

BARCLAYS CONVERTED INVESTMENTS (NO.2) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Business review and principal activities

The principal activity of the Company is to invest in restructuring, turnaround and strategic investments. The Company made seven new investments and twenty six disposals in the year of 2019. (2018: Three new investments and five disposals).

Business performance

The results of the Company show a profit after tax of £28,309,322 (2018: £4,758,443) for the year. The Company has net assets of £67,629,826 (2018: £39,320,504). Net cash generated from operating activities for 2019 was £1,127,538 (2018: £174,545).

Future outlook

The immediate economic outlook in 2020 remains uncertain. A further worsening of economic conditions would, likely, favour the Company, which remains well funded, by implying a renewed stream of investment opportunities which are consistent with the principal activity of the Company.

The Company will therefore focus on the active investment management of its portfolio to ensure that, wherever feasible, the businesses are robust enough to handle the on-going difficult trading conditions, including being able to take advantage of acquisition and organic growth opportunities. In addition, the medium term outlook is positive for the successful realisation of certain assets.

Principal risks & uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

These are primarily around: effective investment selection and structuring; documenting of investor protection rights; and on-going tracking of business performance within the investment portfolio. The above risks are managed by: bi-annual investment valuations process; regular portfolio reviews; and through the use of investor protection rights. The Company did not invoke the investor protection rights on any of its investments during the year.

Key performance indicators

The Company has made significant progress during the year on its objectives and business strategy. The Board of Directors monitors progress on the overall strategy by reference to the following key performance indicators: the number of new investments made: seven (2018: three); disposals of investments: twenty six (2018: five); the value of fair value through profit and loss assets: £11,247,900 (2018: £4,051,788).

BARCLAYS CONVERTED INVESTMENTS (NO.2) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172(1) statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of Barclays Converted Investments (No.2) Limited (the 'Company') for the benefit of its sole member, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company's maintaining a reputation for high standards of business conduct; and
- to act fairly between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our regulator, the Government, and non-government organisations. You can find out more about who are key stakeholders are, how management engaged with them, the key issues raised and actions taken on pages 14 to 15 of the Barclays PLC annual report 2019 which is incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions; however, in balancing those different perspectives it won't always be possible to deliver everyone's desired outcome.

How does the board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays group.

The Board considers and discusses information from across the organisation to help it understand the impact of Barclays' operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the board through reports sent in advance of each board meeting, and through in-person presentations.

As a result of these activities, the board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies act 2006.

The following is an example of how the Directors have had regard to the matters set out in sections 172 when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

Engagement in action

In 2019, the Board approved acquisition of certain listed investments from Barclays Bank PLC and Barclays Funds Investments Limited as a part of intra-group reorganization. The investments were acquired at the listed market closing price on the date of the transfer and the legal transfer had occurred via the CREST system that the Company had been set up as a Sponsored Participant. This was as per the strategic intent to consolidate all the intra-group listed investments into the Company.

BARCLAYS CONVERTED INVESTMENTS (NO.2) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board on and signed on its behalf by.

DocuSigned by:

David Mudie

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David Mudie

Director

Date: 12 November 2020

Registered number: 05535473

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