

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

SCG 2023-NASH Mortgage Trust
22 November 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bond
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)SCG 2023-NASH Mortgage Trust Green Bond Framework (as of November 6, 2023)SCG 2023-NASH Mortgage Trust Selection Criteria (as of November 6, 2023)
Scope of verification	<ul style="list-style-type: none">Pre-issuance verification
Lifecycle	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged
Validity	

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SCOPE OF WORK

Barclays Commercial Mortgage Securities LLC (the “Depositor” or “BCMS”) an affiliate of Barclays Bank PLC (the “Bank” or “Barclays”) has commissioned ISS Corporate Solutions (ICS) to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. SCG 2023-NASH Mortgage Trust’s Framework (as of November 6, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction to Barclay’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.


STRUCTURE OF THE TRANSACTION

BCMS an affiliate of Barclays has established a special purpose vehicle, SCG 2023-NASH Mortgage Trust (the “Issuer” or the “Trust”), for issuing a green bond under the SCG 2023-NASH, Commercial Mortgage Pass-Through Certificates Series 2023-NASH Green Bond Framework (the “Framework”). Under the Framework, the Trust intends to issue commercial mortgage-backed securities (“Commercial Mortgage Pass-Through Certificates Series 2023-NASH”, “Green Bond” and use the proceeds to finance a loan (the “Mortgage Loan”). The Mortgage Loan has been originated by Barclays Capital Real Estate Inc. and Wells Fargo Bank, National Association (the “Lenders”) to refinance the acquisition of two existing LEED Silver-certified hotel buildings, the 1 Hotel Nashville and the Embassy Suites Nashville Downtown (the “Property”) located in Nashville, Tennessee. Starwood Capital Group (the “Borrower” or “Starwood”) is the borrower of the Mortgage Loan and the developer of the Property.

BARCLAYS BUSINESS OVERVIEW

Barclays PLC operates as a bank holding company, which engages in the provision of retail banking, credit cards, corporate and investment banking, and wealth management services. The firm operates through Barclays UK and Barclays International segments. The Barclays UK segment consists of the U.K. retail banking operations, U.K. consumer credit card business, U.K. wealth management business, and corporate banking for smaller businesses. The Barclays International segment includes the corporate banking franchise, the investment bank, the U.S. and international cards business, and international wealth management. Barclays was founded in 1690 and is headquartered in London, the United Kingdom.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and, reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The Green Project will refinance eligible asset categories which include: Green Buildings.</p> <p>Product-related use of proceeds category individually contributes to one or more of the following SDGs:</p> <div style="text-align: center;">  </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Linking the transaction(s) to Barclays PLC's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing a Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer's sustainability strategy</p>

¹ The evaluation is based on SCG 2023-NASH Mortgage Trust's SCG 2023-NASH, Commercial Mortgage Pass-Through Certificates Series 2023-NASH Green Bond Framework (November 6, 2023 version), on the analysed Asset Pool as received on the November 6, 2023, and publicly available information.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the Trust’s Framework (as of November 6, 2023) with the Green Bond Principles.

GBP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by the Trust’s Framework is aligned with the GBP.</p> <p>The Issuer’s green category aligns with the project categories as proposed by the GBP. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental benefits are described, and environmental benefits are described and quantified.</p> <p>Proceeds from this issuance will be exclusively used to purchase the Mortgage Loan to refinance the construction used to build the mortgaged Property that has achieved LEED Silver certification.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by the Trust’s Framework is aligned with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Bank.</p> <p>The Property was evaluated by Barclays’ CMBS team and then selected by BCMS and Barclays Capital Real Estate Inc. (“BCREI”) based on the property’s achievement of LEED Silver certification in 2023.</p> <p>The Property was subject to Barclays’ and BCREI’s internal risk assessment, including Barclays’</p>

		<p>Enterprise Risk Management and credit risk assessment process. Additionally, Barclays also reviewed the borrower’s ESG policy to address environmental and social risks associated with the Property.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by the Trust’s Framework is aligned with the GBP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process.</p> <p>The net proceeds from the issuance will be immediately allocated to the purchase of the Mortgage loan used to refinance the Property. Neither the Depositor nor the Trust will retain the flexibility to reallocate the proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Trust’s Framework is aligned with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency.</p> <p>The Depositor will provide investors with a description of the Property, and the key sustainability features of the Property, including the LEED Silver Certification, as part of the initial offering document.</p> <p>The Framework commits to providing investors with distribution date statements on a monthly basis.</p>

