related risks and opportunities. The integration of climate-related risks and opportunities were not part of BISL's strategy for the reporting period. Following the creation of the combined PBWM business, we are assessing where synergies can be achieved for BISL's approach to climate with the Private Bank DPM and where BISL climate-specific practices need to be addressed to more fully align with the TCFD recommendations. We have summarised areas for improvement as follows:

- A process was established in Q3 2023 for the BISL Board to have visibility of climate-related activities. We will seek to enhance this process and further improve visibility of climate-related risks and opportunities at BISL Board level.
- Established following the creation of the combined PBWM business, the PBWM Responsible Investing and Sustainability Governance (RISG) Forum will allow enhanced BISL management oversight of climate-related risks and opportunities.
- Identify the impact of climate-related risks and opportunities for BISL's investment management activities over the short, medium and long term.
- Undertake scenario analysis for the AUM in scope of this report and in line with the combined PBWM business to identify the resilience of BISL's investment strategies to different climate-related scenarios.
- Assess how climate could be integrated into the investment due diligence process.
- Evaluate how the risk management process can be enhanced to include climate-related risks.

The financial planning process for BISL is determined at a Group level. In 2023, Barclays' financial planning process included a review of the Group's strategy, its implementation and tracking of progress against climate-related targets – as well as capturing a view of climate-related risks and opportunities[12]. BISL operating as an asset manager does not currently incorporate the impact of climate-related risks and opportunities into its business-specific financial planning processes for the AUM in scope of this report.

As BISL is in the early stages of understanding climate-related risks and opportunities, we have not set any targets to manage climate-related risks and opportunities in relation to our assets under management.

[11] Please see the BBPLC TCFD report located on the Barclays Reporting and Disclosures website.
[12] Please see the Barclays Annual Report 2023 for further details.

Governance

BISL governance

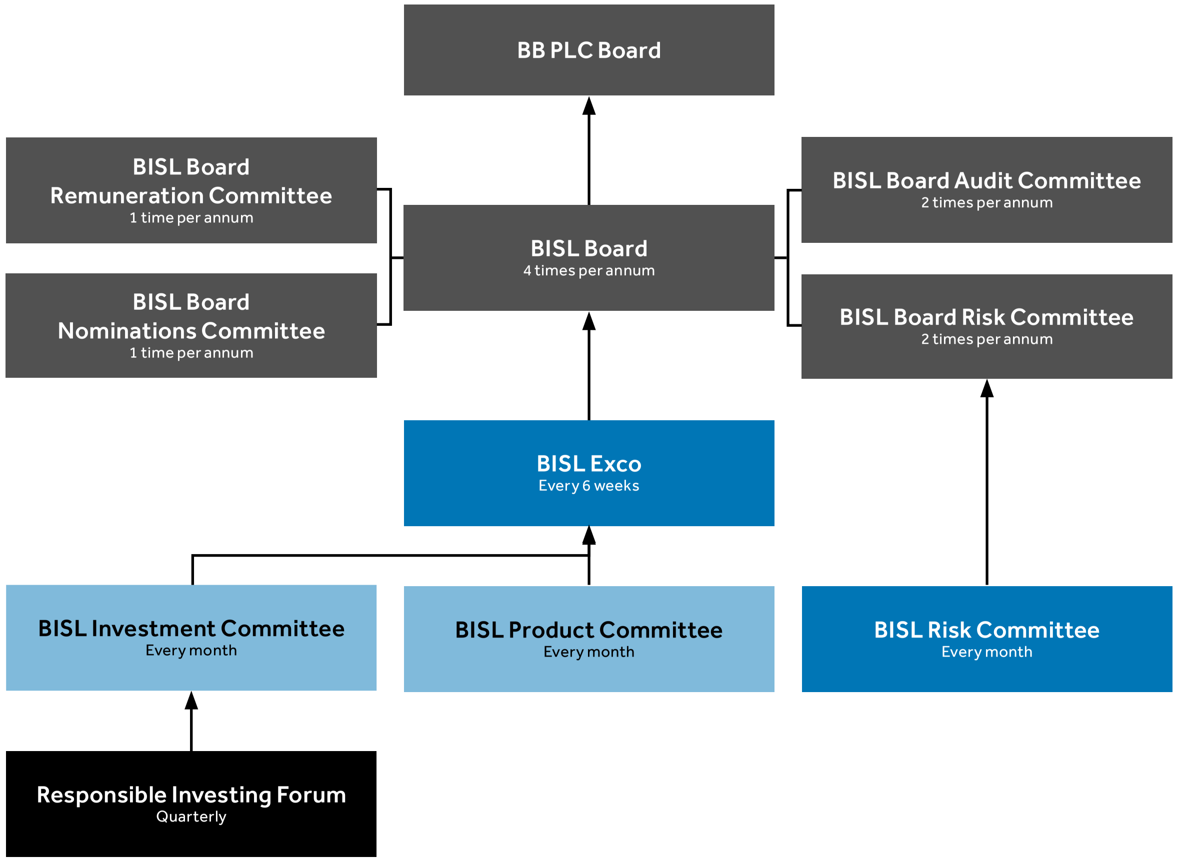
The Board of BISL is responsible for the overall leadership of BISL. It also has responsibility for BISL's strategic aims and objectives and approval of its risk appetite within the parameters set by the BBPLC Board. Prior to the creation of the combined PBWM business, the BISL Board escalated and reported into the BBPLC Board via the Chair of the BISL Board, who was also a member of the BBPLC Board. Following the creation of the combined PBWM business, escalation is by the BISL Executive Committee to the BBPLC Board via the Chair of the BISL Board.

