Summary of Sustainability Risk Policy

10 March 2021

This document sets out a summary of the policy of Barclays Bank Ireland PLC (BBI) on the integration of sustainability risks into its investment decision-making process and its investment advice.

1. Introduction

1.1 BBI has implemented a Sustainability Risks Policy (the “Policy”), which sets out BBI’s policies in respect of the integration of sustainability risks into its investment decision-making process and its investment advice, as required by the Sustainable Finance Disclosure Regulation (“SFDR”). This summary provides a description of the key features of the Policy, for the purposes of disclosure on BBI’s website.

1.2 Under the SFDR, “sustainability risk” means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. These are referred to in this summary as “ESG Risks”.

2. Purpose of the Policy

2.1 The Policy and the concept of ESG Risk take the view that ESG events may cause a material negative impact on the value of BBI’s clients’ investments, which are acquired either as part of BBI’s investment decision-making process (where BBI acts as a Financial Market Participant or “FMP”) or in connection with investment advice provided by BBI (where BBI acts as a Financial Advisor or “FA”).

2.2 BBI recognises that the world faces growing ESG related risks. A key part of BBI’s role as a fiduciary is to act in the best interests of its clients, and this includes taking into account how ESG Risks could affect our clients’ investments and on the advice BBI provides to its clients.

2.3 For the purposes of SFDR, ESG Risk is not concerned with the risk of harm that BBI’s investment decisions or investment advice may have externally to sustainability factors i.e. the Policy covers financial impact to the value of BBI’s client’s investments rather than the “values” which Barclays is adopting in the wider field of tackling ESG matters. The external harm of investment decisions and investment advice is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm’s investment decisions and investment advice on sustainability factors. BBI is compliant with the principal adverse impacts rules under the SFDR, and has separately implemented a due diligence policy on this matter.

3. ESG Risk management – BBI’s role as a FA

3.1 BBI utilises an internal process whereby products it seeks to add to its advisory distribution channels undergo a number of due diligence checks, including ESG Risk checks.

3.2 For products which are in-scope under the SFDR (“in-scope financial products” – which includes, for the purposes of the SFDR, certain funds), information which is provided by the relevant FMP is assessed and a number of additional checks to ascertain risk, including ESG Risks, are undertaken.
3.3 As part of BBI’s internal processes, in-scope financial products are identified and the information provided by the relevant FMP of that product is assessed.

3.4 Investment due diligence is also undertaken on third party managers in relation to the funds they manage (either as a manager of a Barclays manufactured fund or as a manager of a third party fund). Throughout the life of an investment, identified ESG Risks are monitored and third party managers are subject to oversight in this respect.

4. ESG Risk Management – BBI’s role as an FMP (Discretionary Portfolio Management)

4.1 Portfolio managers assess the ESG Risk of an investment by looking at a number of ESG factors. ESG provides an indication of the operational quality of a business, and its ability to mitigate against risk that may arise from ESG factors. The methodology of ESG assessment varies, and is dependent on the asset class, financial instrument, and team carrying out the analysis. Discretionary Portfolio Management (“DPM”) strategies invest across a number of asset classes and security types including, and not limited to, direct equities, direct bonds, funds, structured products, warrants, hedging instruments and cash.

Direct Equity Securities

4.2 An ESG Risk assessment is carried out by analysing a range of systemic and company specific quantitative factors that then guide further qualitative analysis. This assessment is carried out at the initiation stage of a new investment, with ongoing monitoring carried out by portfolio managers as required.

4.3 The ESG quantitative factors used during the assessment include a large range of ESG risk factors.

Direct Fixed Income Securities

4.4 Direct Fixed Income Securities are selected by portfolio managers from an approved issuer list, compiled using a number of quantitative and qualitative factors, including an ESG screen. A third party ESG ratings provider is used to obtain an overall ESG quality grade for an issuer, based on the specific risk that issuer faces from ESG factors, and their ability to mitigate against these risks.

Funds

4.5 Each fund is analysed by our portfolio managers prior to being included within a DPM strategy. The analysis is focused on the methodologies employed by the third-party managers in managing the fund more broadly and the ESG qualities of the manager and the fund are assessed at this stage.

Non-Applicable investments

4.6 Discretionary portfolios may include instruments for which ESG analysis is non-applicable. This is typically due to there not being an underlying business exposed to ESG Risks. These instruments are typically held for risk mitigation/diversification purposes (for example, hedging instruments/derivatives).
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