



ACCOUNTING FOR SUSTAINABILITY

DEVELOPING OUR FINANCED
AND FACILITATED EMISSIONS
METHODOLOGY

Practical example: Barclays





WHAT

Barclays is a universal bank, with a diversified model which includes a UK consumer, corporate, wealth and private banking franchise, a non-US based investment bank, and a US consumer bank.

In March 2020, we announced our ambition to become a net zero bank by 2050 and a commitment to align all our financing activities with the goals and timelines of the Paris Agreement. We set 2025 greenhouse gas (GHG) emissions targets for the energy and power sectors and have since set additional 2030 targets that integrate the Net Zero Emissions by 2050 scenario from the International Energy Agency (IEA). We have also set 2030 targets for additional sectors as summarized in Table 1.

Our targets (see Table 1) are based on a 1.5°C-aligned temperature rise scenario for eight high-emitting sectors in our financing portfolio: energy, power, cement, steel, automotive manufacturing, aviation, agriculture and UK commercial real estate, as well as setting a convergence point for the UK housing sector. We created an in-house methodology – BlueTrack™ – to enable us to calculate and monitor our targets for these sectors. Seven of these targets, highlighted in white in the table below, also include capital markets financing – that is, facilitated emissions.¹

The finance team is responsible for internal and external reporting of climate-related metrics and commitments, as well as meeting the regulatory reporting requirements on climate and sustainability. This includes our financed and facilitated emissions metrics. The finance function played a key role in evolving our financed and facilitated emissions reporting and is now fully embedded into planning and executing our net zero strategy.

1. We do not report facilitated emissions separately. They are currently included in our financed emissions calculations.

Table 1: Barclays financed and facilitated emissions

Sector				Setting our targets				
Sector	Sector boundaries	Emissions scope	GHGs included	Reference scenario*	Target metric	Unit of measurement	Baseline year	Target vs baseline
Energy	Upstream energy	1,2,3	Carbon dioxide and methane	IEA SDS	Absolute emissions	MtCO ₂ e	2020	-15% by 2025
				IEA NZE2050				-40% by 2030
Power	Power generators	1	Carbon dioxide	IEA SDS	Physical intensity	kgCO ₂ e/MWh	2020	-30% by 2025
				IEA NZE2050				-50% to -69% by 2030
Cement	Cement manufacturers	1,2	All GHGs	IEA NZE2050	Physical intensity	tCO ₂ e/t	2021	-20% to -26% by 2030
Steel	Steel manufacturers	1,2	All GHGs	IEA NZE2050	Physical intensity	tCO ₂ e/t	2021	-20% to -40% by 2030
Automotive Manufacturing	Light duty vehicles (LDV) manufacturers	1,2,3	All GHGs for scope 1 and 2; Carbon dioxide for scope 3	IEA NZE2050	Physical intensity	gCO ₂ e/km**	2022	-40% to -64% by 2030
Aviation	Commercial aviation (air travel) – passenger (including belly cargo) and dedicated cargo	1,3	Carbon dioxide for scope 1, all GHGs for Scope 3	MPP Prudent	Physical intensity	gCO ₂ e/RTK	2023	-11% to -16% by 2030
Agriculture	UK livestock and dairy farming	1,2,3	Carbon dioxide, methane and nitrous oxide	CCC BNZ	Absolute emissions	MtCO ₂ e	2023	-21% by 2030
UK Commercial Real Estate	UK corporate bank	1,2	Carbon dioxide, methane and nitrous oxide	CRREM II	Physical intensity	kgCO ₂ e/m ²	2023	-51% by 2030
UK Housing***	UK buy-to-let and owner-occupied mortgages, social housing and business banking	1,2	Carbon dioxide, methane and nitrous oxide	CCC BNZ	Physical intensity	kgCO ₂ e/m ²	2023	Portfolio convergence point vs baseline
								-40% by 2030

* The reference scenarios are: IEA Sustainable Development Scenario (IEA SDS), IEA Net Zero 2050 (IEA NZ2050), Mission Possible Pathway (MPP Prudent), UK Climate Change Committee Balanced Net Zero (CCC BNZ) and Carbon Risk Real Estate Monitor II (CRREM II).

