

# BARCLAYS PLC

## Corporate Governance at Barclays

### Statement of Compliance with the Capital Requirements Directive (CRD IV)

Article 96 of the fourth Capital Requirements Directive (CRD IV) requires an institution to include a compliance statement on its website in relation to Articles 88 to 95 therein (the PRA and FCA have implemented these requirements in their Rulebook and Handbook, respectively).

This document addresses the applicable CRD IV requirements, which cover (1) governance; (2) remuneration; and (3) reporting, and confirms that the Barclays Group complies with the relevant requirements as outlined below.

#### 1. Governance arrangements

Barclays PLC is the parent company of the Barclays Group. The Barclays Group is organised into two clearly defined business divisions – Barclays UK and Barclays International. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC, and Barclays International sits within Barclays Bank PLC – which operate alongside Barclays Services Limited but, in accordance with the requirements of ring-fencing legislation, independently from one another. Barclays Services Limited drives efficiencies in delivering operational and technology services across the Barclays Group.

Each of the three subsidiaries has its own separately constituted board, comprising of both executive and non-executive directors, with distinct commercial, legal and regulatory responsibilities which reflect the different natures of the respective entities. Barclays Bank UK PLC and Barclays Bank PLC (together, the Main Operating Entities) also have their own board committees.

#### The Barclays PLC Board

The Barclays PLC Board (the Board) is responsible for the overall leadership of the Barclays Group, including establishing its Purpose, Values and Strategy and satisfying itself as to the alignment of Barclays' culture with its Purpose, Values and Strategy. It is also responsible for ensuring that management maintains a sound system of audit, risk management, compliance and internal control. A sound system of internal control provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In meeting this responsibility, the Board considers what is appropriate for the Barclays Group's business and reputation, the materiality of financial and other risks and the relevant costs and benefits of implementing controls.

In collaboration with the respective boards of the Main Operating Entities, the Board has developed a governance framework that seeks to provide the strong foundation needed for the effective management of the Barclays Group and thus generate long-term sustainable returns for shareholders. The Board is the ultimate decision-making body for all board-level issues and matters that are significant to Barclays PLC and the Main Operating Entities because of their potential strategic, financial, regulatory or reputational implications or because of their potential consequences for the Barclays Group as a whole.

Internal governance processes have also been developed to ensure the effective operation of the individual boards and board committees of each of Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC respectively, in recognition of the fact that this is key to the development and execution of the Barclays Group's strategy. The *Schedule of Matters Reserved* details the key decisions in respect of which the Board has control. The *Schedule of Matters Reserved* to the Board is reviewed regularly to ensure that it remains relevant. A summary of the matters reserved to the Board can be found at [home.barclays/corporategovernance](https://www.barclays.com/home/barclays/corporategovernance).

### *Composition of the Barclays PLC Board*

All appointments to the Board are based on merit and objective criteria, in the context of the strategy of the Barclays Group and the diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, as well as skills, knowledge and experience required for the Board to be effective. Appointments are made following a formal, rigorous and transparent process.

On appointment to the Board, all directors receive a comprehensive induction which is tailored to their individual requirements. The induction schedule is designed to quickly provide the new Director with an understanding of how the Barclays Group works and the key issues that it faces.

### *Roles on the Barclays PLC Board*

Executive and non-executive directors share the same duties and are subject to the same constraints. However, a clear division of responsibilities has been established.

The Chairman is responsible for leading and managing the work of the Board. The Chairman ensures that the Board's decision-making processes are effective, including facilitating the running of the Board to assist it in providing independent oversight of executive decisions. The Chairman ensures that the Board meets with sufficient frequency. The Chairman is responsible for encouraging open and inclusive discussion, which challenges executives, where appropriate, particularly on matters of risk and strategy or other major proposals by drawing on directors' skills, experience, knowledge and, where appropriate, independence. The Chairman is responsible for ensuring that the Board determines the nature and extent of the Barclays Group's risk appetite and that there are no impediments to the Board's effective oversight of risk. The Chairman, in conjunction with the Board Nominations Committee, ensures high quality Board composition with an appropriate balance of skills, experience, independence, knowledge and diversity in the context of the Barclays Group's agreed strategic priorities. The Chairman is also responsible for promoting the highest standards of corporate governance and for ensuring that the Board is able to discharge its duties and comply with the requirements of statutory/regulatory bodies that affect the functioning and responsibilities of the Board, as appropriate. The Chairman is responsible for maintaining effective engagement with shareholders and other stakeholders (including the workforce). The Chairman is expected to commit to expend whatever time is necessary to fulfil his duties, which is equivalent to up to 80% of a full-time position.

