BARCLAYS PLC
Form 6-K
March 30, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13A-16 OR 15D-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

March 30, 2017

**Barclays PLC**

(Names of Registrant)

**1 Churchill Place**

**London E14 5HP**

**England**

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports

under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(1):____

Indicate by check mark whether the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(7):____

**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u> |
|---|---|
| 1 | Barclays PLC Annual Report 2016 |
| 2 | Barclays PLC Strategic Report 2016 |
| 3 | Barclays PLC Pillar 3 Report 2016 |
| 4 | Barclays PLC Notice of Annual General Meeting 2016 |
| 5 | Barclays PLC Letter to Shareholders regarding resignation of PricewaterhouseCoopers as auditors |
| 6 | Barclays PLC Proxy Cards |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARCLAYS PLC
(Registrant)

Date: March 30, 2017

By: /s/ Garth Wright

Garth Wright
Assistant Company

Secretary of

Barclays PLC

# Building the bank

# of the future

Barclays PLC
Annual Report 2016

What s inside this report

## The Strategic Report

**An overview of our 2016 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.**

Completing the restructuring of Barclays



A review of our operational performance



## The Detailed Report

**Within the Annual Report, these disclosures inform of Barclays 2016 performance.**

**The content meets, and where insightful, goes beyond minimal regulatory reporting standards.**

Governance



Risk review



Financial review

For shareholder information and contact details see page 375.

The Strategic Report was approved by the Board of Directors on 22 February 2017 and signed on its behalf by the Chairman.

**Report of the Auditor** The Auditor s report on the full accounts for the year ended 31 December 2016 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors report are consistent with the accounts) of the Companies Act 2006 was unqualified.

**Notes, Non-IFRS performance measures and forward-looking statements** Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements. This document also contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. For full details on Notes, Non-IFRS performance measures, and forward-looking statements used within this document, please see the back cover.

## Chairman s letter

While much is yet to be done, business restructuring

will largely be completed in 2017...

Summary

**Today the Group is smaller, safer, more focused, less leveraged, better capitalised and highly liquid, with the customer at the centre of the business. The sale of Africa, the settlement of legacy conduct matters and the exit of Non-Core will improve this significantly going forward.**

For further information, see **home.barclays/annualreport**

2016 was pivotal for Barclays, which is engaged in one of the largest restructurings in history.

Jes Staley has had an impressive first year. Initially, he set out a new strategic agenda for the Group as a leading UK and transatlantic bank, with the customer at its heart, placing it at the forefront of our industry, and re-embracing banking as a profession.

Under his leadership, the Core business was redefined and reorganised in preparation for structural reform, together with plans to bring its returns above hurdle rates. It was decided to exit Africa and accelerate the reduction in Non-Core. The senior management team was strengthened with key internal and external appointments, and plans put in place to achieve successful structural reform in the UK and the US, as well as a major medium-term initiative to embrace digital technology, to upgrade our systems architecture, to become fully cyber ready and improve our control effectiveness.

While much is yet to be done, including the full transfer of business to the UK ring-fenced bank during the first half of 2018, business restructuring will largely be completed in 2017, and subject to the future impact of a number of legacy conduct issues, this should allow the Group to return to a good and more stable financial performance in 2018, and possibly in the late months of 2017.

The year itself saw external surprises, including the decision by the UK to exit the EU, a consequent decline in Sterling, as well as a new political climate emerging in the UK and the US. We also faced regulatory pressure to increase capital levels, and the need to improve further our control effectiveness and corporate culture.

Notwithstanding such pressures, I m pleased with the progress that we have made. The Group implemented its geographic refocus around the UK and North America, while retaining international coverage for our clients. The business was reorganised into Barclays International (corporate/investment banking and international consumer) and Barclays UK (local consumer, small business, UK wealth and credit cards) in preparation for structural reform and to leverage the core competitive advantages of the Group. New senior management joined in Risk, Corporate and Investment Banking and Operations and Technology, and a new Group Executive Committee was constituted, with Jes investing heavily in its cohesion and effectiveness.

Overall, the Group returned to bottom-line profitability in the year, with attributable profits up £2.0bn and with basic earnings per share of 10.4p. Capital was strengthened, and the Common Equity Tier 1 ratio improved by 100bps to 12.4%. The Cost: Income ratio improved from 84% to 76%.

The Core business had a good year with attributable profit doubling to £3.4bn, together with an equivalent improvement in Return on Tangible Equity to 8.4% and basic earnings per share of 20.5p.

This was offset significantly by the £1.9bn loss (11.3p per share) associated with the run down of Non-Core, which saw its risk weighted assets reduce by 41% to £32bn with transactions announced in France, Italy, Spain, Portugal and in Asia. Given this progress, we now expect the run down of Non-Core to be completed six months earlier than planned, at the end of the first half of 2017. This will leave an anticipated residual £25bn of RWAs that will be re-absorbed by the Core businesses.

A major decision was made to sell down our 62% shareholding in Barclays Africa Group Ltd (BAGL) and the process began with a reduction to just over 50%. This investment became non-viable economically under current regulatory capital rules, and the UK bank levy. BAGL had a reasonable year in 2016, although profits were slightly down on 2015. Our shareholding benefitted from an improvement in the exchange rate and an increase in its stock price.

From these statistics, we can see the merits of improving further the Core return, the elimination of the drag from Non-Core, the sale of Africa, and further progressing the resolution of historical conduct matters.

It is worth stepping back to remind shareholders of the enormous changes that are taking place at Barclays. At our peak in 2008 we had:

§ £2.1trn in assets against £1.2trn today, down over 40% and declining

§ shareholders equity was £36.6bn, and is now £58.4bn, up 60%

§ balance sheet leverage (total assets to ordinary shareholders funds) was a stretched 56 times, and has been reduced to 21 times

§ shareholders capital as a percentage of risk weighted assets was 8.5% and is now almost double at 16%.

Today therefore, the Group is smaller, safer, more focused, less leveraged, better capitalised and highly liquid, with the customer at the centre of the business. The sale of Africa, the settlement of legacy conduct matters and the exit of Non-Core will improve this significantly going forward.