** Physical intensity (CO₂e emissions per v-km travelled by LDV produced), expressed in gCO₂e/km.

*** Barclays has identified a 2030 emissions intensity convergence point for the UK housing sector but has not set a formal target. This replaces the 2022 convergence point for 'Residential Real Estate'.



WHY

To plan our net zero transition, we first needed to understand our financed and facilitated emissions. When we developed BlueTrack™, there was no existing industry methodology that could capture the end-to-end process of measuring emissions, setting decarbonization pathways and identifying target benchmarks. Existing methodologies also didn't cover the kinds of capital markets financing activities that we provide to corporate clients. For these reasons, we chose to develop our own proprietary methodology.

BlueTrack™ helps us set science-based, Paris-aligned emission reduction targets and measure progress against these targets. Using BlueTrack™ to assess our financed and facilitated emissions for high-emitting sectors also supports us in meeting our commitments as a member of the Net-Zero Banking Alliance (NZBA).


Memberships and collaborations

Industry memberships and collaborations have helped to refine our understanding of the net zero transition, the role of climate-related targets and how to drive meaningful change.

NZBA: We were a founding signatory of the UN-convened Net-Zero Banking Alliance in 2021 and continue to play an active part in NZBA initiatives and resource development. Throughout 2023 we contributed to the development of NZBA's revised [Guidelines for Climate Target Setting for Banks](#), with the updated version published in March 2024.

GFANZ: We are a member of the Glasgow Financial Alliance for Net Zero (GFANZ) and have contributed to the GFANZ Decarbonization Methodology Working Group. The working group published [Scaling Transition Finance and Real-economy Decarbonization](#) in 2023.

PCAF: We have been a member of the Partnership for Carbon Accounting Financials (PCAF) since 2020. We co-chaired the Capital Markets Working Group, which developed the [PCAF Facilitated Emissions Standard](#) published in December 2023.



Better understanding our financed and facilitated emissions can help us to consider how we can make progress against our targets by engaging with high-emitting sectors, supporting organizations to reduce their carbon emissions and providing sustainable and transition finance.²

Our financed emissions calculations also support regulatory reporting requirements, including Capital Requirements Regulation Pillar 3 disclosures, which require financed emissions to be reported by economic activity.

More information can be found in our top tips guides on [financed emissions](#).

2. One of our targets is to facilitate US\$1 trillion of sustainable and transition financing between 2023 and the end of 2030. See our [Annual Report 2023](#) for more information.

Practical example: Barclays



HOW

Once we had developed BlueTrack™, we used it to measure and track our targets. We chose to adopt a sector-by-sector approach to target-setting, starting with high-emitting sectors such as the upstream energy and power generation sectors. We have now calculated financed and facilitated emissions for our full in-scope balance sheet³ and have used BlueTrack™ to set reduction targets for the high-emitting sectors listed in Table 1.

We have also established a robust mechanism to review periodically our financed and facilitated emissions calculations. The finance function sits at the heart of this review process, working collaboratively to help develop our financed and facilitated emissions approach. Each element of the finance team has a clearly defined role (see Table 2).

“The role of finance is completely integral ... from the start of this process and throughout.”

Gerbrand Muller

Head of Finance for Sustainability and ESG, Barclays

3. What we consider in scope includes asset classes covered by PCAF and limited by our defined boundaries. Asset classes not covered by PCAF – such as retail lending, cash and bank balances, and trading portfolio assets, among others – are excluded. Emissions associated with our property, plant and equipment and retirement benefit assets and lending to internal Barclays counterparties are also excluded. More information can be found on pages 7–9 of our [BlueTrack™ white paper](#), which includes a complete list of line items included and excluded in our calculations.