The BISL CEO is delegated authority for the implementation of the strategy and the day-to-day running of BISL, with full powers to sub-delegate such authority as deemed fit. The BISL CEO has elected to discharge certain duties by forming a BISL Executive Committee to which certain authorities may be delegated.

The BISL Executive Committee oversees two subcommittees – the BISL Investment Committee and BISL Product Committee. During 2023, the BISL Investment Committee was chaired by the Head of UK Multi-Asset Wealth and delegated its role of reviewing, overseeing and approving responsible investment activities to the Responsible Investing (RI) Forum – please see the management oversight section on the following page.

In Q3 2023, a bi-annual Board report was introduced to begin understanding climate-related risks and opportunities. We will seek to enhance this process by which the BISL Board is informed about climate-related issues, as well as on the broader strategy on managing climate.

Simplified internal organisation structure chart[13]



[13] The highly simplified organisational structure chart reflects the status in 2023 and not the subsequent changes as a result of the Private Bank and Wealth Management businesses combining. We will report on the revised structure in next year's report.

Management oversight

The RI Forum facilitated discussions and decision-making in areas such as, but not limited to, stewardship and regulatory reporting responsibilities for ESG, including TCFD, during the reporting period. The Head of Responsible Investing was the Chair of the RI Forum. Members included Risk Analytics, Behavioural Finance, Fund Managers, Portfolio Construction, Performance Analytics, Group Sustainability, Compliance, Legal, Business Operational Control and Product Specialists. Meetings were held quarterly.

Initial discussions took place regarding the approach towards addressing the requirements of the TCFD at the RI Forum in Q3 2023.

The remit and membership of the RI Forum reflect activities for the reporting period of this report. Following the revised PBWM structure, the RI Forum has been replaced by the PBWM RISG Forum with revised terms of reference. The PBWM RISG Forum reports to the BISL Investment Committee in the revised structure and climate-related discussions will now continue at the PBWM RISG Forum. We will seek to enhance BISL management's visibility of climate-related risks and opportunities at this forum.

Strategy

Climate-related risks and opportunities

We have not identified or assessed the impact of climate-related risks and opportunities over the short, medium and long term.

ESG integration

Most of the assets we manage on behalf of our clients are invested indirectly, through third-party fund managers. We aim to assess each of these managers based on their ESG credentials, among other relevant factors. Climate-related risks were not assessed for third-party fund managers for the reporting period.