Despite this progress, significant challenges remain. The interest rate and growth environment remains subdued in our core markets. Our Core business overall is still operating below our cost of equity. In the near term, we need to exit Non-Core and complete the sale of Africa at the best financial outcome possible. UK and US structural reform also needs to be implemented, with a major event involving the transfer of business from Barclays Bank PLC to the ring-fenced bank. A number of potentially material legacy conduct matters need to be resolved at acceptable cost. A way forward to capture the opportunity and mitigate the risk of the UK s exit from the EU needs to be found, depending on the final international agreement. Finally, we need to reach our required regulatory capital and desired control levels. I am confident we have the capacity to work our way through these.

Looking forward therefore, a great deal has changed at Barclays and much will change going forward. We are a major full-service player in the UK, have leadership in several important segments and are the digital banking leader. We also have a major corporate, investment banking and cards presence in the US. For example, our cards and consumer and payments businesses there, now produce more revenues than our equivalent UK business. We also retain a focused international presence to serve our customers internationally and bring overseas customers to our core markets.

12.4%

**Common Equity Tier 1 ratio**

2016 CET1 ratio up 100bps vs 2015 (2015: 11.4%)

£58.4bn

**Shareholders equity**

2016 shareholders equity up 7% vs 2015 (2015: £54.5bn)

This foundation gives us a new beginning and subject to the resolution of legacy conduct matters and the satisfactory execution of the near-term agenda. I genuinely believe we can see the light at the end of the tunnel. Restructuring will largely be completed in 2017, and subject to legacy matters, this should allow the Group to return to a good and more stable financial performance in 2018, and possibly in the late months of 2017. This augurs well for completion of the turnaround at Barclays, for future value creation, and at the appropriate time, a reconsideration of the dividend.

I would like to take this opportunity to thank our Board for their contribution to our company. I am also grateful for the enormous progress made by our senior management team, and thank our staff across the organisation for coming every day to serve our customers, without whom we would not have an enterprise. Finally, I would pay respect to our shareholders for their ongoing patience and support.

**John McFarlane**
Chairman

## Chief Executive s review

...positioning ourselves for growth while delivering

a positive impact on society.

Summary

**We will stay wedded to a fundamental principle of finance: earn and maintain the trust of your customers and clients. Just as 327 years ago when we were founded, Barclays will be known for the way in which we do business, the integrity with which we operate, having a positive impact on society, and delivering shareholder value.**

For further information, see **home.barclays/annualreport**

A year ago we laid out our intention to accelerate the restructuring of Barclays and refocus our business as a transatlantic, consumer, corporate and investment bank, anchored in the two financial capitals of the world, London and New York.

I am pleased to report that the strategic actions we have undertaken in 2016 have allowed us to make strong progress against this agenda, including: reorganising our business into Barclays UK and Barclays International; renewing our commitment to operate a leading global corporate and investment bank; reducing our stake in Barclays Africa, over time, to a non-consolidated level; and accelerating the run down of our Non-Core assets.

Barclays UK and Barclays International are doing well, our Corporate and Investment Bank has solidified its position in the bulge bracket, our Non-Core run-down is ahead of schedule, and we expect to close that unit in the middle of 2017. We are also on track to complete the planned sell-down of our Barclays Africa stake to a non-consolidated level in due course. Certain legacy conduct issues remain and we intend to make further progress on them.

In short, we have accomplished a lot in a year, and I am thankful to each and every one of our colleagues who have made this possible. Their efforts mean that, in 2017, we can begin to move on from the restructuring of Barclays, shifting our focus solely to the future, and in particular to how we can generate attractive, sustainable, and distributable, returns for you, our shareholders.

This means increasing management focus on Barclays UK and Barclays International, the future of your firm. Together, they encompass a diverse set of market-leading consumer and wholesale businesses. From retail and business banking operations and our merchant acquiring business in the UK; to our corporate and investment banking and cards businesses in the US. Barclays UK and Barclays International are diversified by product, by customer and client, by currency and by geography. We deliver everything from institutional advisory to international cards and payments; from equity capital markets to corporate lending; from macro markets execution to mortgages.

**We have accomplished a lot in a year, and I am thankful to each and every one of our colleagues who have made this possible. Their efforts mean that, in 2017, we can begin to move on from the restructuring of Barclays, shifting our focus solely to the future, and in particular to how we can generate attractive, sustainable, and distributable, returns for you, our shareholders.**

It is worth noting that just over half of our income in 2016 was from our consumer businesses, and just under half from our wholesale businesses. This balance between the two is a huge strength for Barclays, giving us opportunities for growth across a wide waterfront, and resilience in earnings if one side of the mix comes under pressure. I firmly believe that this model gives us the capacity to generate strong sustainable returns for you, our shareholders, through any cycle, especially with the reinvestment capacity we expect to generate through cost savings from the single core operational foundation that we are building.

Operational and technological strength is going to be a key competitive advantage for any global bank in the future. And so our intent is to build Barclays on a foundation of world class core operations and technology. This will strengthen our core processes, provide our businesses with the ability to use data in new and innovative ways, allowing us to fundamentally rethink the way we run Barclays, and how we serve our customers and clients. Upon this foundation, we can generate efficiency from scale while at the same time ensuring that we deliver world-class customer experience which is key to driving loyalty and long-term growth.

As we complete the restructuring of our bank we will stay wedded to a fundamental principle of finance: earn and maintain the trust of your customers and clients. Just as 327 years ago when we were founded, Barclays will be known for the way in which we do business, the integrity with which we operate, having a positive impact on society, and delivering shareholder value.

We will do that through providing great service, as well as playing our full part in the communities in which we live and work. I am very proud in particular of how, following the EU referendum last June, Barclays continued to be a constructive partner to our customers and clients, and to the Government, as we dealt with the initial impact of that decision.

We stayed truly open for business throughout 2016, lending £3.6bn to small and medium-sized businesses in the UK. We wrote nearly £19bn of mortgages to almost 90,000 households across the country, including to over 18,000 first-time buyers. We processed some £260bn of payments for consumers and businesses in the UK, with £1 in every 3 spent on cards going through our systems. We enhanced our customers experiences, by introducing market-leading innovations like voice security, contactless cash, a new direct investing platform, and our collect cash management service for businesses.

I was particularly proud when we became the first major UK bank to run TV advertising on how people can protect themselves from fraud. We also helped to up-skill 1.7 million people through a range of regional partnerships and our LifeSkills programme. More than 43,000 colleagues also contributed 212,000 hours of time volunteering for a range of charities and causes.

Our people, and their commitment to Barclays customers and clients, are the reason why I have such confidence in our capacity to realise our potential as a company. Regardless of role or location, seniority or business unit, I am continually amazed by the talent that we have within Barclays and the dedication people show to this institution. That dedication is one of the company s strongest assets, and it is because of it that bright years lie ahead for our bank. I look forward to discussing this future with you when we meet at our AGM.