Table 2: Role of the finance team in developing BlueTrack™

Element of the finance team	Role in developing our methodology
Reporting	<ul style="list-style-type: none"> • Run the models for financed and facilitated emissions on a monthly basis and report the key findings to internal forums • Establish the governance structure and governance review sessions • Review the internal data feeds into the financed and facilitated emissions models and plug gaps where needed • Develop our approach towards external disclosures • Draft commentary on basis of preparation and key design caveats • Obtain external assurance on the disclosures • Coordinate with the legal team to review disclosure language
Financial control	<ul style="list-style-type: none"> • Provide the key inputs on internal exposure required for the financed emissions calculations
Model execution	<ul style="list-style-type: none"> • Establish the review and governance framework for external data feeds, leveraged for financed and facilitated emissions calculations • Review external data feeds into the financed and facilitated emissions models and update data and plug gaps where needed
Internal audit	<ul style="list-style-type: none"> • Review regularly the controls, governance and processes associated with our methodology
Controls office	<ul style="list-style-type: none"> • Establish and continue to evolve the controls associated with our methodology

As we developed our methodology, we considered three main areas:

1. Drawing on standards and frameworks
2. Addressing the challenge of improving data quality
3. Determining key elements of the facilitated emissions approach

As BlueTrack™ takes a sector-by-sector approach, we have also included a deep-dive on how we developed our methodology for the UK housing sector.

1. DRAWING ON STANDARDS AND FRAMEWORKS

Our approach involves reviewing the existing standards and frameworks available, including:

- The [Global GHG Accounting and Reporting Standard for the Financial Industry](#) developed by the Partnership for Carbon Accounting Financials (PCAF)
- The Paris Agreement Capital Transition Assessment (PACTA)
- Guidance published by the Science Based Targets initiative (SBTi) on targets for the financial sector.
- The [NZBA guidelines](#)

Drawing on these, we developed our methodology with assistance from an external consultant. The methodology was published as a [white paper](#). Over time, we have incorporated additional sources of information into the methodology, expanded it into new sectors and considered new standards and frameworks as they've been released.

A key feature of the BlueTrack™ methodology is a step-by-step sector assessment, as shown in Figure 1, which is based on the PCAF Standard.⁴

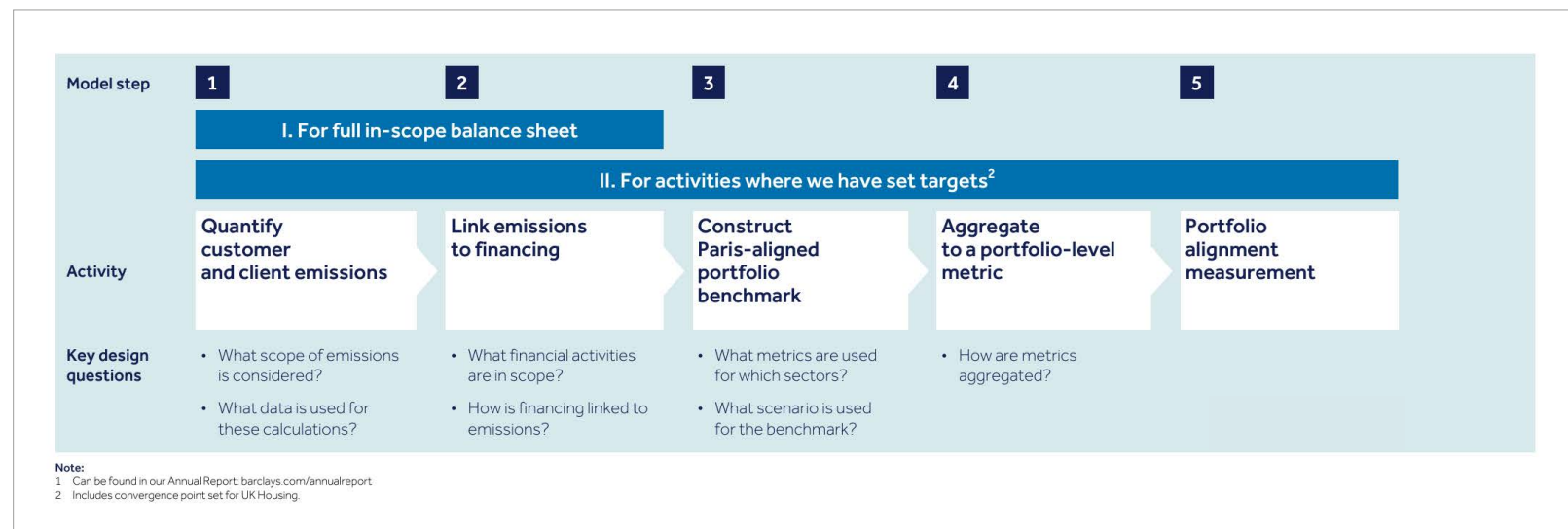


Figure 1: Our approach to track our financed emissions and set targets (Note: This representation is for illustrative purposes only. The approach is described in detail in the: [Barclays Financed Emissions Methodology](#))

4. More detail on each step in the sector assessment approach is available from page 5 of our white paper, the [Barclays plc BlueTrack™ Methodology and Reporting Criteria](#).



