



# Sustainable Residential Development Framework





# Barclays Sustainable Finance

In 2020 Barclays announced our ambition to become a net zero bank by 2050.<sup>1</sup> We are also committed to aligning all of our financing to the goals and timelines of the Paris Agreement. To accelerate transition to a low carbon economy, we have committed to facilitating £100bn of green financing by 2030, and to investing £175m over five years in innovative green companies.



# Framework external review

Since 2017 Barclays has produced a Sustainable Finance Framework, which is reviewed from time to time and sets out our methodology for classifying sustainable financing for the purpose of tracking and disclosing our performance against our sustainable finance targets. This framework outlines the process for identifying eligible sustainable financing transactions and serves as the basis for tracking and disclosing our performance against Barclays' sustainable finance targets across the organisation. We are committed to being transparent about our definitions and approach to reporting against our sustainable finance targets.

Our green and sustainability linked loans can provide funding for a variety of green and social projects and purposes.

To supplement our Sustainable Finance Framework, we have now also produced our Sustainable Residential Development Framework ('SRDF') to enable the classification and tracking of performance of our green and sustainability-linked residential development loans to our Corporate Banking real estate clients.

*"Our green and sustainability linked loans can provide funding for a variety of green and social projects and purposes."*





## Sustainable Residential Development Framework

The structure and performance criteria for the SRDF has been developed with reference to current and emerging sustainable finance disclosures, regulations, policies and practices. Given the continuing innovation in sustainable finance, developing sustainable finance disclosure regulation and policy including the CBI, EU Taxonomy and emerging UK Green Taxonomy (when available), and market and technological advances in sustainable residential development and retrofit, the SRDF will be reviewed and, where required, modified from time to time.

“The Sustainable Residential Development Framework has been developed by Barclays in collaboration with CBRE Environmental Consulting Group based on current leading practises for the environmental and sustainable performance of residential buildings, and sustainable finance principles. The Framework will be reviewed annually by Barclays with support from CBRE to ensure it remains robust and continues to reflect current market best practices.

CBRE is a market leader in the provision of real estate ESG and financial consultancy. We apply our ESG expertise and understanding of industry best practice and future trends to the establishment of ESG corporate strategies, ESG policy, responsible property investment strategies and screening criteria, environmental and sustainability due diligence, green and wellbeing certification, ESG and sustainability performance frameworks and criteria driving sustainable development and investment.”<sup>2</sup>

– Helen Newman, Executive Director, Head of Sustainable Finance, CBRE, Capital Advisors

### Proposition scope

This proposition and framework applies to Barclays corporate residential development lending in the UK only<sup>3</sup> and denominated in GBP.

The framework and performance criteria is intended to be flexible and applicable to a broad range of residential lending, including new construction and major refurbishments; suitable for single family housing or medium-to large-scale multi-family accommodation; and applicable to a wide range of residential asset classes, including built to rent and student accommodation.

### A robust and holistic approach

Our Sustainable Residential Development Framework provides a holistic and balanced approach across key sustainability themes including:

- Energy and carbon including whole life carbon
- Circular economy, materials and efficient use of resources
- Health and wellbeing
- Water
- Pollution
- Social and community engagement

# Sustainable Residential Development Framework

## Eligibility Criteria

Both the borrower and the proposed development scheme must meet the following gateway criteria to be eligible to submit an application for a green loan under the SRDF.

## New Build

### Minimum requirements:

1. >20% better than Part L1A of the UK Building Regulations current at the time of the planning application and newly constructed dwellings measure and report their Primary Energy Demand (PED)<sup>4</sup>. For projects subject to Buildings Regulations that predate the 2022 Standard Assessment Procedure (SAP)<sup>5</sup> updates, the outputs shall be manually converted to account for SAP 10.2 emission factors (included within the latest 2022 update) so that predicted energy consumption better reflects the actual carbon emissions associated with building operation.
2. EPC B and compliant with the recognised threshold set by the Climate Bond Initiative, or otherwise evidenced to be performing in the top 15% of buildings in the relevant market. For Barclays this threshold is currently an average weighted emission intensity from regulated energy use at or below 19.55 KgCO<sub>2</sub>/m<sup>2</sup> (by reference to the 'CO<sub>2</sub> emissions per m<sup>2</sup>' from the SAP calculations).
3. Sustainable timber complying with UK Government's definition of 'legally harvested and traded timber' and at least 80% of all timber products have either been recycled/ reused or sources from sustainably managed forests.
4. Flood risk assessment in accordance with current best practice national planning guidance and aligned with the guidance in Home Quality Mark Flood Risk 3.1.
5. Thermal comfort and overheating appraisal undertaken by a suitably qualified specialist and overheating mitigation strategy.