**James E. Staley**
Group Chief Executive

## Operating environment

Our decision making considers developments

in the external environment...

Summary

**As a consumer, corporate and investment bank with operations around the world, Barclays is impacted by a wide range of macroeconomic, political, regulatory and accounting, technological, social and environmental developments. We continue to live in a period of significant change and uncertainty, which requires us to be vigilant in our review and assessment of the operating environment and as nimble as possible in the delivery of our strategy.**

Global economic growth has been modest in recent years and 2016 was characterised by ongoing uncertainty with periods of volatility in global markets and a continuation of the low interest rate environment. A low growth, low interest rate environment makes income growth more challenging.

We experienced significant developments in the global political environment in 2016, including the UK s vote to leave the EU in June and the presidential election in the US in November. Significant policy uncertainty remains around the implications of these events and there is further potential political change in 2017 with several major European countries holding elections. We remain alert to the risks, including those posed by policy-induced disruptions of global trade and investment, as well as the impact of current and potential geopolitical tensions. However, we do not see these events impacting the broad direction of our strategy set out in March 2016 to be a leading transatlantic bank with global reach.

Over recent years a significant objective of change in financial regulation has been to create a stronger banking environment through enhancing capital, liquidity and funding in the sector. A sounder banking environment has been further supported by an increased focus on stress testing, with the UK regulatory authorities completing their third comprehensive stress testing of the sector in November 2016. A key element of the regulatory agenda, known as Structural Reform, requires banks to ring-fence certain activities and these requirements, particularly in the UK and US, were reflected in our strategy update in March 2016. The implementation of these changes requires significant focus and we continue to execute our approach in accordance with regulatory timelines. An additional consideration relates to future accounting changes, specifically the introduction of IFRS9 in 2018 which will see significant change in the accounting for impairment.

Regulatory scrutiny around conduct remains in sharp focus and we continue to embed a conduct-focused culture across the organisation, through the delivery of our strategy, in order to drive positive outcomes for all our stakeholders. We are also working to put legacy conduct issues behind us and the FCA s proposed deadline of the end of June 2019 for PPI complaints, although not yet confirmed, is a significant development.

Technological change continues at pace, significantly impacting customer expectations and leading to the ongoing review of established banking operating models and systems.

**One of the key benefits of digitisation and the growth in mobile banking has been improved customer and client experiences as transactions and interactions become faster and more convenient.**

However, the rapid speed of innovation also presents challenges. We have seen agile, digital players entering the market while new avenues for increasingly sophisticated fraudulent and criminal activity have been created. We continue to develop new technology and invest in digital and mobile capabilities to improve and differentiate our offering, while remaining constantly vigilant to, and investing in, fraud prevention, cyber risk, IT security and the appropriate management of data.

During 2016 there has been activity to further the financial sector s understanding of the potential financial, operational and strategic implications of climate change. In addition, there has been an increase in the level of interest in companies responses to climate change, largely driven by the ratification of the UN Climate Change Conference requirements and publication of draft recommendations by the Financial Stability Board s Taskforce on Climate-related Financial Disclosures for annual reports.

Developments in the external environment present both opportunities and risks. Without active risk management to address these external factors our long-term goals could be adversely impacted. Our approach to risk management and material existing and emerging risks to the Group s future performance are outlined in the Risk Review section on page 137.

## Our business model

we create value for our stakeholders and deliver

broader economic benefits to society

## Our strategy

...where success for us is to be a leading,

diversified, transatlantic bank.

### Summary

**Our goal is to become the bank of choice by providing superior services to customers and clients and supporting our stakeholders via a commercially successful business that generates long-term sustainable returns.**

The strategy of Barclays PLC Group is to build on our strength as a transatlantic consumer, corporate and investment bank, anchored in our two homes markets of the UK and US, with global reach. Our two clearly defined divisions, Barclays UK and Barclays International, provide diversification by business line, geography and customer, enhancing financial resilience and helping to contribute to the delivery of consistent returns through the business cycle. We have a strong core business with exciting prospects, well positioned to deliver long-term value for our shareholders.

Consistent with the objective of delivering long-term sustainable value for all our stakeholders, we have developed our Shared Growth Ambition our approach to citizenship and the sustainability of the business model we operate. The aim is to make decisions and do business that provides our clients and customers, and the communities which we serve, with access to a prosperous future.

The delivery of our strategy is underpinned by the energy, commitment and passion of our people, and we are clear on our common purpose: to help people achieve their ambitions, in the right way. Our shared values inform the way we work and how we act, guiding the choices we make every day.

**Building the Barclays of the future**

In March 2016 we announced the following actions to materially progress our restructuring and lay the foundations for increased stability and improved performance:

§ the creation of two clearly defined divisions, Barclays UK and Barclays International, consistent with the regulatory requirements of ring-fencing in the UK

§ the sell-down of our 62.3% stake in Barclays Africa Group Limited (BAGL) to a non-controlling, regulatory deconsolidated, position

§ a one-time increase to Barclays Non-Core, with a plan to accelerate the run down.

The priorities that emerged from our March 2016 announcement can be broadly summarised as:

§ simplifying our core business

§ accelerating the run down of our Non-Core operations

§ continuing to address our remaining legacy conduct issues and improving our control environment.

**Simplifying our core business**

Our two divisions represent a balanced business mix that we believe helps to enhance our resilience to developments in the external environment, while remaining focused on helping our customers and clients achieve their ambitions.

Barclays UK is our UK consumer and business bank differentiated by scale and proven digital capability. Barclays UK will become the ring-fenced bank for the UK during 2018, providing transactional, lending and investment products and services to over 24 million Personal, Wealth and Business Banking customers and clients. For further information on Barclays UK s performance, please see page 26.

Barclays International is our diversified transatlantic wholesale and consumer bank which will be housed within Barclays Bank PLC, the future non-ring-fenced bank. We seek to compete in markets where we have the competitive advantage and provide best-in-class service to our clients and customers. On 1 July 2016 our US Intermediate Holding Company (IHC) became operational, as part of Barclays International. For further information on Barclays International s performance, please see page 32.

Our objective is to maintain solid investment grade ratings for our rated entities.

Barclays UK and Barclays International will be supported by a Group Service Company, a subsidiary which houses the majority of Barclays Group Functions and the Chief Operating Office, which includes Operations and Technology.