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs²


Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for refinancing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for refinancing in specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Commercial Green Buildings Certified with a LEED Silver certificate</p>	<p>Contribution</p>	

² The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The table below evaluates the Selection Criteria against issuance-specific KPIs. The asset is located in the United States.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

Barclays has established an Enterprise Risk Management Framework to identify strategies to manage environmental and social risks associated with its lending and financing decisions. Strategies to mitigate environmental and social risks include enhanced due diligence protocol for high-risk clients and sectors, such as developing escalation, monitoring, and engagement measures. Clients and transactions are regarded as high risk based on their environmental and social impact risk ratings, and escalation measures are determined by relevant business units, such as the Transaction Review Committee or the Climate Transaction Review Committee. Furthermore, the front office business team, sustainability and ESG team, and Climate Risk team are responsible for evaluating the materiality of risks associated with eligible transactions. The teams then escalate the evaluation to the Group Reputation Risk and Group Executive Committees to either approve or reject the proposed client or transaction.

Barclays leverages transaction data from Dealogic, Bloomberg, and internal lending systems to inform its' assessment protocol.

Labour, Health and Safety



The asset receiving financing under this Framework is located in an Equator Principles (EP) Designated Country, indicating the presence of robust labor, health, and safety standards to mitigate environmental and social risks associated with the asset financed under the Framework. Barclays operates in accordance with the International Bill of Human Rights, which also incorporates principles from other internationally recognized human rights standards including the Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN's Guiding Principles on Business and Human Rights.^{3, 4, 5, 6} Furthermore, Barclays ensures that risks in relation to human rights violations are mitigated in its operations through employment policies and practices,

³ OHCHR, "International Bill of Human Rights", at: <https://www.ohchr.org/en/what-are-human-rights/international-bill-human-rights>

⁴ United Nations, "Universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

⁵ ILO, "ILO Declaration on Fundamental Principles and Rights at Work", at: <https://www.ilo.org/declaration/lang--en/index.htm>

⁶ OHCHR, "Guiding Principles on Business and Human Rights", at: https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

regular screening of the supply chain, and responsible provision of its products and services.⁷ The Bank also issued an annual statement on Modern Slavery, which outlines Barclays' actions to identify and manage risks related to modern slavery and human trafficking through its operations, supply chain, and customer and client relationships.

Barclays has a Health and Safety ("H&S") Policy and Standard (the "H&S Standard") in place, which defines mandatory minimum standards across its' business operations, including employees, contractors, and suppliers.⁸ The H&S Standard mandates control measures such as requiring suppliers to have defined H&S management systems in place and requires suppliers to have a "Low" Health and Safety Risk Rating for the duration of the contract. Suppliers that are rated as "High" risk in the prequalification process are required to undergo an H&S audit. Furthermore, the H&S Standard also requires suppliers to provide adequate training and correct equipment to minimize workplace injuries. Additionally, the Suppliers are required to be in compliance with all applicable H&S legislation in their local jurisdictions, and Barclays' Minimum Health and Safety Operational Delivery Requirements Manual. Lastly, suppliers must undertake specific risk assessments that identify hazards and risks associated with tasks, identify the environment where the task is being conducted, and establish safety control measures to eliminate or mitigate risks associated with potential hazards. The Bank also has a Minimum H&S Operational Controls Manual (the "Manual") in place which outlines minimum control requirements to manage identified hazards across all Barclays premises, offices, contractors, and consultants working at Barclays-owned or leased sites.⁹

Biodiversity



Barclays' asset is located in an Equator Principles (EP) Designated Country, indicating the presence of robust biodiversity conservation standards to mitigate environmental and social risks associated with the asset financed under the Framework. Barclays is a signatory of the EP, and as a result has developed an Environmental Risk Standard, which mandates a due diligence assessment to identify potentially adverse environmental impacts for the financing of infrastructure projects. The due diligence assessment requires environmental impact reports that map the project's potential impacts on air, water, and land quality, biodiversity, locally affected communities, and material upstream and

⁷ Barclays, "Barclays PLC Annual Report 2022", (2022), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2022/AR/Barclays-PLC-Annual-Report-2022.pdf>