Every manager's offering is given a single standalone score from A to C for ESG considerations. We review how ESG is embedded using our proprietary '5P' qualitative research framework.

Scenario analysis

We have not undertaken scenario analysis for our AUM in scope of this report and do not apply scenario analysis in our investment and risk decision-making process.

Collaborative initiatives

BISL became a signatory to the Principles for Responsible Investing (PRI)[14] in 2023. Prior to this, and since 2016, BAML was a signatory. In 2023, BISL also became a signatory to the UK Stewardship Code[14], which sets high stewardship standards for those investing money on behalf of UK savers and pensioners and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries with the aim of achieving sustainable benefits for the economy, the environment and society.

[14] Please see Glossary of key terms.

Risk management

Please see the 'Context of Barclays Investment Solutions Limited' section for our plans to further develop processes for identifying, assessing and managing climate-related risks and opportunities in relation to the AUM.

The risks associated with climate change are subject to rapidly increasing societal, regulatory and policy focus, both in the UK and internationally. In 2022, Climate Risk became a Principal Risk within Barclays' Enterprise Risk Management Framework (ERMF), aiming to ensure a holistic approach to risk identification, assessment and management. Please see the Barclays Annual Report 2023 for details about the ERMF.

Barclays' Climate Risk Framework facilitates the structured integration of Climate Risk considerations into the Group's operations. It undergoes regular reviews and updates – including changes to risk taxonomy, definitions and methodology – to align the Framework with changing regulatory expectations and external developments.

Investment due diligence

As part of our investment due diligence (IDD) and ongoing monitoring of third-party managers, we may review their integration of responsible investing. IDD is implemented using our proprietary '5P' qualitative research framework. Climate considerations were not incorporated into the IDD process for the reporting period.

Operational due diligence

Independent operational due diligence (ODD) is undertaken of a fund manager's operations and product offering, seeking to assess and mitigate business and operational risks. Each manager must pass the ODD before being made available to clients, and is periodically assessed thereafter. ESG considerations may be included in the assessment of the fund structure and whether there is adherence to the appropriate regulatory jurisdiction and country nuances. However, climate considerations were not specifically incorporated into the ODD process for the reporting period.

Direct holdings

ESG including climate risks are not integrated into the investment process for our direct holdings. Direct holdings represent 6% of the in-scope AUM for the FCA Rules.

Investment risk oversight

The Investment Risk team is independent from the investment team. The Investment Risk Framework (IRF) seeks to challenge each layer of the investment process. This includes the strategic asset allocation (SAA), the shorter-term tactical asset allocation (TAA) overlays, the stock selection process and implementation decisions in both client models and individual portfolios.

The IRF seeks to identify, monitor and address systemic and idiosyncratic risks arising from investment activity. The IRF operates on a quarterly basis, with ongoing reporting obligations to senior management. Its frequency may be increased should the underlying market conditions warrant greater scrutiny. The framework focuses on a defined list of key risk indicators and the implementation of guidelines and limits within which the investment activity can operate. These risks are mapped to the investment process, with risk ownership attributed at each step. Climate risk was not integrated into the IRF for the reporting period.

Stewardship

BISL undertakes engagement and voting in partnership with our stewardship services provider, EOS at Federated Hermes (EOS)[15], in respect of certain holdings relating to specific services[16]. EOS is a stewardship leader that helps global long-term institutional investors to meet their fiduciary responsibilities and become active owners of public companies. We believe that pooling the resources of other like-minded investors creates a strong and representative shareholder voice and makes company engagement more effective. The decision to partner with EOS was based on a number of factors, but not specifically on their approach to managing climate change.

EOS develops engagement strategies specific to each company, subject to engagement, informed by its deep understanding across sectors, themes and markets. Specific environmental and nature-related outcomes, aligned to the UN Sustainable Development Goals (SDGs), that EOS seeks to include are as follows:

Climate change

Ensuring company strategies and actions are aligned to the goals of the Paris Agreement to pursue efforts to limit climate change to 1.5°C, and demonstrating that business models are resilient and can adapt to future climate change.