The Group Chief Executive is responsible for the development and execution of the Barclays Group's strategy, as approved by the Board, and the day-to-day management of the Barclays Group. The Group Chief Executive's authority is subject to the restrictions set out in the *Schedule of Matters Reserved* and any discretionary limits set by the Board. The Group Chief Executive, in exercising his delegated authority and within the limits of that authority, has constituted the Group Executive Committee. The individual members of the Group Executive Committee are responsible – together with the Group Chief Executive – for providing leadership to, and regularly and directly interacting with, executive management of the Main Operating Entities and other entities in the Barclays Group to ensure that they understand the Barclays Group's strategy and have the ability to drive it forward.

Members of the Group Executive Committee are assigned responsibility for delivery of specific elements of the Barclays Group's strategy and are provided with relevant capital, budget and risk appetite allocations within which delivery has to be achieved.

The non-executive directors complement the skills and experience of the executive directors by bringing to bear a range of knowledge, experience and insight from other industries. They provide effective oversight and constructive challenge, helping to develop proposals on strategy and empowering the executive directors to implement the strategy. They uphold high standards of integrity and probity and support the Chairman and executive directors in instilling the appropriate culture, values and behaviours. They scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They apply their objective and independent judgement to the business of the

Board, leveraging their knowledge of the business and their wider experience outside of the Barclays Group. They provide objective views on resources, appointments and standards of conduct, having a prime role in appointing and, where necessary, removing executive directors and in succession planning for these positions.

In recent years, the Board has assessed its effectiveness, and that of the Board Committees and the individual Directors, annually in a process facilitated by an independent third party. This has been driven by the Board's belief that an effective board is key to the delivery of a company's strategy, and that an objective, external perspective helps to identify what is working well and priorities for improvement, and promotes open discussion, resulting in a more effective Board.

#### *Time Commitment*

All directors are expected to allocate sufficient time to their role on the Board in order to discharge their responsibilities effectively. Directors are obliged to obtain pre-clearance prior to taking on any additional commitments, including but not limited to directorships, and to indicate in the clearance request the likely time commitment involved. The Company Secretary maintains a record of each director's commitments. Executive directors normally hold no more than one other significant external appointment or directorship. The expected time commitment for a non-executive director of Barclays PLC is 30 days a year, including membership of one Board Committee, increasing to 40 days a year for membership of two Board Committees. The Board has the right to reconsider appointments of their respective non-executive directors and to terminate appointments if there are any material changes to the director's personal circumstances that the Board believes may affect their appointment or effectiveness.

Certain directors of Barclays PLC and the Main Operating Entities are Senior Managers under the PRA and FCA's Senior Managers and Certification Regime (these individuals are listed on the PRA/FCA's Financial Services Register). The Senior Managers and Certification Regime for FCA solo-regulated firms will apply to other regulated firms within the Barclays Group from 9 December 2019.

No director is permitted to put themselves in a position where their interests conflict or may be perceived to conflict with those of the Barclays Group. Any such conflict of interest must be considered and approved by the Board. The same principles apply to the Main Operating Entities.

#### The Barclays PLC Board Committees

The Board is empowered through its Articles of Association to delegate all or any of its powers, authorities and discretions to any committee or committees as it thinks fit (the Board Committees). The principal Board Committees are the Board Audit Committee, the Board Nominations Committee, the Board Remuneration Committee, the Board Reputation Committee and the Board Risk Committee.

The Board Committees are responsible for overseeing matters at the Barclays Group level and their respective authorities extend to all matters relating to their responsibilities for the Barclays Group, save to the extent that the matters relate solely to either of the Main Operating Entities, and/or their respective subsidiaries, and fall solely within the remit of the terms of reference of the respective board committees of the Main Operating Entities in which case the matter shall be dealt with by such committee, within the parameters set by the relevant Board Committee. The Board Committees report to the Board.

The Board has defined the roles and objectives of each of the Board Committees, and provided specific levels of discretion within which they can operate. In line with all board committees in the Barclays Group, the Board Committees must act in accordance with the remit of their delegated authorities and their terms of reference. The terms of reference are reviewed annually. A copy of each Board Committee's terms of reference can be found at [home.barclays/corporategovernance](http://home.barclays/corporategovernance).

### *Role of the Board Nominations Committee*

The requirements set out below refer to the Board Nominations Committee but also apply to the Nominations Committee of the Main Operating Entities, subject to any material differences detailed.

