BARCLAYS

Barclays Africa Group Limited

Environmental review 2013

Introduction

Many environmental challenges facing society today compound certain social challenges. These include resource scarcity, climate change, waste management and land availability. As a large financial service provider our greatest role for mitigating these challenges lies in our lending, investing and procurement practices. Also, given our extensive physical footprint including corporate offices, branches, data centres and ATMs, we are committed to managing the direct environmental impact of our operations.

Our business practices are guided by a series of policies: our environmental policy statement guides our approach to wholesale credit, facilities management, procurement, travel services and citizenship activities; while our environmental and social impact assessment policy provides direction on appropriate due diligence for projects with potential risk, including those in scope of the Equator Principles.

Key performance indicators

	2013	2012
Transactions reviewed in accordance with Equator Principles (number)[1]	**18**[LA]	16[LA]
Other transactions reviewed for environmental and social risk	**62**	57
Africa carbon footprint (tonnes CO_2)[2]	**366 815**	405 164
South Africa carbon footprint (tonnes CO_2)[2]	**335 442**[LA]	367 897[LA]
Africa Energy consumption (GWh)[3]	**420,1**	453,7
South Africa energy consumption (GWh)[3]	**372,1**[LA]	395,5[LA]
South Africa paper consumption (tonnes)[3]	**1 771**	2 182
South Africa paper recycling (tonnes)	**1 428**	1 245

Notes

[1] Total number of project finance transactions that have been reviewed for environmental and social risks as per the Equator Principles.

[2] 2013 reporting period was changed to Q4 2012 to Q3 2013 to align with global requirements. 2012 figure aligns with financial year and has been restated for South Africa. These figures have been restated in line with the move to reporting using a single source of data globally. The difference to previously reported data is due to changes in the calculation methodology and certain new aspects being included in scope. Figure is total of Scope 1,2 and 3 carbon dioxide emissions, excluding fugitive emissions. GHG Protocol: operational control boundary; using v4_4 emission factors.

- Scope 1 – Direct combustion of fuels; South Africa company-owned vehicles; and electricity from gas combustion
- Scope 2 – Purchased electricity for own use
- Scope 3 – Indirect emissions from business travel (local and international flights and private cars and South Africa car hire)

[3] 2013 reporting period was changed to Q4 2012 to Q3 2013 to align with global requirements. 2012 figure aligns with financial year.

[LA] Limited assurance

Managing environmental and social risk in our lending

We provide funding for large projects and we aim to ensure that the projects we fund effectively manage their impact on the environment and surrounding communities. We manage the reputational, credit and risk associated with these projects through proactive risk assessment and robust controls. Our specialist environmental credit risk team identifies and evaluates the environmental and social risks of potential transactions and, based on the outcomes of their assessment, provides mitigation and management recommendations.

As part of our environmental and social risk assessment approach, we strive to:

- Interact with clients to understand how they manage potential environmental and social risks;
- Review and provide constructive comments on environmental due diligence reports, environmental and social impact assessment reports, environmental management plans and independent compliance and monitoring reports;
- Strengthen environmental clauses in facilities agreements; and
- Provide advice on mitigating and managing potential risks to facilitate responsible investment.

Lending and guidance notes

Given the complexities associated with lending practices, we have an environmental and social impact assessment policy to guide our relationship with clients who are undertaking environmentally and socially sensitive projects. We demonstrate our commitment to the Equator Principles through this mechanism, providing guidance to employees on what we consider to be appropriate due diligence. In accordance with Equator Principles guidelines, we evaluate each proposed project's expected social and environmental impacts and categorise the project as 'Category A, B or C' based on the expected magnitude of its impacts.

Category	Description
Category A	Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.
Category B	Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C	Projects with minimal or no adverse environmental and social risks and/or impacts.

Our specialist environmental credit risk team provides assistance and guidance to business and risk managers on how to manage environmental and social risks in lending transactions. Our deal teams draw on our environmental and social risk guidance notes to aid their understanding and identification of key sector risks, headline issues and considerations.

Before obtaining credit approval, our deal team must demonstrate that the transaction has been screened for environmental and social risks and that any risks identified can be properly mitigated. Where appropriate, environmental consultants are appointed to assess and mitigate the identified risks.

We continue to monitor developments in the environmental risk field, broadening our understanding of how the International Finance Corporation approaches and manages environmental and social risk.

Our nuclear policy and the defence policy provide further details on appropriate due diligence for credit transactions in these industries.

Transactions screening

We screened 18[LA] Equator Principles transactions in 2013, of which nine were for renewable power generation. The majority were rated as Category B projects and seven were rated as Category A projects. Guidance was also provided on 62 general transactions in various sectors with the greatest number of the deals in the mining and metals, oil and gas and services sectors.