Further details on the structure of the Group under Structural Reform can be found in the Supervision and Regulation section on page 236.

We are also reducing our stake in Barclays Africa Group Limited to a non-controlling, regulatory deconsolidated position, subject to required approvals. Having completed the first sell-down, to 50.1%, in 2016, we expect to continue to reduce our ownership and will execute this change in our investment responsibly.

**Accelerating the run down of our Non-Core operations**

Our Non-Core businesses act as a significant drag on Group profitability and exiting these businesses will enable us to focus on a simplified Group, centred on our key areas of strength. Over the year we have continued to run down our Non-Core business, reducing risk weighted assets and strengthening our Common Equity Tier 1 ratio in the process.

We have made strong progress in executing our strategy and are fully committed to the early closure of Non-Core in June 2017. For further details please refer to the Non-Core Performance Review on page 36.

**Continuing to address remaining legacy conduct issues and improving our control environment**

We are working hard to resolve our remaining legacy conduct matters as soon as is practical, while improving our control environment.

We aspire to be one of the world s most respected and well-regarded banks. We put our customers and clients at the heart of everything we do and seek to strengthen trust in the profession of banking, using transparency and integrity to engender the trust of our customers, clients and wider society.

## Our strategy

where success for us is to be a leading,

diversified, transatlantic bank.

## Risk management

We balance risk against opportunity

### Summary

**Risk management at Barclays is directed and overseen by the independent Risk Management function. The function s primary roles are to define the level of risk taking for the Group in normal and stressed economic conditions and to oversee that business activities are undertaken to be consistent with these levels.**

For further information, see **home.barclays/annualreport**

The Risk Management function is accountable to the CEO and the Risk Committee of the Board. In 2016, Barclays financial condition and our results were subject to various external developments, including market volatility related to the UK s vote to leave the EU in June, as well as reflationary expectations related to the US elections in November. In 2017, we will continue to monitor the external environment, including: macro-economic risks in the UK and Europe, heightened risk of global reflation and the possible end of central bank quantitative easing, as well as ongoing regulatory developments.

Barclays engages in activities which entail risk taking, every day, throughout its business. The firm is vulnerable to credit losses in its lending and banking transactions. It experiences gains and losses from market risk in its traded positions. It is subject to treasury risk (including liquidity, leverage and capital gains or losses) in its financial management. Many important activities are managed and controlled through models, which introduce risk in themselves. Across its business, the firm is subject to operational risks, including from fraud, and process or technology failure. Our reputation is important when it comes to trust in the firm s integrity and competence. In addition Barclays may, in its activities, create conduct risk in relation to its customers, clients and the markets in which it operates. Lastly, Barclays faces the risk of being penalised for not meeting its legal obligations.

The firm sets a risk appetite based on current and anticipated exposures, and views on the evolution of markets and the economy in normal and stressed conditions. In effect, the risk appetite is designed to measure the amount of market volatility and stress the firm can withstand, while still meeting its financial goals and regulatory requirements. This enables the Risk function to set, monitor and enforce appropriate risk limits.

The overall governance of Risk is defined in an Enterprise Risk Management Framework (ERMF), which describes how Barclays identifies and manages risk. The framework defines the Principal Risks to which the firm is subject to (see table overleaf). Model risk, reputation risk and legal risk are newly classified as Principal Risks in the latest version of the ERMF, reflecting the heightened importance of these risk types in the current environment. Other risks may also arise from time to time, for example, the firm is also subject to political and regulatory risks. While these risks are not considered Principal Risks, they are also subject to the principles set out in the ERMF and overseen by Risk Management.

**The firm sets a risk appetite based on current and anticipated exposures, and views on the evolution of markets and the economy in normal and stressed conditions.**

All colleagues have a specific responsibility for risk management under a Three Lines of Defence model. The First Line includes customer and client-facing colleagues and supporting functions. The role of the first line is to identify and manage risks. The Risk and Compliance functions form the Second Line. They set and monitor compliance with the rules and limits needed to stay within risk appetite. Finally, Internal Audit is the Third Line, who provide assurance to the Board on the effectiveness of risk management. The ERMF also sets out Risk governance principles and committee structures. The ERMF is approved by the Board.

Risk management

We balance risk against opportunity

**Principal Risks are overseen by a dedicated Second Line function[a]**

| Risks are classified into Principal Risks, as below | | How risks are incurred/managed |
|---|---|---|
| **Credit Risk** | The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables. | We incur credit risk when we lend money, e.g. to individual customers (including mortgages, credit cards and personal loans), small and medium-sized businesses, loans to large companies; and from derivatives contracts. |
| **Market Risk** | The risk of loss arising from potential adverse changes in the value of the firm s assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations. | We incur market risk via trading activities with clients and via the liquid assets Barclays holds to ensure we can meet our short-term obligations. |
| **Treasury and Capital Risk** | Liquidity Risk: | We can incur liquidity risk in the event of severe financial market disruptions or Barclays idiosyncratic events that impede the bank s ability |

| | | |
|---|---|---|
| | The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.<br><br>Capital Risk:<br><br>The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm s pension plans.<br><br>Interest Rate Risk in the Banking Book:<br><br>The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities. | to secure funding.<br><br>Capital risk is mainly due to large unexpected losses, which can arise, e.g., from economic or market events or fines. Changes in regulations can also affect the assessment of capital adequacy.<br><br>Interest rate risk arises because assets, such as loans to customers, and liabilities, such as deposits, carry different interest rates. Losses can occur when interest rate changes affect the performance of assets and liabilities differently. Interest rates have different impacts on assets and liabilities due to contractual differences, e.g. fixed vs floating interest rate profiles. |
| **Operational Risk** | The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud) where the root cause is not due to credit or market risks. | Operational risks are inherent in the firm s activities, and can arise, e.g. from fraud, process or technology failures. |
| **Model**<br><br>**Risk** | The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. | Model risk is incurred through model misuse and poorly designed/implemented models. |
| **Reputation Risk** | The risk that an action, transaction, investment or event will reduce trust in the firm s integrity and competence by clients, counterparties, investors, regulators, employees or the public. | Reputation risk is managed by maintaining a positive and dynamic culture within Barclays, ensuring that we act with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society. |

| | | |
|---|---|---|
| **Conduct Risk** | The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. | All colleagues are responsible for the management and mitigation of conduct risk. The Compliance function sets the minimum standards that are required to ensure this risk is managed and provide oversight to ensure these risks are effectively managed and escalated where appropriate. |
| **Legal Risk** | The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements. | The Group conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of fines and other sanctions relating to the conduct of its business. The Group General Counsel and the Legal function support colleagues to mitigate legal risk. |

Note

a Legal risk is overseen by the Group General Counsel and the Legal function, which are not part of the Three Lines of Defence.