The Board Nominations Committee supports and advises the Board to ensure the Board is comprised of individuals who are best able to discharge the duties and responsibilities of the directors and that the Barclays Group has the appropriate corporate governance standards and practices in place. It focuses primarily on the composition, appointments, succession and effectiveness of the Board, ensuring that both appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic background, cognitive and personal strengths. It also oversees the adoption of appropriate internal policies on the assessment of the suitability of directors and other key personnel. It also keeps the Board's governance arrangements under review and makes appropriate recommendations to the Board to ensure that the Barclays Group's arrangements are consistent with best practice corporate governance standards.

The Board Nominations Committee regularly reviews the structure, size and composition of the Board and of its Committees in consultation with the Chairs of the Board Committees, taking into account the results of the Board performance evaluation process.

The Board Nominations Committee is responsible for leading the process for Board appointments, and in doing so will consider the use of open advertising and/or engagement of an external search consultancy if appropriate. The Board Nominations Committee is responsible for identifying and nominating candidates for approval by the Board for appointment as directors.

At the request of the Chairman, or of the Board, the Board Nominations Committee evaluates the balance of skills, experience, independence, knowledge and diversity, on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The Board Nominations Committee ensures that prospective non-executive directors undertake that they will have sufficient time to fulfil their duties and any significant new appointments outside the Barclays Group are subsequently disclosed to the Board for approval prior to their acceptance.

The Board Nominations Committee reviews and makes recommendations to the Board, at regular intervals, and at least once a year, for Board succession over the longer term in order to maintain an appropriate balance of skills, experience, independence, knowledge and diversity to ensure progressive refreshing of the Board and to ensure the continued ability of the Barclays Group to compete effectively in the marketplace. Particular attention is paid to the leadership needs of the Barclays Group and succession in respect of the Group Chief Executive Officer, the Chairman and other key board positions.

The Board Nominations Committee is able to engage independent counsel and other professional advisers at the expense of the Barclays Group.

The Board Nominations Committee and the Board has adopted a formal Board Diversity Policy. The Barclays Group recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, ethnicity, gender and other distinctions between directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Board Nominations Committee discusses and agrees annually all measurable objectives for achieving diversity on the Board and recommends them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Board's

current target is for the proportion of women on the Board to be 33% by 2020 in line with the target set by the Hampton–Alexander Report: FTSE 100 Women Leaders.

### The Main Operating Entities

Authority has been granted by the Board to the boards of the Main Operating Entities (the Main Operating Entity Boards) to empower and enable them to take decisions and oversee their businesses effectively.

In implementing their contribution to the overall strategy of the Barclays Group and overseeing the business for which they have responsibility, the Main Operating Entity Boards are responsible for promoting the success of their entity for the benefit of its shareholder, Barclays PLC, and are responsible for specific matters, including the competent and prudent management of the entity and its group, the maintenance of sound management and internal control systems, compliance with statutory and regulatory requirements, and general oversight of the performance and strategy of the entity and its group.

The Group Chief Executive and the Main Operating Entity Boards set the parameters within which the relevant entity's Chief Executive Officer exercises the authority to operate and manage the entity and its group. The Chief Executive Officers of the Main Operating Entities, and the executives reporting to them, must operate within the powers delegated to them.

The Main Operating Entity Boards have delegated responsibility for certain prescribed matters, within defined limits, to a number of board committees (the Main Operating Entity Board Committees) which mirror – but are not identical to – those in place at Barclays PLC level (except that neither Main Operating Entity has a reputation committee).

The Main Operating Entity Board Committees have primary oversight of all matters within their terms of reference pertaining predominantly to the relevant Main Operating Entity. Barclays PLC management and non-executive directors may attend meetings of the Main Operating Entity Board Committees by invitation.

Frameworks, policies and standards are adopted throughout the Barclays Group unless local laws or regulations or the ring-fencing obligations applicable to Barclays Bank UK PLC require otherwise.

In terms of overall governance, the Barclays Group will continue to aspire to meet best practice industry standards as well as the standards reflected in the Financial Reporting Council's UK Corporate Governance Code and will report annually on its compliance with the Code.

## **2. Remuneration**

### Remuneration committees

The Board Remuneration Committee has delegated authority from the Board to set the over-arching principles and parameters of the remuneration policy across the Barclays Group and the remuneration arrangements of the Chairman, executive directors and other senior executives.

The Board Remuneration Committee consists of at least three independent non-executive directors and is chaired by an independent non-executive director appointed by the Board Nominations Committee who must have served on a remuneration committee for at least 12 months before their appointment. The Board Remuneration Committee must exercise independent judgement and discretion when awarding remuneration and authorising remuneration outcomes and no director can be involved in setting their own remuneration.