[15] Please see the EOS website for further details.
[16] Direct equity holdings within BISL DPM investment strategies and holdings within segregated mandates that form part of BISL funds.

Natural resources

Protecting, preserving and restoring natural resources and biodiversity by transitioning to sustainable food systems, avoiding antimicrobial resistance and managing water stress, to enable more affordable access to food and clean water.

Circular economy and zero pollution

Controlling pollution of air, land and water to below harmful levels for humans and other living organisms, and building a circular economy that avoids waste.

For climate change, EOS's engagement focuses on companies having a strategy and greenhouse gas (GHG) emissions reduction targets aligned to the Paris Agreement[17], seeking to limit climate change to 1.5°C, and political lobbying. In seeking Paris-aligned transition plans, EOS evaluates the credibility of company transition plans, including their reliance on technologies, and seeks to ensure that the governance oversight of investments adequately tests risks and dependencies. EOS also continues to engage with companies in high-methane-emitting sectors to deploy the best available technology to identify and mitigate methane emissions, continue to engage on physical climate risks and work towards a 'just transition' for employees and communities.

We view engagement[18] and voting[18] as an important mechanism through which to hold management to account and act as a lever to promote change in investee companies on material ESG issues, where appropriate. We believe companies that can better manage material ESG issues could be less prone to severe incidents, such as fraud, litigation or reputational risks.

Voting forms part of BISL's overall stewardship strategy and is used as a tactical tool to achieve desired changes on ESG issues. BISL receives voting recommendations on upcoming annual general/extraordinary meeting resolutions from EOS. These resolutions are analysed by EOS against a range of voting principles and policies, which are based on international best practice and local regional considerations, such as EOS's Global Voting Guidelines, regional voting principles and country-level voting policies. Based on various metrics, BISL filters EOS's voting recommendations in relation to company holdings and, if deemed necessary, BISL may deviate from EOS's recommendations.

All voting activities sit alongside engagement practices, reflecting the BISL approach of promoting constructive dialogue with investee companies by building long-term relationships to seek to influence ESG and other practices. This is mostly undertaken by EOS, which engages on behalf of clients including Barclays with a wide range of stakeholders – including government authorities, trade bodies, unions, investors and NGOs – to seek to identify and respond to market-wide and systemic risks.

[17] Please see the United Nations website for further details on the Paris Agreement.
[18] Direct equity holdings within BISL DPM investment strategies and holdings within segregated mandates that form part of BISL funds.

Metrics and targets

Please see the 'Context of Barclays Investment Solutions Limited' section for our plans to identify and assess the impact of climate-related risks and opportunities on our investment activities and developing processes to identify, assess and manage climate-related risks, which will include identifying and using appropriate metrics.

We may use data and metrics as part of our initial investment due diligence process, as well as ongoing monitoring of discretionary investments. A qualitative approach is currently taken to assess ESG characteristics for assessing and monitoring third-party funds. While we have disclosed certain climate-related metrics in this section in relation to our AUM, we are providing these for information purposes only and climate-related metrics were not part of our assessment or monitoring for the reporting period.

Data is obtained from different sources, including the investment managers and third-party data vendors, such as MSCI. As such, there may be some limitations in the data we use – please see the 'Data limitations' section for further details.

The Implied Temperature Rise (ITR)[19] is a forward-looking metric, expressed in degrees Celsius (°C), which is designed to show the temperature alignment of a company to limit global warming to below 2°C by 2100[19,20]. The temperature measurement shows the outcome, if the whole economy had the same carbon budget over-/undershoot level as the company. It provides an indication of how companies and investment portfolios align to global climate targets. At a portfolio level, the ITR is compiled on an aggregated basis for the companies.