In 2016, markets experienced three distinct phases of volatility. At the start of the year, fears of a slowdown in China led to a sharp decline in global interest rates and equity markets. Mid-year, closer to home, the UK s vote to leave the EU led not just to volatility in financial markets but also drove a steep decline in Sterling to levels not seen in 30 years. Moreover, the referendum has sparked fears, which still persist, of resultant real weakness in the UK economy. Toward the end of the year, US election results buoyed international equity markets, and sparked rate rises on the anticipation of global reflation. The firm has aimed to prudently manage its exposures to financial markets over the last year, consistent with our risk appetite and engagement in global financial markets. The results of the UK referendum and the US elections will likely be felt over 2017 and beyond, and require continued care in managing the firm s exposures, not just in financial markets but in credit portfolios. In addition to financial risk, the firm continues to monitor its risk processes and operational risks closely.

Focus areas in 2016 have included credit risk, with a management review of the UK and US cards portfolio impairment modelling leading to process enhancements, and operational risk focus areas including technology and information security. The number of well-publicised instances of cyber-attacks and related fraud has been increasing in both scope and size, placing a greater need to increase protection. Barclays also continues to pay careful attention to the management of conduct and reputational risks (please see pages 160 and 161).

**All colleagues have a specific responsibility for risk management under a Three Lines of Defence model.**

The firm continues to respond to evolving regulatory requirements, including in relation to IFRS9, stress testing, UK Structural Reform, and the institution of the Intermediate Holding Company (IHC) in the US. These changes require considerable risk management effort and monitoring (please see material existing and emerging risks outlined in the Risk Review section on page 137). In particular, IFRS9 implementation is expected to result in higher impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments. Finally, in 2016, the firm commenced the re-organisation of the risk management function by legal entity. This is being done in compliance with the requirements of Structural Reform and to support the IHC.

In summary, the scale, complexity and requirements of Risk Management have been steadily increasing since the financial crisis of 2008-2009, and will continue to do so. At the same time, the market and economic environment are showing greater signs of flux, after a relatively long period of improving credit conditions and quiescent volatility. The combination of these factors will likely pose important challenges for Risk Management in 2017.

**C.S. Venkatakrishnan**

Chief Risk Officer

Our key performance indicators

and positive outcomes for our stakeholders

are integral to our long-term strategic success.

Summary

**In 2013, we introduced a Balanced Scorecard to allow delivery of our strategy to be measured over a five-year time horizon. As we are now approaching the end of this period, we believe that a revised approach to measuring financial and non-financial performance, aligned to the strategic update announced on 1 March 2016, is more appropriate.**

**We comment in this section on our performance against the Balanced Scorecard in 2016, and introduce the revised performance measurement framework that we will use going forward to assess progress against our strategy.**

In 2016, the Balanced Scorecard was used by the organisation as part of its performance management framework, to assess our performance against nine specific metrics that were designed to allow progress against our strategy to be measured. These metrics were aligned to five categories: Company, Customer and Client, Colleague, Citizenship and Conduct. In revising our approach to performance measurement going forward, we have kept elements of the Balanced Scorecard consistent, such as the objective of delivering positive outcomes for all our stakeholders and many of the metrics, but broadened the scope of the evaluation to produce a more detailed and informed reflection of how we are delivering against our strategic objectives.

Overall in 2016, the majority of these Balanced Scorecard metrics remained broadly stable, with the exception of our CET1 ratio and the percentage of women in senior leadership, both of which improved. Below you will find a summary of our performance in 2016 against the each of the Balanced Scorecard categories.

**Company:** our financial metrics were revised within the Balanced Scorecard at the beginning of 2016 when we announced our intention to simplify our financial targets for Barclays PLC Group to focus on three key metrics. We aligned our focus to Return on Tangible Equity, from Return on Equity, taking on board the feedback from our stakeholders and aligning ourselves to how many of our peers report their returns. We are also committed to the continued management of our cost base, as a proportion of income, and incorporated Cost: Income ratio as a new metric. Finally, we continue to focus on our CET1 ratio, by driving the capital strength and resilience of Barclays and ensuring a safer bank for all of our stakeholders. Further detail on how we performed against our financial metrics under our revised performance measurement framework can be found on page 19.

**Delivery of 2016 Barclays PLC Group performance against our Balanced Scorecard**

| | **Primary metrics** | | 2014 Actual | 2015 Actual | **2016** | 2018 Target |
|---|---|---|---|---|---|---|
| **Company**[a] | Return on Tangible Equity | Excluding notable items[b] | 5.9% | 5.8% | **4.4%** | N/A |
| | | Including notable items | (0.3%) | (0.7%) | **3.6%** | |
| | Cost: Income ratio[c] | Excluding notable items[b] | 70% | 69% | **72%** | N/A |
| | | Including notable items | 81% | 81% | **74%** | |
| | Common Equity Tier 1 ratio | | 10.3% | 11.4% | **12.4%** | N/A |
| **Customer and Client** | Net Promoter Score (NPS) | | 4th | 4th | **4th** | 1st |
| | Client Franchise Rank (CFR) | | 5th | 5th | **5th** | Top three |
| **Colleague** | Sustained engagement of colleagues score | | 72% | 75% | **75%** | 87-91% |
| | % of women in senior leadership | | 22% | 23% | **24%** | 26% |
| **Citizenship** | Citizenship Plan initiatives on track or ahead of plan | | 11/11 | 10/11 | **8/10** | Plan targets |
| **Conduct** | Conduct Reputation (YouGov survey) | | 5.3/10 | 5.4/10 | **5.4/10** | 6.5/10 |

Note:

a New Company targets were introduced on 1 March 2016. The Adjusted Return on Equity metric was replaced with Return on Tangible Equity and the Cost: Income ratio was introduced.

b Notable items comprise provisions for UK customer redress of £1bn (2015: 2.8bn), a £615m (2015: £nil) gain on disposal of Barclays share of Visa Europe Limited, and an own credit loss of £35m (2015: gain of £430m).

c Cost: Income ratio for the Balanced Scorecard expressed as total operating expenses of the Group, including Africa, divided by the total income of these businesses (both excluding notable items).