2. ADDRESSING THE CHALLENGE OF IMPROVING DATA QUALITY

One of the challenges in measuring financed and facilitated emissions is how to manage developments in the underlying input data over time. Given that this is still a developing field, enhancements in the quality and quantity of data should be expected and embraced. However, a balance is needed between accuracy and consistency.

To overcome this challenge, we established from the outset a clear and precise approach to reporting our baselines – and when we would restate or re-baseline – and we have communicated this externally.⁵ This agreed approach allows us to navigate data challenges and developments constructively, without losing sight of the overarching objective of correctly tracking and transparently reporting progress on our targets.

BlueTrack™ and PCAF

The inputs we use for BlueTrack™ are based on PCAF methodology, with the following key exceptions:

1. **Broader scope** – we also consider undrawn commitments, contingent liabilities and capital markets financing activities as in scope when calculating financed emissions.
2. **Attribution factor** – we calculate the attribution factor using the book value of equity and debt for all clients rather than the enterprise value including cash (EVIC) for listed entities.
3. **Level of calculation** – we calculate emissions at an activity level, using data suitable for that activity and ensuring that these inputs are aligned with guidance in the PCAF Standard. For example, we use asset-level production data to estimate client emissions for fossil fuel exploration and production, and electric power generation. We use client-reported emissions for cement and steel production.

See our [Financed Emissions Methodology](#) for more detail.

5. For more information, see page 7 of our BlueTrack™ [Methodology and Reporting Criteria](#).



3. DETERMINING KEY ELEMENTS OF THE FACILITATED EMISSIONS APPROACH

It was important to us to consider proactively the impact of capital markets facilitation on our emissions, to capture the full range of support we provide our clients. We considered a range of design features, including scope, time period, weighting and counterparty emissions.

Scope

One of the biggest challenges we had when developing our facilitated emissions methodology was deciding what capital market activities to treat as in scope. We concluded that debt and equity market products and syndication should be in scope. Advisory services are excluded as they do not naturally fall within the definition of financing. These decisions are in line with PCAF guidance.

Time period

We decided to include capital markets facilitation in the 12 months prior to the reporting date. We considered a 36-month period, but concluded that 12 months was more appropriate because capital markets facilitation is a flow activity – we generate revenues through fees, and this is reported in our income statement.

Share of facilitated emissions

We also had to determine how we should calculate our share of facilitated emissions, which has some specific complexities compared to calculating financed emissions.

Understanding the financed emissions associated with lending activity is relatively straightforward – a credit decision has been made and the lending is reflected on the balance sheet. In contrast, capital markets activity is typically fee-based and often involves multiple parties. For example, multiple bookrunners can be involved on a large bond issuance. As a result, apportioning our appropriate share of facilitated emissions for a capital markets transaction can be challenging.

Weighting

When we facilitate financing, we don't provide capital directly to our clients. So we allocate a proportion of the emissions for the transaction to ourselves, emissions will also be attributed to the investors that are providing the capital. We chose a weighting of 33% based on our assessment of the value chain. The 33% weighting is consistent with the PCAF guidance on facilitated emissions.

Counterparty emissions

We consider the full range of options that PCAF recommends for calculating counterparty emissions. The option we choose for each sector is determined by how we defined sector boundaries when setting emission reduction targets. Our sector boundaries were based on specific activities. This applied in both our financed and facilitated emissions approach.

For example, a diversified power utility client may report emissions encompassing power generation, transmission and distribution – but only emissions from its power generation operations are relevant for our emissions reduction target. So, for this client, we would calculate emissions based on production data. In sectors like cement and steel, where we believe that client-reported emissions will reasonably overlap with our target boundaries, we will use company-reported emissions directly.