	Categorisation				
Sector	A	B	C	Total	General trans-actions
Agriculture and fisheries	–	–	–	–	1
Chemicals and pharmaceuticals	–	–	–	–	2
Forestry and logging	–	–	–	–	2
Infrastructure	–	–	–	–	3
Manufacturing	–	–	–	–	4
Mining and metals	4	–	–	4	24
Oil and gas	–	1	–	1	9
Power generation	3	1	–	4	3
Power generation (renewable energy)	–	9	–	9	3
Services	–	–	–	–	8
Utilities and waste management	–	–	–	–	3
Total	7	11	–	18	62

Training and awareness

Employees involved in business operations and credit applications that provide funding to clients with potentially high environmental risks, receive environmental risk training through presentations and direct engagement with subject specialists. From early 2013, new employees in credit teams received this training as part of their induction.

In partnership with Banking Association of South Africa affiliates and Banking Sector Education and Training Authority, we developed an introductory environmental risk awareness course. The main purpose of this course is to enhance bankers' awareness of environmental and social risks and illustrates how these relate to sustainable finance. The course is currently being adapted internally to create an interactive online training course for internal credit and business employees.

Financing renewables and energy efficiency

Banks play a critical role in enabling the flow of capital for environmentally or socially beneficial activities. In 2013, we participated in the signing of the power purchase and implementation agreements for renewable energy projects, which opens up opportunities for private, independent power producers in South Africa to develop large-scale generation projects. Through our involvement, we have helped to resolve bankability issues related to the power purchasing agreements; introduced international investors to the market; and hosted events bringing together investors, government, Eskom and developers.

We have supported the transition to cleaner energy by providing R10,8 billion of debt funding to six projects announced for round three of the South African government's Renewable Energy Independent Power Producer Procurement Programme. These projects include wind, solar photovoltaic and concentrated solar power and represent 43% of the projects awarded under the government's plan. They have been designed to benefit local communities and will impact many businesses during the various construction phases.

Deals of the year 2013

Two Barclays-led transactions that are helping to give South Africa's electricity supply a boost have just been named Deals of the Year for 2013.

The first, a GDFSuez-led consortium will develop two independent power plants to help meet South Africa's future peak power demand. The project involves the financing, design, construction, operation and maintenance of peaking power plants at Dedisa in the Eastern Cape and at Avon in KwaZulu-Natal. As South Africa's first greenfields thermal power project by an independent power producer, the 1 005MW deal was named 'Overall African Deal of the Year' and 'African Power Deal of the Year' by *Project Finance* magazine. The project has a value of R9,7 billion (US$905 million); we act as co-ordinating mandated lead arranger, senior lender, account bank, hedge co-ordinator and hedge provider on the transaction.

The second transaction, an ACWA power-led consortium, will develop and fund the 50MW Bokpoort concentrated solar power renewable energy project in the Northern Cape, South Africa. *Project Finance International* magazine has named the project 'African Renewable Energy Deal of the Year'. The renewable energy project has a value of R5 billion (US$470 million); we act as mandated lead arranger, senior lender, account bank, and hedge provider on the transaction.

Both projects will not only add potential capacity to the grid but will also create permanent employment opportunities. The Bokpoort project will inclusively feature the world's largest thermal storage for a concentrated solar power project (9,3 hours), offsetting power demand in South Africa during peak power periods.

Our direct operational impact on the environment

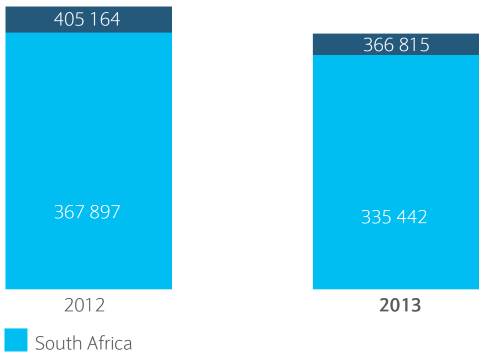
As we work to mitigate our environmental footprint, our main focus is on energy management as it is the most significant contributor to our carbon footprint. We met our 2012 carbon target with a wide margin and so have set new reduction targets to be achieved by 2015 using 2012 as the new baseline year.

Through various initiatives, our absolute carbon footprint decreased 9,5% across the Group (8,8%[LA] in South Africa), keeping us ahead of target. Our intensity measured against total employees declined 10,5% to 8,78 tonnes CO_2 per employee from 9,81 in 2012.