**Customer and Client:** despite improvements to our NPS across most consumer businesses, our ranking of 4th relative to our peer group remained the same, as improvements continued across the industry. We focused on making further enhancements to customer journeys and strengthening the level of engagement we have with customers, while continuing to offer innovative products and services that meet their needs. We were pleased that our Client Franchise Rank remained flat on 2015, demonstrating the strength of our banking and markets franchises in our home markets of the UK and US, despite the execution of our strategic realignment announced on 1 March 2016. Further detail on how we delivered positive outcomes for Customers and Clients under our revised performance measurement framework can be found on page 20.

**We remain resolutely focused on creating an environment in which our colleagues feel enabled to fulfil their potential.**

**Colleague:** we saw an improvement in the gender diversity of our leadership, with initiatives to promote diversity proving successful. Our colleague engagement remained constant despite some significant organisational change. We remain resolutely focused on creating an environment in which our colleagues feel enabled to fulfil their potential. Further detail on how we delivered

**Citizenship:** previously, performance was measured against 11 metrics embedded in the 2015 Citizenship Plan, which has now been completed. In June 2016, Barclays launched the Shared Growth Ambition and we have developed new metrics as part of the evolution of our performance measurement framework. 2016 is a transition year in moving to our new approach, with distinct performance frameworks for Barclays Group (excluding Africa) and Barclays Africa.

For Barclays Group (excluding Africa), performance was assessed against six initiatives: three reflecting the new Shared Growth Ambition focus areas of access to financing , access to financial and digital empowerment and access to employment ; and three initiatives that are consistent with the previous Citizenship Plan, namely Barclays Way training , carbon emissions reduction and payment of our suppliers on time . We exceeded our objectives on all six of these initiatives in 2016 (see page 23 for more detail).

Barclays Africa has a Citizenship strategy that is closely aligned, but focused on four regionally specific objectives. In 2016, Barclays Africa delivered strong performance on investment in education and SME financing , both of which were on track for 2016. However, performance on two initiatives in Africa was off-track due to external challenges which impacted the delivery of planned employability and financial inclusion interventions , and resulted in an overall Group score of 8/10 for Citizenship on the Balanced Scorecard.

**Conduct:** our Conduct Reputation measure was flat on 2015, at 5.4/10, as stakeholder audience perceptions weakened slightly across the components of the Conduct measure, with the exception of Has high quality products and services . While below our expectations, positive outcomes for Colleagues under our revised performance measurement framework can be found on page 22.

overall performance on the Conduct reputation measure remains stronger than two of the three prior years and reflects our ongoing commitment to promoting a positive conduct and values-based culture. In 2016, the Group continued to incur significant costs in relation to litigation and conduct matters and resolution of these matters remains a necessary and important part of delivering the Group s strategy, together with an ongoing commitment to improve oversight of culture and conduct. As we transition to our revised performance measurement framework (see page 18 for more detail), how we behave through our conduct and culture underpins our objective of achieving positive outcomes for all our stakeholders and is embedded across the organisation.

**Supporting the UK economy**

Barclays added £8.5bn[a] in economic benefit to the UK through our employment, supply chain and purchasing power, which creates a positive ripple throughout the economy. This is a bigger benefit than the entire UK pharma, IT or aviation industry.

Note

a From April 2015 to March 2016.

Our key performance indicators

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## Revised performance measurement framework

**Evolving our approach to measuring progress towards our strategic goals and delivering positive outcomes for all our stakeholders.**

In line with our objective of delivering a simplified bank, focused on delivering long-term sustainable value for all our stakeholders through the strategic actions announced on 1 March 2016, we are now evolving our approach to performance measurement to reflect better the way in which management monitors the performance of the Group. The framework incorporates a balance of key financial performance metrics, while broadening our approach to strategic non-financial measures, and represents an evolution from the Balanced Scorecard that has been used since 2013.

Our revised approach retains a similar focus on achieving positive outcomes for our key stakeholders. However, rather than focusing on a few narrowly defined targets to measure our performance, the revised approach allows for a more holistic assessment, and provides a better reflection of our progress towards the strategic goals of the organisation.

**The revised approach will support the sustained delivery of our strategy over the medium to long-term and will influence executive remuneration from 2017. Our strategic success is intrinsically linked to the positive impact we have on all our stakeholders and society as a whole.**

## Financial performance metrics

The financial metrics are aligned to Barclays PLC Group Financial Targets: Group Return on Tangible Equity (RoTE) to converge with Core RoTE; Cost: Income ratio below 60%; and CET1 ratio 150-200bps above the minimum regulatory level, and will be reported quarterly as part of our financial results. Achieving these three targets within a reasonable timeframe is consistent with our aim of generating long-term sustainable returns for the shareholders of Barclays PLC Group.

## Strategic non-financial performance measures

Non-financial measures remain an important element of how we evaluate our strategic performance, in achieving our ambition of delivering a sustainable business for all our stakeholders. We focus on the impact we make on our customers and clients, colleagues, and the benefit we bring to society via our new citizenship strategy our Shared Growth Ambition. These measures are underpinned by how we behave towards all our stakeholders, through our conduct and our culture.

To assess our performance, we draw on a broad range of information sources that are aligned to our management reporting framework, including internal management reports and external measures, ensuring a balanced view. As our management reporting framework develops, the sources may also evolve, but we will retain a consistent approach, with quantitative and qualitative evaluation to provide context to the performance assessment.

## Financial performance metrics

**Key outcomes we will look to achieve include:**

Achieving Barclays PLC Group financial targets within a reasonable timeframe, consistent with our aim of generating long-term sustainable returns for the shareholders

**How we measure success**

Current financial targets that we aim to achieve within a reasonable timeframe:

§ Group Return on Tangible Equity (RoTE) to converge with Core RoTE

§ Cost: Income ratio below 60%

§ CET1 ratio 150-200bps above the minimum regulatory level.

**How and why we are renewing our approach**

On 1 March 2016, we set out three financial targets to allow shareholders to track our progress towards our strategic objectives. Our revised approach aligns our financial performance metrics to the Barclays PLC Group targets, which are reported quarterly in line with our financial results.

**How we are doing**

3.6%

**Group Return on Tangible Equity**

(2015: (0.7%))

8.4%

**Core Return on Tangible Equity**

(2015: 4.8%)

RoTE measures our ability to generate acceptable returns for shareholders. It is calculated as profit after tax attributable to ordinary shareholders, divided by average shareholders equity for the year, excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill.