SECTOR DEEP-DIVE: UK HOUSING

As we designed BlueTrack™ for each sector, the decisions we made reflected our assessment of the most important part of the value chain for us to focus on, the availability of data and the maturity of that data.

For UK housing, in addition to setting an energy performance certificate (EPC)⁶ ambition, we have set a 'convergence point'. We have identified the 2030 emissions intensity convergence point and will measure our progress towards it.⁷ Owner-occupied and buy-to-let mortgages are in scope for our UK housing convergence point, as are housing associations and small business buy-to-let lending.

6. An EPC tells you how energy efficient a property is. You must have an EPC when you're selling, renting out or building a property. An EPC contains information about a property's energy use and typical energy costs and steps to improve a property's energy efficiency and save money.

7. The convergence point benchmarks physical intensity (CO₂e emissions per square metre of floor area) of our UK housing portfolio compared to a 'synthetic' pathway based the BNZ scenario, published by the CCC in 2020. We modified it to consider both scope 1 and scope 2 emissions for residential properties. As the demand for new housing in the UK is expected to grow in the coming decades, and additional financing to help houses become more energy efficient will be required, we believe setting an absolute emissions target would not be appropriate. See our [Annual Report 2023](#) for more information.

Practical example: Barclays

Spotlight on UK housing

Our approach to calculating financed emissions for the UK housing sector is aligned to the PCAF framework for the residential mortgages asset class. The approach was reviewed by a working group with representation from the climate risk, business and finance teams.

We decided to use a physical intensity metric of financed emissions per square metre of floor area. Following the PCAF methodology, we calculate this either with or without an EPC, depending on whether one is available (see Figure 2).

Where an EPC is available, we will first look to understand the energy consumption and floor area (m²) of the building. However, EPCs may not have complete coverage, can be outdated certificates and often do not reflect actual energy consumption. To address these issues with the quality of EPC data, we can adjust the data sets, converting EPC emissions to be in line with our methodology.

Where an EPC is not available or energy consumption data is not available to calculate emissions, which applies to around one-third of the properties in our portfolio, we will use fall-back methodologies. We will use the region, age of the building and building type to determine energy consumption. This will be collated in a derived intensity fall-back table with data from the Department for Levelling Up, Housing and Communities. This estimated data includes sector-level statistics and actual consumption data, drawn from energy meters. Where no information on location or building type is available, we will use a UK average intensity.