### Minimum requirements:

6. Water efficient new appliances within top 2 classes for water consumption of the EU Water Label<sup>6</sup>
7. Construction waste: At least 80% (by weight) of the non-hazardous construction and demolition waste generated on the construction site must be prepared for re-use or sent for recycling or other material recovery.
8. Material toxicity: Building components must not contain asbestos nor substances of very high concern as identified on the basis of the "Authorisation List" under REACH provided by the Health and Safety Executive available from: <https://www.hse.gov.uk/reach/restrictions.htm>
9. Contaminated Land Survey to be undertaken to avoid significant harm to human health and/or the environment.
10. Construction pollution: All non-road mobile machinery should comply with the requirements of the Non Road Mobile Machinery Regulation (EU 2016/1628).
11. The new construction must not be built on protected natural areas.
12. Biodiversity Net Gain: A landscape design and ecology report or similar produced by a suitably qualified ecologist or landscape architect that demonstrates a net gain in biodiversity. Biodiversity net gain can be evaluated using DEFRA's 'Biodiversity Metric' as calculated by a suitably qualified ecologist or landscape architect.

# Sustainable Residential Development Framework

## Retrofit

### Minimum requirements:

1. Compliance with UK Building Regulations Part L1B current at the time of the planning application or 30% improvement in PED. For projects subject to Buildings Regulations that predate the 2022 SAP updates, the outputs shall be manually converted to account for SAP 10.2 emission factors (included within the latest 2022 update) so that predicted energy consumption better reflects the actual carbon emissions associated with building operation.
2. Sustainable timber complying with UK Government's definition of 'legally harvested and traded timber' and at least 80% of all timber products have either been recycled/ reused or sources from sustainably managed forests.
3. Flood risk assessment in accordance with current best practice national planning guidance and aligned with the guidance in Home Quality Mark Flood Risk 3.1.
4. Thermal comfort and overheating appraisal undertaken by a suitably qualified specialist and overheating mitigation strategy.

### Minimum requirements:

5. Refurbishment waste: promote the responsible use of natural resources and mitigate significant harm to the environment by minimizing waste.
6. Water efficient new appliances within top 2 classes for water consumption of the EU Water Label.
7. Material toxicity: Building components must not contain asbestos nor substances of very high concern as identified on the basis of the "Authorisation List" under REACH provided by the Health and Safety Executive available from: <https://www.hse.gov.uk/reach/restrictions.htm>
8. Construction pollution: All non-road mobile machinery should comply with the requirements of the Non Road Mobile Machinery Regulation (EU 2016/1628).
9. Hazardous material survey: to avoid significant harm to human health and / or the environment.

Schemes that go beyond the minimum Eligibility Criteria outlined above by satisfying additional green enhancing criteria and social impact criteria may be classified as **Good, Innovative or Emerald** at practical completion. Further details are available on request.

# Roles and responsibilities

## **Borrower**

Borrowers will be responsible for identifying the criteria that is applicable to them and the proposed development scheme and for providing all evidence required to support the application. A guidance note is available on request which sets out further details on what evidence will need to be submitted.

Borrowers should take their own legal and other professional advice<sup>7</sup> on the terms of this SRDF and ensure that the relevant criteria can be incorporated into the building contract, professional team appointment documents and other contractual arrangements.

## **Barclays**

Our specialist development monitoring unit and dedicated real estate transaction management teams will review evidence submitted for accuracy, transparency, and compliance with the criteria, loan terms and conditions of this SRDF.

Barclays will also engage with its own professional team (external legal panel firm, external monitoring surveying panel firm and external valuer panel firm) to ensure that the evidence provided in support of the application is robust.

Monitoring will take place at the stage of the loan application, ahead of signing of the facility documentation and drawing of the loan and on a monthly basis during the lifecycle of the loan (as supported by Barclays' appointed monitoring surveyor).