⁸ Barclays, "External Supplier Control Obligations Health and Safety", at: <https://home.barclays/content/dam/home-barclays/documents/who-we-are/our-suppliers/uk/Health%20and%20Safety%20v9.0.pdf>

⁹ Barclays, "Group Health and Safety Minimum H&S Operational Delivery Requirements Manual", at: <https://home.barclays/content/dam/home-barclays/documents/who-we-are/our-suppliers/uk/Minimum%20H&S%20Operational%20Delivery%20Reqs%20Manual.pdf>

downstream impacts.¹⁰ Additionally, the Bank also leverages Starwood's ESG assessment policies that require the management of risks related to biodiversity and habitat depletion as a result of the Property's development.¹¹ Furthermore, Barclays has confirmed that the Property abides by relevant legislation in the US, such as the Endangered Species Act and National Environment Policy Act (NEPA). The Endangered Species Act establishes protection for fish, wildlife, and plants that are listed as threatened or endangered, provides guidance on implementing recovery plans, and declares critical habitats, and the National Environment Policy Act requires environmental assessments for large-scale infrastructure projects to address risks related to land use and biodiversity.^{12, 13}

Community dialogue



Barclays' asset is located in an Equator Principles (EP) Designated Country, ensuring that community dialogue is an integral part of the planning process. Barclays has leveraged the Borrower's ESG Policy to address risks related to community dialogue, which requires all investments to include stakeholder engagement and mitigate the risks on local communities.¹⁴

Responsible treatment of customers with debt repayment problems



Barclays is in compliance with the Fair Debt Collection Practices Act and Consumer Credit Protection Act, which require lenders to provide transparency to the loan term conditions, impose limits on creditors to deduct outstanding balance from a person's paycheck to settle debt, and prevent abusive, and deceptive debt collection practices.^{15,16} Additionally, the Fair Debt Collection Practices Act also allows consumers to request the support of nonprofit organizations to provide consumer credit counseling and assist consumers in the liquidation of debt. Lastly, in the Major Decisions in the Trust and Servicing Agreement the following information is provided regarding Debt restructuring under non-detrimental conditions: Subject to certain conditions, the Special Servicer has the right to (among other things) to decide on "any modification, consent to a modification or waiver of any monetary term (other than late fees,

¹⁰ Barclays, "Environmental Risk in Lending- Statement of Our Approach", at: <https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/policy-positions/Environmental-Risk-in-Lending-Statement-2022.pdf>

¹¹ Starwood Capital Group, "Environmental, Social, and Governance Policy", at: https://www.starwoodcapital.com/wp-content/uploads/2023/10/SCG_ESG_policy_October-2023.pdf

¹² U.S. Fish and Wildlife Service, "Endangered Species Act", at: <https://www.fws.gov/media/endangered-species-act>

¹³ US Health Resources and Services Administration, "FAQ: NEPA Environmental Assessments", at: <https://bphc.hrsa.gov/sites/default/files/bphc/funding/nepa-facts.pdf>

¹⁴ Starwood Capital Group, "Environmental, Social, and Governance Policy", at: https://www.starwoodcapital.com/wp-content/uploads/2023/10/SCG_ESG_policy_October-2023.pdf

¹⁵ Federal Trade Commission, "Fair Debt Collection Practices Act," at: <https://www.ftc.gov/legal-library/browse/statutes/fair-debt-collection-practices-act>

¹⁶ U.S. Department of Justice, "Consumer Credit Protection Act", at: <https://www.ojp.gov/ncjrs/virtual-library/abstracts/consumer-credit-protection-act-public-law-90-321-approved-may-29>

penalty fees, and Default Interest) or material non-monetary term (including, without limitation, the timing of payments and acceptance of discounted payoffs) of the Mortgage Loan or any extension of the Maturity Date of the Mortgage Loan, other than as permitted pursuant to the terms of the Mortgage Loan without the consent of the Lenders”.

Exclusion criteria

The Framework notes that all proceeds of the Green Bond will be used to solely finance the Mortgage Loan, which will refinance the eligible property.