Group RoTE increased to 3.6% (2015: (0.7%)) predominately reflecting the significantly lower impact of notable items in 2016, as profit before tax increased 182% to £3,230m. Notable items totalled a net loss before tax of £420m (2015: £3,330m) comprising provisions for UK customer redress of £1,000m (2015: £2,772m), a £615m (2015: £nil) gain on disposal of Barclays share of Visa Europe Limited and an own credit loss of £35m (2015: gain of £430m). Excluding notable items, Group RoTE was 4.4% (2015: 5.8%).

Core RoTE increased to 8.4% (2015: 4.8%), or 9.4% (2015: 11.2%) excluding notable items, on an average tangible equity base that was £4.2bn higher at £41.0bn. While we expect Group and Core RoTE to converge over time, Group RoTE in 2016 was significantly impacted by the loss before tax of £2,786m (2015: £2,603m) incurred by Non-Core as its run-down was accelerated.

76%

**Cost: Income ratio**

(2015: 84%)

Cost: Income ratio measures operating expenses as a percentage of total income, and is used to gauge the efficiency and productivity of our business.

Group Cost: Income ratio reduced to 76% (2015: 84%) primarily as a result of lower litigation and conduct charges, as total operating expenses declined 12% to £16,338m. Group Cost: Income ratio, excluding notable items, was 73% (2015: 70%), with the increase primarily driven by negative income in Non-Core reflecting the acceleration of the run-down. Core Cost: Income ratio, excluding notable items, was 61% (2015: 62%), as Core income increased by 7% to £22,035m, while total operating expenses increased by 6% to £13,507m. We are on track to achieve our Group target of below 60% over time.

Our key performance indicators

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12.4%

**Common Equity Tier 1 (CET1) ratio**

(2015: 11.4%)

The CET1 ratio is a measure of the capital strength and resilience of Barclays. The Group s capital management objective is to maximise shareholder value by prudently managing the level and mix of its capital to: ensure the Group and all of its subsidiaries are appropriately capitalised relative to their minimum regulatory and stressed capital requirements; support the Group s risk appetite, growth and strategic options, while seeking to maintain a robust credit proposition for the Group and its subsidiaries.

The ratio expresses Barclays capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of Capital Requirements Directive IV (CRDIV - an EU Directive prescribing capital adequacy and liquidity requirements), and is part of the regulatory framework governing how banks and depository institutions are supervised.

The Group s CRD IV fully loaded CET1 ratio increased to 12.4% (2015: 11.4%) due to an increase in CET1 capital to £45.2bn (2015: £40.7bn), driven largely by profits generated during the year. This was partially offset by an increase in RWAs to £366bn (2015: £358bn), driven by the appreciation of US Dollar, Euro and South African Rand against Sterling.

We have increased our expected end-state management buffer from a 100-150bps range to 150-200bps above the minimum regulatory level, providing 400-450bps buffer to the Bank of England stress test systemic reference point. On this basis we currently expect our end-state CET1 ratio to be in a range of 12.3-12.8% and we remain confident in our capital trajectory.

For full details of our financial performance,
please refer to the financial statements from page 267.

## **Strategic non-financial performance measures:** Customer and Client

**Key outcomes we will look to achieve include:**

§ Building trust with our customers and clients, such that they are happy to recommend us to others

§ Successfully innovating and developing products and services that meet their needs

§ Offering suitable products and services in an accessible way, ensuring excellent customer and client experience.

**How we measure success**

Progress towards these outcomes is informed by a number of sources including internal dashboards, regular management reporting materials and external measures, ensuring a balanced review of performance. Evaluation includes, but is not limited to:

§ Net Promoter Scores (NPS)[1]

§ Client rankings and market shares

§ Complaints performance

§ Lending volumes provided to customers and clients.

**How and why we are renewing our approach**

These measures build on the previous Balanced Scorecard metrics for Customer and Client, defined as Relationship NPS and Client Franchise Rank. Our revised approach allows for a broader consideration of how well we are serving our customers and clients, including our complaints performance and the volume of lending we have provided to support consumers and businesses, as well as examples of innovation.

**How we are doing**

In 2016, we focused on delivering excellent customer and client experience, by offering innovative products and services to meet their needs in an appropriate and accessible way, while also promoting fair, open and transparent markets. Although our NPS increased across many of our businesses, customer expectations also continued to increase, meaning continual improvements to our customer journeys across our businesses are necessary. And while the repositioning of our CIB involved challenging strategic choices to reduce our activities in certain products and geographies, our client rankings and market shares demonstrate the strength of our proposition in our home markets of the UK and US. Complaints reduction remains a priority and we have more work to do, as can be seen from our position in the FCA complaint tables in the UK[2]. This is a key focus area for management as part of our ongoing commitment to improve our oversight of conduct.

**Net Promoter Scores[1]**

Relationship NPS (RNPS) across Barclays UK in 2016 reached a high of +13, an increase of 6 points compared to 2015, with more customers advocating our brands across key product categories, notably UK current accounts and UK credit cards. The continuous improvements we made to customer journeys through automation, digitisation and omni-channel capabilities were reflected in an average increase of five Transactional NPS (TNPS) points, with particularly strong scores in Barclays Mobile Banking and Pingit. Our Barclaycard International business also continued to have strong RNPS, driven by a clear focus on advocacy and improvements in our products and digital experience. Despite minor improvements to our NPS in business banking, we are intently focused on improving customer experience in 2017 to meet and exceed industry benchmarks. We are placing particular focus on our TNPS for business banking telephony and complaints, which are below expectations.

**Client rankings and market shares**

In Barclays International, within the Corporate and Investment Bank, we ranked in 2016: 5th by fee share, up from 6th in 2015, across our UK and US home markets in M&A, equity and debt capital markets and syndicated loan transactions (Dealogic) and 4th based on 2016 Global Fixed Income market share (Greenwich Associates). Among our largest UK corporate clients, 90% considered the service they receive from Barclays to be good, very good or excellent, broadly stable with 2015 (Charterhouse[3]).

**Complaints**

Underlying complaint volumes in Barclays UK reduced by 11% as a result of our ongoing focus on improving customer journeys. However, with PPI complaints increasing by 16%, total Barclays UK complaint volumes were up 1% year on year in 2016. Barclays International complaints increased 8%, mostly in our consumer business, driven by 6% growth in US credit card average open accounts, although complaints per account still remain close to an all-time low.