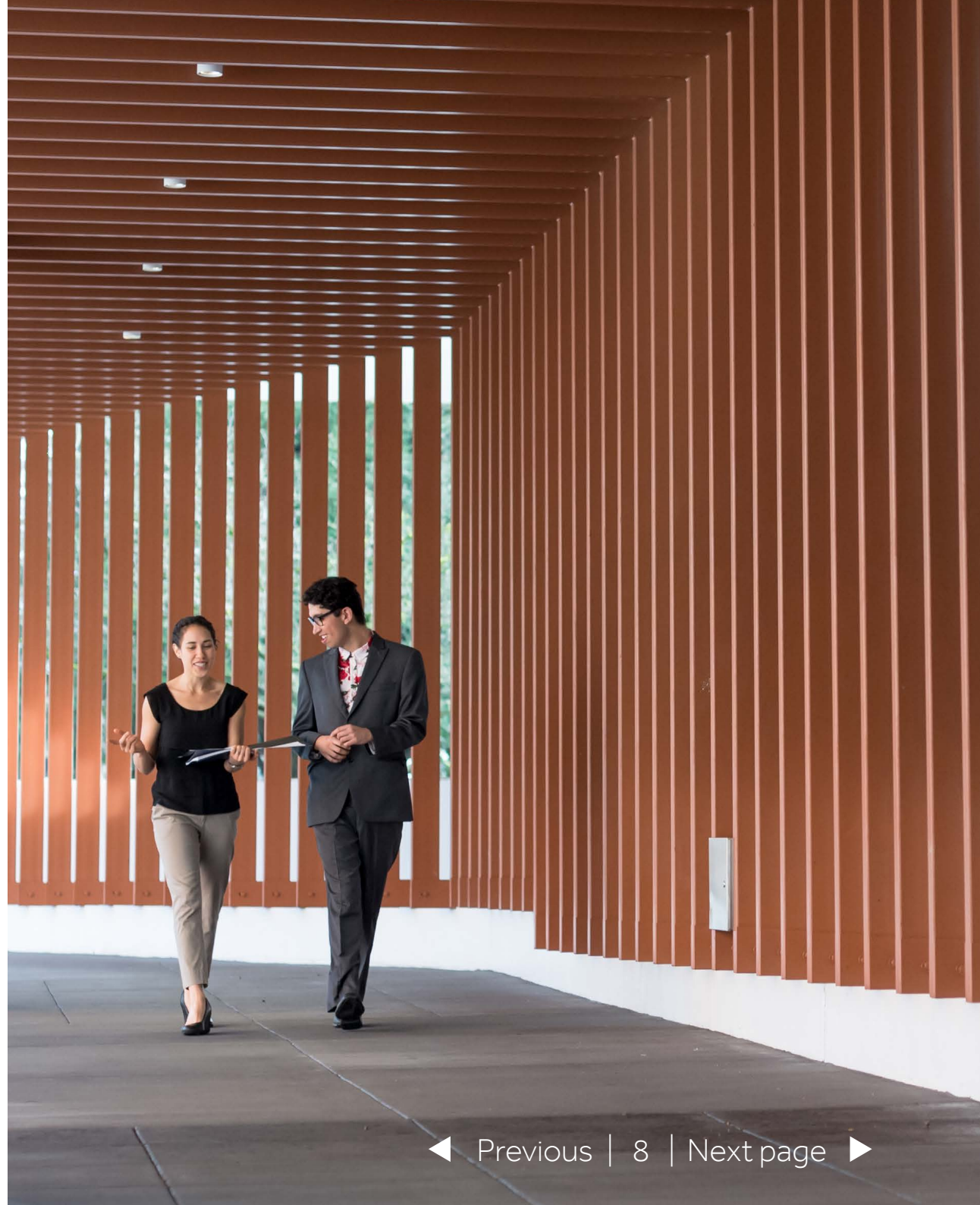




# How to Apply

## Application

In collaboration with CBRE, we have produced an accompanying Eligibility Tool and the Guidance Document to support our clients with the eligibility process, available on request. Please contact your relationship director in the usual way.