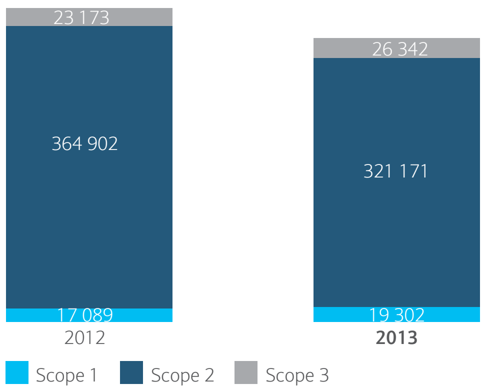
Carbon footprint breakdown

		2013	2012
Africa	Scope 1 emissions (tonnes CO_2)	**19 302**	17 089
	Scope 2 emissions (tonnes CO_2)	**321 171**	364 902
	Scope 3 emissions (tonnes CO_2)	**26 342**	23 173
	Total Africa carbon footprint (tonnes CO_2)	**366 815**	405 164
	Carbon footprint per FTE (tonnes CO_2/FTE)	**8,78**	9,81
	Carbon footprint per m² (tonnes CO_2/m^2)	**0,23**	0,25
South Africa	Scope 1 emissions (tonnes CO_2)	**18 712**[LA]	15 562[LA]
	Scope 2 emissions (tonnes CO_2)	**293 896**[LA]	332 442[LA]
	Scope 3 emissions (tonnes CO_2)	**22 834**[LA]	19 893[LA]
	Total South Africa carbon footprint (tonnes CO_2)	**335 442**[LA]	367 897[LA]

Total carbon footprint (tonnes CO_2)



Total emission by scope (tonnes CO_2)



Energy

We have proactively managed the environmental impact of our property portfolio to reduce our energy consumption and our contribution to climate change while curbing rising electricity costs. Though various initiatives we have contributed more than 30% of the global energy target (to reduce energy consumption by 75 million kWh) and 55% of the global cost savings target (to save £7 million).

These initiatives include:

- The property consolidation in South Africa reduced the real estate portfolio by circa 100 000m^2 in 2013 and improved operational efficiency.
- We have increased activities in our Group-wide efficiency programme initiated in 2011: we include energy efficiency as part of our baseline design and are focused on mass efficient lighting replacement.
- We made a unique contribution by helping the national electricity service provider, Eskom. Power not required by us over peak times is diverted to more than circa 5 200 households around the country as we switch over to our energy centre (utilising natural gas as an energy source) to power the Johannesburg CBD campus.
- We also received recognition for our utility bill management process during 2013 and installed 189 meters in various sites across Africa.

In total, our energy consumption was 420,4GWh in 2013, down more than 7% from our baseline of 453,7GWh in 2012.

During 2013, we installed the world's largest LED display on Absa Towers Main. To reduce the environmental impact of this project, we proactively offset the carbon emissions associated with the sign (3 000 tonnes CO_2e) through a 400kWp solar photovoltaic plant located on the rooftop of Absa Towers North. We also introduced a domestic, solar geyser replacement programme to facilitate energy and cost savings for our customers and colleagues.

Travel

In 2013, we improved the measurement of our travel footprint, including flights, car rentals, company cars, and employee vehicle usage for business. While we experienced an increase in travel during the year, this was primarily related to the Barclays Africa consolidation and associated travel across the continent.

Paper, waste and water

Through continued paper-reduction initiatives such as double-sided printing, electronic distribution of internal management reports, paper consumption in South Africa decreased over 18% to 1771 tonnes from 2 182 tonnes in 2012. While we will continue to work to reduce our dependency on paper in the workplace, we are nonetheless pleased to see a 14,7% increase in our total paper recycling.

The installation of water meters has been deferred to 2014 to allow us an opportunity to identify a cost-effective means to measure water consumption. In 2014, we will also have a view of our highest impact sites and reduction targets will be set.

Procurement

We strive to limit the impact of the environmental, social and governance actions of our suppliers and communicate our expectations openly with our suppliers. Those identified as high-risk from commercial and sustainability perspective are given contracts with specific minimum control requirements. These relate to the management of areas such as health and safety, diversity and inclusion, human rights and the environment.

In keeping with our Values, we are launching our supplier code of conduct in 2014 to ensure the highest standards of conduct across all aspects of environmental management, human rights and diversity and inclusion. This will be supported by an assurance programme that will assess suppliers based on the requirements of the code and will include a combination of annual self-certification questionnaires and on-site assessments to ensure continued focus.

Future priorities

- To finalise our interactive online training on environmental and social risk related to lending and begin targeted implementation.
- Continue to implement further programmes to meet our updated carbon footprint targets. These will include further property consolidation in Sandton and Auckland Park, refurbishment of Absa Towers North including transforming the existing retail branch into a "Green branch" and building a 1MWp solar photovoltaic plant at Pretoria campus.
- Conduct a water, waste and paper planning exercise at our most high-impact sites and begin to implement initiatives to reduce our resource consumption.