When discharging its responsibility, the Board Remuneration Committee must exercise its judgment to promote the long-term success of the Barclays Group for the benefit of its shareholders and will work

with and seek advice from the Board Audit Committee, Board Reputation Committee and Board Risk Committee on the management of remuneration risk, including advice on setting performance objectives in the context of incentives. In addition, each of the Main Operating Entities has also established a separate remuneration committee (the Subsidiary Remuneration Committee) which has delegated authority from the boards of the Main Operating Entities to set over-arching principles and parameters of remuneration policy for their division. The Subsidiary Remuneration Committees will consider and endorse to the Board Remuneration Committee the remuneration of the senior executives in its division.

The Subsidiary Remuneration Committees consist of at least two independent non-executive directors of the relevant entity. When discharging its responsibility, each Subsidiary Remuneration Committee will take into account its division's business strategy, objectives, values and long-term interests ensuring that its policy is consistent with sound and effective risk management.

### Remuneration policy

The Board Remuneration Committee considers all matters relating to remuneration in Barclays PLC and its direct and indirect subsidiaries and has adopted, and oversees, the implementation of a remuneration policy which applies to all employees globally across the Barclays Group. It will consider endorsements from the Subsidiary Remuneration Committees in setting the policy and determining remuneration for the executives of the relevant division.

The remuneration policy is designed to align pay with investor interests, reward sustainable performance, support the Barclays Group's values and culture, and align with risk appetite, risk exposure and conduct expectations. The policy will include measures to avoid potential conflicts of interests between employees and shareholders and will focus on measuring both non-financial and financial performance.

For employees engaged in control functions, the remuneration policy provides that their remuneration is determined independently from the business they support and within the parameters of the incentive pool allocated to them by the Board Remuneration Committee. The Board Remuneration Committee will regularly review the remuneration policy and its implementation.

### Remuneration structure

In the remuneration policy, there is a clear distinction between the criteria for setting fixed remuneration and variable remuneration.

Fixed pay is set to ensure that it reflects the role undertaken as well as relevant skills and experience on an individual. Variable remuneration is dependent on performance and is assessed against both financial and non-financial criteria. Other factors are also taken into consideration within the overall performance assessment, including core job responsibilities, behaviours towards risk and control, colleague and stakeholder feedback as well as input from the risk and compliance functions, where appropriate.

The Board Remuneration Committee is careful to control the proportion of variable to fixed remuneration and also to ensure that an appropriate amount of variable remuneration is deferred so that it is only received in the future. The Board Remuneration Committee takes risk and conduct events very seriously and ensures that there are appropriate adjustments to individual remuneration and, where necessary, the incentive pool.

For those employees who are classified as "material risk takers" (MRTs), their remuneration is subject to the 2:1 maximum ratio of variable to fixed remuneration approved by the Company's shareholders in 2014. Their variable remuneration is deferred for at least 3, 5 or 7 years in line with regulatory requirements and to take account of the Barclays Group's business cycle and risks. In addition, at least 50% of any variable remuneration for MRTs is delivered in shares in the Company and those shares are subject to retention periods, again in line with regulatory requirements.

Guaranteed variable remuneration is only awarded in exceptional cases when hiring employees and is limited to the first year of employment. Buyout awards for new hires can be used in limited circumstances and where used, will be structured to comply with all regulatory requirements. Any early termination packages will equally be structured to comply with all regulatory requirements and will not reward failure or conduct that is not line with Barclays values and behaviours.

Variable remuneration for all employees is subject to the Barclays Group's malus policy which allows the Board Remuneration Committee to reduce the vesting level of variable remuneration at its discretion in circumstances including, but not limited to, employee misconduct or material failure of risk management. Variable remuneration for MRTs is also subject to the Barclays Group's clawback policy which allows the Barclays Group to clawback any variable remuneration paid to an MRT in certain circumstances.

Pension benefits provided to employees form part of an overall competitive benefits package that is designed to attract and retain talented employees needed to deliver the Barclays Group's strategy. Employees are required to undertake not to use personal hedging strategies or remuneration-related or liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The remuneration policy can be found at pages 104 – 108 of the Barclays PLC Annual Report 2018.

### **3. Reporting**

#### Country-by-Country Reporting

Article 89 of CRD IV requires country-by-country reporting of certain information for the financial year.

Reference should be made to the Barclays PLC Country Snapshot 2018, which can be found at [home.barclays/investor-relations/reports-and-events/annual-reports](https://home.barclays/investor-relations/reports-and-events/annual-reports).

#### Public Disclosure of Return on Assets

Article 90 of CRD IV requires a firm to disclose in its annual report its return on assets.

Details of the return on average total assets can be found in the Barclays PLC Annual Report 2018 – see page 240.