The ITR for the in-scope AUM for BISL is 2.3 °C. The ITR is a weighted average of the in-scope AUM, which include direct holdings and third-party funds. The assets included in the metrics calculation for the ITR is 72.3% of the AUM in scope of this report. Due to data limitations, we are unable to have an ITR metric that includes 100% of our in-scope AUM. Whilst the ITR focuses on carbon emissions from corporates, the majority of the data gap for the ITR is attributed to sovereigns and supranationals, which MSCI does not include in its methodology. PBWM is currently dependent on the methodology and capabilities of MSCI. Please see the '2023 metrics' section for further details.

As BISL is in the early stages of understanding climate-related risks and opportunities, we have not set any targets to manage climate-related risks and opportunities. Together with the Private Bank DPM, BISL is currently reviewing and assessing the implications of a climate strategy for PBWM following the convergence of the two business areas in 2023. We will report on its progress in next year's report.

[19] Please see Glossary of key terms for further details.
[20] Based on MSCI methodology. Such temperature metrics are based on projections and so are indicative only, may be sensitive to change and based on estimates which may not be accurate or complete. There is no guarantee that each company has set net-zero targets or that a company will be able to achieve its emission reduction targets or that even if such targets are achieved, future warming or emissions levels will be as predicted.

Calculation methodology

This section outlines the calculations used for the metrics referred to in this report, as well as what we consider to be the pros and cons for each.

Table 1

	Description	Calculation	Pros	Cons
Total emissions	This measures the total emissions of a portfolio.	$MtCO_2e = \sum\left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions}\right)$	• As an absolute metric, it is easier to interpret. • Metric can be used to track changes in GHG emissions in a portfolio.	• Cannot do a relative comparison of the company within its sector. • Is subject to market volatility.
Carbon footprint	This measures the carbon emissions of an investment relative to the actual ownership. For a portfolio, it is the total emissions normalised by the market value of the portfolio.	$tCO_2e/\$m\ \text{invested} = \frac{\sum\left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions}\right)}{\text{Current porfolio value}}$	• A relative metric that can be used to compare companies across sectors. • It allows for portfolio decomposition and attribution analysis.	• Changes in underlying companies' market capitalisation can be misinterpreted.
Weighted average carbon intensity	This measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon intensity.	$CO_2e/\$m\ \text{sales} = \sum_n^i\left(\frac{\text{Current value of investment}_i}{\text{Current portfolio value}} \times \frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions}}{\text{Issuer's \$m revenue}_i}\right)$	• It can be easily applied across asset classes since it does not rely on equity ownership approach. • The calculation of this metric is fairly simple and easy to communicate to investors.	• The metric is sensitive to outliers. • Using revenue (instead of physical or other metrics) to normalise the data tends to favour companies with higher pricing levels relative to their peers.

2023 metrics[21]

The scope of assets covered in table 2 is 74% of the in-scope AUM[22]. The carbon metrics for corporate securities are in line with the TCFD recommendations and the Partnership for Carbon Accounting Financials (PCAF) standards[23]. For carbon footprint, we have used Enterprise Value Including Cash (EVIC)[24] as the denominator in accordance with the PCAF standards and in order to cover both equity and debt.

The scope of assets covered in table 3 is 64% of the in-scope AUM. The assets covered have reduced compared to the coverage in table 2. This is due to the exclusion of third-party funds, although we have been able to include data for Barclays-branded unitised funds. Currently, third-party data vendors are unable to provide granular level data, such as sectors for the underlying companies in third-party funds. This is due to the complexity and scale of data involved in obtaining the granularity required to calculate the underlying company sectors. As this is our first year of reporting, we are assessing how this data gap could be addressed.

Sovereigns, supranationals, cash, derivatives, alternative investments and structured products are excluded from all calculations. For sovereigns and supranationals, we are unable to report emissions figures. For equity investments in listed companies, the total value is measured by the EVIC[24]. Applying the same principle to sovereigns is more challenging because there is no appropriate measurement of a sovereign's equity, leaving only outstanding debt in the denominator of the attribution factor – please see the Calculation methodology section for further details.