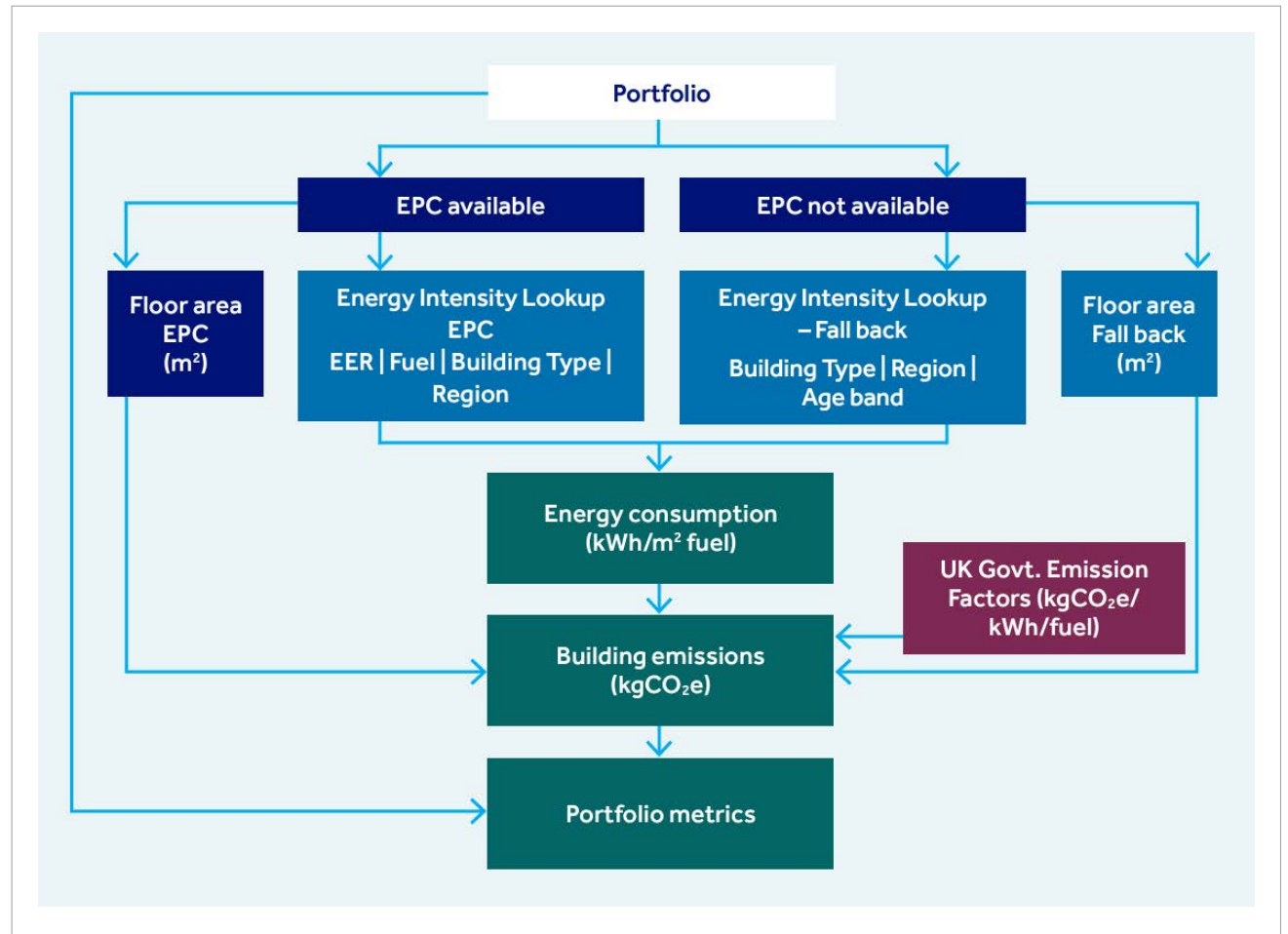


Figure 2: Methodology to estimate building emissions (source: [Barclays Financed Emissions Methodology](#))



NEXT STEPS

We have used our methodology to assess the financed and facilitated emissions for our portfolio. From this base, we will:⁸

- Continue to develop our understanding of our financed and facilitated emissions and refine our methodology for calculating them.
- Explore how we can extend our coverage to ensure it covers all relevant areas of our financing activities.

8. For more information, see our [Financed Emissions Methodology](#).

TOP TIPS

MONITOR GHG EMISSIONS DATA REGULARLY AND UNDERSTAND THE DRIVERS FOR CHANGE

Invest in building tools and setting up processes to investigate data changes on a periodic basis, including building a robust controls and governance mechanism to review internal and external data. Data quality is critical, so we have an internal review process to validate movements in the financed and facilitated emissions metrics along with underlying business drivers.

HELP BUILD THE UNDERSTANDING OF CLIENT-FACING TEAMS

Finance can operate as a ‘financed and facilitated emissions business partner’ to enable front offices to understand the impact of client activity on financed and facilitated emissions.

USE REPORTING AS A MECHANISM FOR LEARNING

By participating – directly or indirectly – in internal reporting processes, different teams are likely to have more opportunities to learn about decarbonization drivers for each sector. Identify ways in which you can encourage, support and build on these learning opportunities for staff. A strong understanding across your organization of decarbonization drivers and mechanisms will help you in your work to achieve net zero.

WORK ACROSS THE FINANCE TEAM

Use the expertise available across different finance functions – such as financial control, product control, model controls and internal audit – to develop and fine-tune the controls and governance process. Taking a collaborative approach can also help you to leverage existing capabilities and develop those capabilities further, rather than creating silos.

REPORT PROGRESS OPENLY

Be transparent, internally and externally, about your approach and your progress. Your various stakeholders are likely to value having a clear understanding of your activity and reporting.

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