

## Sir Richard Broadbent, Chairman, Board HR and Remuneration Committee

### Remuneration and Compensation

It really is important in a business like ours that we have the best in the world. This for me is one of those important principles in understanding why we pay for performance. We do not pay for failure. We pay in order that we can build wealth for our shareholders and for this country. It really matters to us to align the interests of our employees with the shareholders.

So in our decisions we do make sure, particularly for the more highly paid employees to include a lot of equity in their compensation. Over the last couple of years alone the Executive Directors would have seen a fall in the value of their shareholdings of £60m pounds. And employees in Barclays as a whole would have seen falls of a much higher order than that. I take no pleasure in that. I want the share price of Barclays to be high. But I do want to underline the fact that when we talk about aligning the interests of employees with shareholders we take that very seriously indeed.

So how did we actually go about taking decisions this year? One of the things that I feel is really important is to be clear at the outset what our criteria are for decisions, otherwise there's always a danger of being pushed along by events. So we set ourselves three criteria. The first was to make a robust and fair judgement about the balance of interests of shareholders and fairness towards employees. The second was to make sure that Barclays as a company had enough capital to sustain its business now and to grow in the future. And the third was that, without question, we should be regulatorily compliant.

So how do we go about judging whether our decisions are balancing the interests of shareholders and employees as they should? We need to decide in advance what is the performance we wish to pay for. So we decide what are the metrics we're going to judge by, in terms of the result we want from the business.

We then look at comparative data. What happens in the rest of the industry doesn't determine our decisions, but it does guide us. Clearly we cannot be too far out of line with the rest of the business.

So what were the outcomes this year? Well if I begin at the top, early in the process John Varley, the Chief Executive, and Bob Diamond, the President of Barclays, both came to me and said they did not wish to receive a bonus in respect of 2009. I think that was a courageous personal decision. I think it was an appropriate one. It underlined exactly how we the directors at Barclays and others in Barclays feel about our responsibility in this area and our need to take a lead in the debate.

At the most senior management levels we made sure that a very large proportion of what we paid was deferred into equity and cash. At the most senior levels in the Investment Bank, for example, these levels of deferral were 100%.

It's very important to me that we structure our compensation in a way which encourages responsibility and commitment to the future of the business. I think these outcomes speak quite strongly of the rigour and discipline of our process.