Some of the limitations PCAF has identified for sovereigns include i) difficulty in accurately allocating emissions along the supply value chain, ii) involvement of input output models that can vary depending on the third-party data vendors and iii) time lags in data availability. BISL will further its understanding of external calculation methodologies available for sovereigns to determine the best approach to take.

External methodologies are not currently developed for derivatives, alternative investments and structured products to be included in the scope of these metrics. BISL is reliant on market and industry developments to guide its metrics and will continue reviewing and monitoring developments on how best to incorporate asset classes currently not included. Through the combined PBWM business, it will continue engaging with third-party data vendors such as MSCI to understand how their methodologies evolve and provide input where appropriate.

[21] Metrics are in line with the TCFD recommendations and PCAF standards. Please see note 23.
[22] Sovereigns, supranationals, cash, derivatives, alternative investments and structured products are excluded. Equity and fixed income assets held within third-party active managed funds are included. Data is sourced from MSCI as of 31 December 2023.
[23] Please see the Partnership for Carbon Accounting Financials (PCAF) website for further details on the PCAF standard.
[24] Please see Glossary of key terms for further details.

Table 2

	Total emissions	Financed emissions	Weighted average carbon intensity
	Metric tons of CO_2e	**Metric tons CO_2e per $m invested**	**Metric tons CO_2e per $m sales**
Scopes 1 & 2	966,311.3	58.5	121.5
Total scope 3	5,873,277.2	355.6	–

Table 3

		Total emissions (Tons of CO_2e)		Carbon footprint (Tons CO_2e per $m invested)		Weighted average carbon intensity (Tons CO_2e per $m sales)
Sector	**Percentage of AUM**	**Scopes 1 & 2**	**Scope 3**	**Scopes 1 & 2**	**Scope 3**	**Scopes 1 & 2**
Financials	30.5%	291,443.0	1,529,790.7	57.8	303.4	135.3
Information Technology	5.1%	12,885.1	121,499.8	15.4	145.2	40.4
Consumer Discretionary	4.9%	17,198.9	322,249.4	21.1	395.3	51.7
Industrials	4.4%	84,468.1	423,659.7	115.8	580.8	117.7
Consumer Staples	4.1%	26,403.5	254,039.6	38.8	373.3	61.2
Health care	3.2%	3,212.9	39,964.5	6.0	74.6	22.4

Data limitations

In creating this report, we have used ESG and climate data from third-party data vendors that we consider appropriate and suitable for these purposes, as at the date on which they were deployed. However, there is currently no universally accepted way of reporting, rating or categorising ESG data and so, where we rely on third-party data, such data may be subject to certain limitations. These limitations can be categorised as follows:

Quality

The ESG and climate data we use is commonly based on estimations that are the output of our third-party data vendors' estimation methodologies, one example of this being the scope 3 GHG emissions of portfolio companies. Furthermore, ESG data may not be audited or otherwise reviewed by an independent third party. While we will use sources that we believe to be reliable, we do not guarantee the information is accurate, complete, and up to date. Our reliance on these estimation methodologies means that the calculated metrics can only be interpreted to be approximate and not precise.

Transparency

We can have limited visibility on the exact details behind an estimated data point from third-party data providers. This impedes our ability on full transparency of the estimated ESG and climate data points in our calculations.

Timeliness

We source ESG and climate data from public reports for our portfolio companies, which are commonly produced on a quarterly or annual cycle. Consequently, the ESG and climate data reported against our portfolio companies maybe out of sync as at the end of the TCFD reporting period.

Coverage

The levels of disclosure of ESG and climate data are particularly low from certain holdings, such as supranationals. As a result, these holdings have been excluded from the scope of assets for this report's metric calculations.

We are reviewing alternative climate-related data providers to understand how BISL can evolve its approach and reduce gaps identified. As the quality of data, models and methodologies evolve and improve, we will continue enhancing our approach.

Glossary of key terms

Assets under management: AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the entity, including joint ventures and associates, earns operating revenue.

Enterprise value including cash (EVIC): The sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values. Based on the PCAF definition.

