

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

Moffett Towers II – Barclays
21 June 2019

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Overall Evaluation of the Green Bond

Barclays commissioned ISS-oekom to assess its Green Bond¹ across three elements to determine the sustainability quality of the Bond:

1. Barclays’s Green Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS-oekom’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Barclays’s sustainability performance, according to the ISS-oekom Corporate Rating.

ISS-oekom ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION
Part 1: Performance against the GBPs	The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS-oekom Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include new and existing commercial green buildings. All assets are located in the USA, where legislative frameworks set minimum standards, which reduce environmental and social risks.	Positive
Part 3: Issuer sustainability performance	The issuer itself shows a poor sustainability performance and has been classified as ‘Not Prime’ within the methodology of the ISS-oekom Corporate Rating. It is rated 102 nd out of 266 companies within its sector as of 13.03.2019.	Status: <i>Not Prime</i> Rating: <i>D+</i> Prime threshold: <i>C</i>

¹ MFTII 2019-B3B4 Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2019-B3B4 (the “Certificates”) is a 144A/IAI/Regulation S private placement of commercial mortgage-backed securities representing beneficial ownership interests in the MFTII 2019-B3B4 Mortgage Trust (the “Trust”). The assets of the Trust will consist primarily of a \$160,000,000 portion of a \$505,000,000 fixed rate mortgage loan with a 10-year anticipated repayment date and an approximately 15-year stated maturity date that is secured by the fee simple interest held by MT2 B3-4 LLC in two Class A, LEED® Platinum-certified office buildings totaling 701,266 square feet comprising a portion of the Moffett Towers II Campus located in Sunnyvale, California.

Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS-oekom assessed the contribution of the Barclays's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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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 CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Commercial Green Buildings	Significant contribution	

The issuer's green bond significantly contributes to SDG 11 thanks to its Use of Proceeds category promoting sustainable commercial buildings.

ISS-oekom SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

Barclays Capital Real Estate Inc., Goldman Sachs Bank USA and Deutsche Bank AG, New York Branch (collectively, the “Lender”), originated a \$505.0 million mortgage loan (the “Whole Loan”) and a \$85.0 million mezzanine loan (the “Mezzanine Loan,” and together with the Whole Loan, the “Total Debt”) to an affiliate of Jay Paul Company (“JPC” or the “Loan Sponsor”) for the purpose of refinancing the previously existing construction debt encumbering the Property.

The Property consists of two identical, newly-constructed LEED® Platinum-Certified eight-story buildings totaling 701,266 square feet of Class A office space and features access to a 59,648 square foot fitness/amenities building and a separate parking structure, set on approximately 13.4 acres in Sunnyvale, California. In addition to approximately \$80.5 million (\$114.80 PSF) in allocated land acquisition costs, the construction and development of the Collateral buildings, exclusive of tenant-funded build outs, will result in approximately \$506.2 million (\$721.78 PSF) of capital improvements to the buildings, comprised of \$483.0 million (\$690.17 PSF) in construction costs and approximately \$23.2 million (\$33.03 PSF) in tenant improvement allowances (which allowances were reserved in conjunction with origination). The Property is in the third and final phase of development (“Phase III”) of the approximately 1.8 million square foot, five-building Moffett Towers II office campus (the “Moffett Towers II Campus”) located on 47.4 acres in Sunnyvale, California. The rest of the campus which was constructed between 2017-2018 has all successfully achieved LEED® Platinum-Certification.

Opinion: ISS-oekom considers the Use of Proceeds description provided by Barclays’s Green Bond Framework as aligned with the GBPs.

2. Process for Project Evaluation and Selection

The Two Subject Buildings’ are utilizing U.S. Green Building Council’s LEED®, or Leadership in Energy and Environmental Design, measurement scale which is the most widely used green building rating system in the world. Available for virtually all building, community and home project types, LEED provides a framework to create healthy, highly efficient and cost-saving green buildings. LEED certification is a globally recognized symbol of sustainability achievement.

The Subject Properties are aiming to achieve the highest rating, Platinum in the Core & Shell category. See attached design scorecard for Buildings 3 & 4 provided by the Director of Real Estate Development for Barclays Company (the developer and owner / operator of the Subject Properties). The buildings currently hold 60 points and anticipate picking up the additional 20 required for Platinum when they complete the construction submission after completion in Q3 2019. See attached Score Card for additional information.

Opinion: ISS-oekom considers the Process for Project Evaluation and Selection description provided by Barclays’s Green Bond Framework as aligned with the GBPs.

3. Management of Proceeds

The proceeds of the MFTII 2019-B3B4 Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2019-B3B4 (the “Certificates”) will be immediately and entirely allocated to the purchase of the Moffett Towers II – Building 3 & 4 Trust Loan, and the Moffett Towers II – Building 3 & 4 Loan will no longer remain on Barclays’ balance sheet. Hence, the management of unallocated proceeds will not be necessary, as all of the proceeds will be allocated upon issuance of the Certificates. The Certificates will only be entitled to receive distributions from, and will only incur losses with respect to, the Moffett Towers II – Building 3 & 4 Loan.