PART III: LINKING THE TRANSACTION TO BARCLAYS' ESG PROFILE

A. CONSISTENCY OF COMMERCIAL MORTGAGE-BACKED SECURITIES WITH BARCLAYS' SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Barclays PLC's strategy is informed by its parent company, Barclays Group (the "Group"). The Group's sustainability strategy applies to Barclays PLC and its subsidiaries and focuses on the following key environmental pillars:¹⁷

- i) achieving net zero emissions from own operations by 2050
- ii) expanding green and sustainable financing activities
- iii) reducing financed emissions by focusing on the highest-emitting sectors, including energy (coal, oil, and gas) and power

In March 2020, Barclays announced its ambition to be a net zero bank by 2050.¹⁸ To further support its ambition, the Group has committed to sourcing 100% of its electricity from renewable sources for its global operations by 2025.¹⁹ The Group has established 2030 reduction targets that integrate the IEA's Net Zero 2050 scenario across five of the highest-emitting sectors in its portfolio: Energy, Power, Cement, Steel, and Automotive manufacturing.²⁰ ICS notes that these 2030 reduction targets are not certified as per the Science Based Targets Initiative (SBTi), however, Barclays has confirmed to ICS that the targets are informed by the SBTi.

The Group has developed a BlueTrack methodology to decarbonize its investment portfolio by measuring financed emissions and tracking them at a portfolio level against the Paris Agreement targets.²¹ The Barclays Group has facilitated EUR 87.8 billion of green financing since 2018 and targets to facilitate USD 1 trillion in sustainable and transition financing between 2023 and 2030.²² Additionally, the Group has developed the Sustainable Impact Capital Portfolio and has committed to providing EUR 500 million in equity capital investments in climate-tech start-ups by 2027.²³

The Group aims to reduce absolute CO₂ emissions by 40% in the energy portfolio and achieve a 50-69% reduction in the CO₂e intensity in its power portfolio by 2030, compared to 2020

¹⁷ Barclays, "Barclays' Climate Strategy, Targets and Progress 2022", at:

<https://home.barclays/content/dam/homebarclays/documents/citizenship/Sustainability/Barclays-Climate-Strategy-Targets-and-Progress-2022-Final.pdf>

¹⁸ Barclays, "Update on Barclays' Ambition to be a Net Zero Bank by 2030", at: <https://home.barclays/sustainability/addressing-climate-change/financing-the-transition/net-zero-update/>

¹⁹ Barclays, "Climate Strategy Targets and Progress", (2022), at: <https://home.barclays/sustainability/addressing-climate-change/financing-the-transition/net-zero-update/>

²⁰ Ibid.

²¹ Barclays, "Addressing Climate Change", at: <https://home.barclays/sustainability/addressing-climate-change/>

²² Ibid.

²³ Barclays, "Barclays significantly increases sustainable finance as the opportunity to accelerate the transition grows", at: <https://home.barclays/news/press-releases/2022/12/barclays-significantly-increases-sustainable-finance/>

levels.²⁴ Additionally, the Bank is committed to achieving a 20-26% reduction in CO₂e intensity from its cement portfolio and a 20-40% reduction in CO₂e intensity from the steel portfolio by 2030, based on the 2021 baseline.²⁵

The Group is a founding signatory of the Principles for Responsible Banking (PRB) by joining the Net-Zero Banking Alliance, and a member of the Partnership for Carbon Accounting Financials, supporting the development of the Global Carbon Accounting Standard. Additionally, the Group participated in piloting the Paris Agreement Capital Transition Assessment (PACTA) tool, which measures the financial portfolios' alignment with climate scenarios in line with the Paris Agreement.²⁶ The Bank also reports in line with the Global Reporting Initiative (GRI) and Task Force on Climate-Related Financial Disclosures (TCFD) Frameworks.^{27,28}

The Barclays PLC Board is responsible for overseeing the Group's overall sustainability strategy, climate-related risks, and opportunities.²⁹ Furthermore, the Group's Chief Risk Officer (CRO) is responsible for the management of climate-related financial and operational risks.³⁰ The Group's Head of Public Policy and Corporate Responsibility (PPCR) integrates the Bank's ambitions and commitments into its lending practices. Additionally, the Operational Sustainability Steering Committee is responsible for the development and implementation of the Group's operational sustainability strategy.

Rationale for issuance

As a global financial intermediary, Barclays' financing of green buildings will contribute towards the decarbonization of the building stock in the US.