Environmental, social and governance (ESG): Environmental – factors that relate to the quality and functioning of the natural environment and natural systems, e.g., carbon emissions, environmental regulations, water stress and waste. Social – factors that relate to the rights, well-being and interests of people and communities, e.g., labour management, and health and safety. Governance – factors that relate to the management and oversight of companies and investee entities, e.g., board structure and pay.

Fund: Funds are collective investments, where investors' money is pooled together and spread across a wide range of underlying investments, helping to spread overall risk.

Greenhouse Gas Emissions (GHG): GHG are gases in the Earth's atmosphere that trap heat. The main ones are carbon dioxide, methane, nitrous oxide hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. GHG emissions from human activities intensify the greenhouse effect, contributing to climate change. Carbon dioxide, from burning fossil fuels such as coal, oil and natural gas, is one of the most important factors in causing climate change. For further details please see the European Environmental Agency.

Implied temperature rise (ITR): Based on MSCI methodology. The calculation uses an aggregated budget approach that compares the sum of financed projected carbon emissions against the sum of financed carbon emission budgets for underlying portfolio holdings. A company projected to emit carbon below budget can be said to "undershoot" the budget. A company projected to exceed the budget "overshoots" it. This calculation provides an estimation of the total carbon budget under-/overshoot of the portfolio. The total portfolio carbon emission over/undershoot is then converted to a degree of temperature rise.

Net zero: Refers to the balance between the amount of greenhouse gas (GHG) that's produced and the amount that's removed from the atmosphere. It can be achieved through a combination of emission reduction and emission removal. (Net Zero Climate)

Principles for Responsible Investing (PRI): An international network of investors, working together to implement the six PRI principles, and its goal is to encourage its signatories to incorporate ESG issues including climate via the six principles into their investment practices. (PRI)

Scope 1 emissions: Direct GHG emissions from sources that are owned or controlled by a company. (Carbon Trust)

Scope 2 emissions: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat or cooling consumed by a company. (Carbon Trust)

Scope 3 emissions: Covers all other indirect emissions not included in Scope 2 emissions that occur in the upstream and downstream activities of an organisation. (Carbon Trust)

Taskforce for Climate-related Financial Disclosures (TCFD): The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

UK Stewardship Code: The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. The Code applies to: 1) asset owners such as pension schemes and insurers. 2) asset managers who manage assets on behalf of UK clients or invest in UK assets. 3) service providers such as investment consultants, proxy advisers, and data and research providers that support asset owners and asset managers to exercise their stewardship responsibilities. See the Financial Reporting Council for further details.

Disclaimers

What is important to our clients and stakeholders evolves over time, and we aim to anticipate and respond to these changes. Disclosure expectations in relation to climate change and sustainability matters are particularly fast moving, and differ from more traditional areas of reporting including in relation to the level of detail and forward-looking nature of the information involved and the consideration of impacts on the environment and other persons. We have adapted our approach in relation to the disclosure of such matters.

Our climate disclosures and sustainability-related content take into account the wider context relevant to these topics, which may include evolving stakeholder views, the development of our climate strategy, longer timeframes for assessing potential risks and impacts, international long-term climate- and nature-based policy goals and evolving sustainability-related policy frameworks.

Our climate disclosures and sustainability-related content are subject to more uncertainty than disclosures relating to other subjects, given market challenges in relation to data reliability, consistency and timeliness – the use of estimates, judgements and assumptions which are likely to change over time, the application and development of data, models, scenarios and methodologies, the change in regulatory landscape, and variations in reporting standards.

These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops, and could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any forward-looking statements or metrics included in our climate disclosures and sustainability-related content.

We give no assurance as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained in our climate disclosures and sustainability-related content and make no commitment to revise or update any such disclosures to reflect events or circumstances occurring or existing after the date of such statements.