Opinion: ISS-oekom considers the Management of Proceeds description provided by Barclays’s Green Bond Framework as aligned with the GBPs.

4. Reporting

This offering circular includes a description of the Moffett Towers II – Building 3 & 4 Property, and on or around the Closing Date, Barclays will provide to the Trustees for publication on the Certificate Administrator’s website, a copy of ISS-oekom’s second party opinion, highlights from the LEED Platinum Certificate and, depending on the availability of data, information about energy consumption and avoidance of CO₂ emissions at the Moffett Towers II – Building 3 & 4 Property in comparison to a local benchmark. Such information will be provided only on or around the Closing Date, since the proceeds of the Certificates will be fully allocated to the purchase of the Moffett Towers II – Building 3 & 4 Loan.

The project will be registered on USGBC’s project list at <https://www.usgbc.org/projects/list>.

Opinion: ISS-oekom considers the Reporting description provided by Barclays’s Green Bond Framework as aligned with the GBPs.

External review

Barclays has commissioned ISS-oekom to provide an SPO to assess the alignment of their Green Bond Framework with the GBPs, the sustainability quality of the projects to be financed through the issuance of green debt instruments and Barclays’s own ESG performance.

PART II: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL

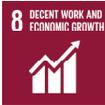
Evaluation of the assets

Commercial Real Estate

As a Use of Proceeds category, green commercial real estate has a strong contribution to the SDG 11 “Sustainable cities and communities” when achieving high standards regarding energy efficiency.

Additionally, when considering the deeper ESG management, commercial real estate can be associated to other SDGs.

The table below presents the findings of an ISS-oekom assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

Assessment against ISS-oekom ESG KPI	Association with the SDGs
Energy Efficiency prerequisites	
<p>All the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.</p> <p>✓ All the assets are required to achieve a minimum Energy Performance Certificate labelled “A” or better (on a scale from A++++ to G).</p>	
Site selection	
<p>✓ 100% of the assets are developed on brownfield sites (e.g. previously developed land that is not used anymore at the time of construction).</p>	
<p>✓ 100% of the assets are located within a maximum of 1km from one or more modalities of public transport.</p>	
Construction standards	
<p>✓ 100% of the assets are located in developed markets, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).</p>	
<p>✓ 100% of the assets provide for sustainable procurement regarding building materials (eg. recycled materials).</p>	

Assessment against ISS-oekom ESG KPI **Association with the SDGs**

Water use minimization in buildings

- ✓ 100% of the assets provide for measures to reduce water use (eg. rainwater harvesting).



1.1.4. Safety of buildings users

- ✓ 100% of the assets provide for measures to ensure the safety of building users



1.1.5. Sustainability labels / Certificates

- ✓ 100% of the assets are in line to obtain a (or equivalent of a) BREEAM "Very Good", DGNB "Silver/Gold", LEED "Gold", HQE "excellent" certificate or better certification.



Controversy assessment

- ✓ A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to the building projects.

The methodology for the asset evaluation can be found in Annex 1.

PART III: ASSESSMENT OF BARCLAYS'S ESG PERFORMANCE

The ISS-oekom Corporate Rating comprises a rating scale from A+ (excellent) to D- (poor).

COMPANY	INDUSTRY	Rating	PRIME THRESHOLD	INDICATIVE STATUS
Barclays	Financials	D+	C	NOT PRIME

This means that the company performed poorly in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS-oekom. In ISS-oekom's view, the rating is still sufficient to meet the basic requirements for sustainable investments.

As of 13.03.2019, this rating places Barclays 102nd out of 266 companies rated by ISS-oekom in the Financials / Commercial Banks & Capital Markets sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services / products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In terms of these issues, Barclays demonstrated a mixture of out and underperformance against the industry average:

- The top two issues from the list above saw an outperformance of Barclays against the industry average.
- The other three issues saw Barclays underperforming versus its industry peers.

The company has a severe controversy level:

- This level is worse than the industry average, but not as significant as the worst performer of the industry.
- Key areas of high controversy relate to issues around collusion, tax avoidance schemes and money laundering.



Robert Hassler, Head of ISS-oekom
London/Munich/Rockville/Zurich

DISCLAIMER

1. Validity of the SPO: For Barclays's first issuance following the SPO release date.
2. ISS-oekom uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS-oekom in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX 1: Methodology

ISS-oekom Green Bond KPIs

The ISS-oekom Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Barclays’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details above) who will send them directly to you.

Asset evaluation methodology

ISS-oekom evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS-oekom or that the information provided did not fulfil the requirements of the ISS-oekom Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS-oekom on a confidential basis by Barclays (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS-oekom identifies the extent to which Barclays’s Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets’ ESG performance with further SDGs

About ISS-oekom SPO

ISS-oekom is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green 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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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