Barclays and its affiliates as well as the borrower believe that securities that comply with the Green Bond Principles outlined by ICMA contribute to the targets set forth by the Paris Climate Agreement and the United Nations Sustainable Development Goals.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

²⁴ Barclays, "Climate Strategy Targets and Progress", (2022), at: <https://home.barclays/sustainability/addressing-climate-change/financing-the-transition/net-zero-update/>

²⁵ Barclays, "Climate Strategy Targets and Progress", (2022), at: <https://home.barclays/sustainability/addressing-climate-change/financing-the-transition/net-zero-update/>

²⁶ 2° Investing Initiative, "PACTA / Climate Scenario Analysis Program", at: <https://2degrees-investing.org/resource/pacta/>

²⁷ Barclays, "Barclays PLC GRI Content Index" at: [https://home.barclays/content/dam/home-barclays/documents/citizenship/ESG/2022/2022%20Barclays%20Global%20Reporting%20Index%20\(GRI\).pdf](https://home.barclays/content/dam/home-barclays/documents/citizenship/ESG/2022/2022%20Barclays%20Global%20Reporting%20Index%20(GRI).pdf)

²⁸ Barclays, "Barclays PLC Climate-related Financial Disclosures 2021", at: <https://home.barclays/content/dam/home-barclays/documents/citizenship/Sustainability/Barclays-Climate-Strategy-Targets-and-Progress-2022-Final.pdf>

²⁹ Barclays, "Climate Strategy Targets and Progress", (2022), at: <https://home.barclays/sustainability/addressing-climate-change/financing-the-transition/net-zero-update/>

³⁰ Ibid.

B. BARCLAYS’ BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer’s industry

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labor standards and working conditions
Business ethics

ESG performance of the Issuer

Leveraging ISS ESG’s Corporate Rating research, further information about the Issuer’s ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Barclays’ current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company’s production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs

Breaches of international norms and ESG controversies

At the date of publication, ISS ESG has identified a severe controversy³¹ in which the issuer would be involved:

Media have repeatedly alleged, most recently in May 2022, that Barclays Bank Plc and its holding company Barclays Plc (collectively Barclays or the bank) have avoided paying £1.8 billion in taxes in the United Kingdom (U.K.) since 2009, via an arrangement in Luxembourg allowing the bank to be taxed less than 1% on profits. According to media, Barclays allegedly booked profits from the £9.5 billion sale of Barclays Global Investors (BGI) business to Blackrock in 2009 in Luxembourg rather than in the U.K., where it is headquartered. Media explained that Barclays could have been taxed between 25% and 30% had it not taken advantage of rules allowing it to offset losses linked to shares acquired through the BGI sale, and currently continues to benefit from the arrangement in Luxembourg.

In communication with ISS ESG in May 2022, Barclays stated that its corporation tax payments have been significantly reduced as a result of the offset of tax losses from prior years, and because dividend income is not taxable under Luxembourg law. The bank added that the tax amount estimate published by media is “inaccurate and exaggerated” and maintained that it chose to hold the Blackrock shares in a Luxembourg subsidiary “to secure a simpler and more certain tax treatment and avoid volatility in the bank’s regulatory capital.” Barclays also stated that the amount of Luxembourg tax losses that it is carrying forward is confidential information. ISS ESG continues to monitor any measures implemented by the bank to ensure that it is paying a fair share of taxes in the U.K.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Financial market irregularities, failure to mitigate climate change impacts, and failure to prevent money laundering.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

³¹ Barclays has explained the circumstance of the sale, noting the economic loss incurred from the reduction in share price of Blackrock between 2009 and 2012 and that the Blackrock shares were held in a Luxembourg subsidiary to secure a simpler and more certain tax treatment and avoid volatility in the bank’s regulatory capital.

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SECOND PARTY OPINION

Sustainability Quality of the Issuer
and SCG 2023-NASH, Commercial Mortgage
Pass-Through Certificates Series 2023-NASH Green Bond Framework

ISS-CORPORATE 

to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

ANNEX 2: ISS ESG CORPORATE RATING METHODOLOGY

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments. For more information, please visit: <https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: QUALITY MANAGEMENT PROCESSES

SCOPE

Barclays PLC commissioned ISS-Corporate to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)

ISSUER'S RESPONSIBILITY

Barclays' responsibility was to provide information and documentation on:

- Green Bond Framework
- Eligibility criteria
- Documentation of ESG risk management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bond to be issued by Barclays has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with Barclays took place from October to November 2023.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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