There is currently no universally accepted way of reporting, rating or categorising ESG data and so, where we may refer to, or rely on, third-party data, such data may be subject to certain limitations (including in relation to the quality, timeliness, completeness and availability of such ESG data). Importantly, ESG data may not be audited or otherwise reviewed by an independent third party and while Barclays will use sources it believes to be reliable, we do not guarantee the information is accurate, complete, and up-to-date. Where we refer to ESG data, models and methodologies, and any judgements, estimates or assumptions made, are rapidly evolving and this may directly or indirectly affect any metrics and/or data contained herein.

Where we may refer to such terms, there is currently no globally accepted framework or definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, an 'ESG', 'green', 'sustainable', 'climate-friendly' or an equivalent company, investment, strategy or consideration or what precise attributes are required to be eligible to be categorised by such terms. This means there are different ways to evaluate a company or an investment and so different values may be placed on certain ESG credentials as well as adverse ESG-related impacts of companies and ESG controversies where these are considered. The evolving nature of ESG considerations, models and methodologies means it can be challenging to definitively and universally classify a company or investment under an ESG label and there may be areas where such companies and investments could improve or where adverse ESG-related impacts or ESG controversies exist. The evolving nature of sustainable finance related regulations and the development of jurisdiction-specific regulatory criteria also means that there is likely to be a degree of divergence as to the interpretation of such terms in the market. We expect industry guidance, market practice, and regulations in this field to continue to evolve.

Any references to 'sustainable', 'sustainable investment', 'ESG','ESG data' or other similar terms or related exclusions in this article are not to any jurisdiction-specific regulatory definition or other interpretation of these terms unless specified otherwise.

Where we refer to screening processes, there is currently no market consensus, universally accepted framework (legal, regulatory or otherwise), criteria or purely objective way to select investments for sustainable strategies. We use multiple screening processes and analyse a number of factors in our investment selection process that we consider relevant in accordance with our internally defined criteria.

Where we have referred to investment selection processes, these include subjective elements which require us to consider whether, on balance, a particular investment is appropriate for inclusion in a sustainable strategy based on our criteria, available information (including ESG data) and professional judgement. Further, ESG considerations are rapidly evolving and may vary by sector/industry, market trends, current science or academic thought, and the macro environment.

In preparing the climate disclosures and sustainability-related content within the Barclays Investment Solutions Limited TCFD Report wherever it appears, we have:

- Made certain key judgements, estimations and assumptions. This is, for example, the case in relation to measurement of climate risk and scenario analysis.
- Used climate data, models, scenarios and methodologies we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. This includes data, models, scenarios and methodologies made available by third parties (over which we have no control) and which may have been prepared using a range of different

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Climate disclosures and sustainability-related content in this document, including climate-related data, models and methodologies, are not of the same standard as those available in the context of other financial information and use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable financing activities. Climate disclosures and sustainability-related content are also not subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. Historical data cannot be relied on as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data, scenario analysis and the application of methodologies will also be affected by underlying data quality, which can be hard to assess, or challenges in accessing data on a timely basis

- Continued (and will continue) to review and develop our approach to data, models, scenarios and methodologies in line with market principles and standards as this subject area matures. The data, models, scenarios and methodologies used (including those made available by third parties) and the judgements, estimates and/or assumptions made in them or by us are rapidly evolving, and this may directly or indirectly affect the metrics and data points contained in the climate disclosures and sustainability-related content within this report. Further, changes in external factors which are outside of our control such as accounting and/or reporting standards, improvements in data quality, data availability, or updates to methodologies and models and/ or updates or restatements of data by third parties, could impact – potentially materially – the performance metrics and data points contained in the climate and sustainability content within this report. In future reports we may present some or all of the information for this reporting period (including information made available by third parties) using updated or more granular data or improved models, scenarios methodologies, market practices or standards.

Such updated information may result in different outcomes than those included in this report. It is important for readers of this report to be aware that direct, like-for-like comparisons of each piece of information disclosed may not always be possible from one reporting period to another.

- Included in the TCFD Report, text boxes and other credentials which aim to give a high-level overview of certain elements of the climate and sustainability content within this report and improve accessibility for readers, and are designed to be read within the context of the report as a whole. There are a variety of internal and external factors which may impact the reported metrics contained within the report.

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