## Sustainable Residential Development Framework

### Other important information

- **Costs:** Loans will attract an interest margin and fees. The interest margin and fee package will be influenced by a number of factors, including credit quality, tenor, guarantee and security package.
- **Term:** Loan terms will be tailored to construction and marketing programmes and will typically be between 24 and 60 months.
- **Interest rate:** Loans will be provided over Bank of England Base Rate or the Sterling Overnight Index Average ("SONIA") subject to loan quantum.
- **Repayment sources:** Loans will be structured on the basis that sales proceeds from completed schemes or an alternative pre-agreed arrangement will be the source of loan repayment.
- **Mortgages:** Barclays makes no promise nor assurance that purchasers of properties developed or retrofitted using funds advanced under this SRDF will be eligible for a Barclays Green Home Mortgage or similar product (or any equivalent mortgage product offered by any other financial institution). Eligibility for these products will be determined using Barclays' standard assessment procedures.

### All funding will be subject to the following conditions:

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| ✓ All necessary planning approvals and permissions enabling the scheme to proceed are held, and any challenge window must have expired, prior to funding being available                             | ✓ Barclays will appoint an independent surveyor to monitor the progress of the scheme at the cost of the Borrower  |
| ✓ Developer equity to have been invested in full into the development prior to any mezzanine or senior funding being drawn   | ✓ Satisfactory security will be required, including, but not limited to, a share pledge and fixed and floating security over the undertaking of the Borrower |
| ✓ The development must be fully funded i.e. it must not be reliant on additional funds beyond developer equity and the whole loan with exceptions on a case by case basis for house building schemes | ✓ Satisfactory insurance must be on risk, in line with what is customary for funding of this nature  |
| ✓ Appropriate cost and interest overrun contingency should be available either accommodated within the structure or external means   | ✓ Funding may be subject to further conditions depending on the details of the scheme and the funding package  |

Please note: Even if a proposal meets the Eligibility Criteria and the funding requirements above can be delivered, funding decisions are at the discretion of Barclays. Barclays will apply our usual credit lending, documentation, due diligence and other approvals and procedures to any proposal. This information sheet therefore does not constitute an offer of a legal or moral commitment to arrange of finance facilities.

# Additional sources

<sup>1</sup> Please see page 54 of our Annual Report for further information on how Barclays uses the terms 'carbon neutral' and 'net zero':  
[home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/Barclays-PLC-Annual-Report-2021.pdf](https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/Barclays-PLC-Annual-Report-2021.pdf)

<sup>2</sup> The information and data contained or referred to in this paragraph has been provided by a third-party. Barclays neither represents that any third-party ESG information or data is accurate or complete, nor that Barclays has (itself or via a third-party) taken any steps to independently or otherwise verify such information and data. Accordingly, Barclays does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions or inactions undertaken in reliance on the information or any other content contained herein.

<sup>3</sup> Loan applications must exceed £10mil.

<sup>4</sup> PED is defined as the annual primary energy demand associated with regulated energy use during the operational phase of the building life-cycle (i.e. 'module B6' according to EN 15978 and RICS Whole Life Carbon Assessment for the Built Environment), calculated as defined in the set of standards ISO 52000, expressed as kWh/m<sup>2</sup> per year.

<sup>5</sup> The Standard Assessment Procedure (SAP) methodology has been updated and the SAP 10.2 update was published by BRE in August 2021 and adopted since June 2022. More information and the SAP 10.2 download is available from: <https://www.gov.uk/government/publications/improving-energy-performance-certificates-action-plan-progress-report/improving-energy-performance-certificates-action-plan-progress-report>

<sup>6</sup> EU water label and searchable product database available from:  
<http://www.europeanwaterlabel.eu/>

<sup>7</sup> Barclays notes in particular that there is currently no globally accepted framework or definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, an "ESG" (Environmental, Social or Governance), "green", "sustainable", "climate-friendly" or an equivalently-labelled product, or as to what precise attributes are required for a particular investment, product or asset to be defined as "ESG", "green", "sustainable", "climate-friendly" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time.

Investors, users and other relevant persons are advised to obtain their own independent financial, legal, regulatory, tax or other advice as necessary in order to make their own investment decision as to whether the investment, product or asset meets their needs and make their own determination as to the investment, product or asset and future of the investment, product or asset, including ESG performance, ESG alignment, and alignment to or compliance with any regulatory regime.

Terminology: sustainability-related terminology used throughout this document is further clarified in the SRDF Guidance Document, which is available upon request. Please note, that given the rapidly evolving practices and requirements in the industry, the terminology will be subject to updating and to change.



To find out more about how Barclays can support your business, please call 0800 015 42 42\* or visit [barclayscorporate.com](https://www.barclayscorporate.com)

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 Barclays Corporate Banking



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