**Lending volumes**

Barclays is an important provider of financial services to UK businesses we provided around £70bn of loans, up 6%, and just over £3.6bn to SMEs, demonstrating our commitment to supporting growth in the UK. We also extended or renewed mortgage facilities worth nearly £19bn, up 8% year on year, to nearly 90,000 UK households. Building on the success of our digital consumer loan offering to existing customers, we recently became the first UK bank to offer instant business lending via a mobile app. And we processed one third of all payments made in the UK, through customer spending and our merchant acquiring network.

**In 2016 we focused on delivering excellent customer and client experience, by offering innovative products and services to meet their needs in an appropriate and accessible way.**

**Making customers and clients lives easier**

We are making our customers and clients lives much easier through pioneering innovation. For example, Barclays will be the first UK bank to offer a contactless mobile withdrawal service of up to £100 with the tap of a smartphone. We also launched our new online direct investing service (Smart Investor) and are the first high street bank to provide fully integrated banking and investments via online banking. Barclaycard also continued to lead in innovation, being the first of our competitors to launch a proprietary contactless Android capability through its app.

We also offered initiatives to help high-growth businesses flourish for example, our Barclays Eagle Labs provided innovation hubs for pioneering businesses in bank branches around the UK (see case study on page 28). Our UK credit cards Specialist Support team won the Vulnerable Customer Support Initiative Award at the 2016 Collections and Customer Service Awards; testament to the significant work we have done to provide the best possible experience to customers in difficult situations.

Our customers and clients are at the heart of our purpose and strategy. For further information on our customer propositions provided via our two core divisions, Barclays UK and Barclays International, please refer to pages 26 to 35.

Notes

1 NPS is a ranking widely used in banking and other industries that facilitates comprehensive benchmarking and identifies best practice. Relationship NPS is measured at a business level, whereas Transactional NPS is measured for key customer journeys.
2 FCA reporting methodology changes were implemented for the second half of 2016, with reporting to commence from the end of February 2017.
3 Charterhouse Research Business Banking survey, 804 interviews with businesses in the UK turning over £25m-£1bn in 2016. Data is weighted to be representative of the UK business market. Percentage rating for overall service of bank named as main bank.

Our key performance indicators

and positive outcomes for our stakeholders

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**Strategic non-financial performance measures:** Colleague

**Key outcomes we will look to achieve include:**

Promoting and maintaining:

§ A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential

§ Engaged and enabled colleagues

§ A positive conduct and values-based environment.

**How we measure success**

Progress towards these outcomes is informed by a number of sources including internal dashboards, regular management reporting and external measures, ensuring a balanced review of performance. Evaluation includes, but is not limited to:

§ Diversity and Inclusion statistics

§ Employee sustainable engagement survey scores

§ Conduct and culture measures.

**How and why we are renewing our approach**

These measures build on the previous Balanced Scorecard Colleague metrics, the sustainable engagement of colleagues and proportion of women in senior leadership. Our revised approach allows for broader consideration of the extensive initiatives at Barclays that promote a diverse and inclusive environment where colleagues are engaged and enabled, while maintaining a positive conduct and values-based culture.

**Although this is evidence of good progress, we continue to strengthen our gender pipeline and enable women to fulfil their career aspirations.**

**Supporting our employees**

We provide 2m hours of training to our employees.

**How we are doing**

In 2016, we received positive external recognition for our work towards promoting a diverse workforce, with initiatives ongoing across each of our diversity pillars. At the same time, engagement of our colleagues remained stable overall, with opportunities identified to enable our colleagues to deliver excellent performance. We also made solid progress in embedding a positive conduct and values-based environment which will continue to evolve into 2017 and beyond.

For further information on our People, please see page 95.

**Diversity of our workforce and inclusion of our colleagues[a]**

In 2016 we remained committed to increasing the diversity of our workforce, with increased female representation at all levels remaining a key focus on our Board this remained at 31% (2020 target of 33%). Across our senior leadership, female representation was 24% (2018 Women in Leadership goal of 26%). Following the recommendations from the Hampton Alexander Review, from 2017, we will publish the combined number of women on the Group Executive Committee and their direct reports, which was 25% at the end of 2016 (2020 target of 33%). In addition, in 2016 we increased female graduate hires to 39% from 31% in 2014.

Although this is evidence of good progress, we continue to strengthen our gender pipeline and enable women to fulfil their career aspirations, through activity such as: the 2016 Barclays Global Women in Leadership summit, promoting Dynamic Working, our Encore! Returnship Programme, our HeForShe campaign and the Barclays Women s Initiatives Network.

The other pillars of our global Diversity and Inclusion strategy are:

§ **Disability**: Barclays Able to Enable Apprenticeship Programme launched in 2016 along with the Business Disability Forum awarding Barclays a score of 98%, the highest company rating in the history of the index

§ **LGBT**: Our Spectrum Allies programme includes over 7,000 colleagues supporting our LGBT agenda

§ **Multicultural**: 30% of our apprentices identify as Black, Asian and Minority Ethnic, 19% points above the national apprenticeship average

§ **Multigenerational**: Barclays Armed Forces Transitioning, Employment and Resettlement (AFTER) programme with nearly 400 ex-military hires since 2010.

External recognition from organisations such as Stonewall, The Times Top 50 Places to Work for Women, 100% on the Human Rights Campaign Corporate Equality Index and a Working Mother Media s Top Employer for Women, confirms the progress we have made. In 2017, we will focus on our multicultural agenda through the launch of our Embracing Us Campaign and partnerships with organisations including the Wall Street Project and Race for Opportunity.

Note

a Under Companies Act 2006, we are also required to report on the gender breakdown of our employees and senior managers a narrower scope than our Women In Senior Leadership definition. Of our global workforce of 119,300 (60,100 male, 59,200 female), 756 were senior managers (531 male, 225 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior Managing Directors, and directors on the boards of undertakings of the Group, but exclude individuals who sit as directors on the Board of the Company.

**Engaged and enabled colleagues**

Engaged employees are critically important as they are more likely to remain at and recommend Barclays, and deliver beyond the day to day requirements of their role. By promoting internal mobility and career development, we hope to not only attract talented individuals, but retain them. In 2016 we launched our Apply Within internal mobility campaign, increasing our rate of internal hiring to 48%, from 37% at the end of 2015 (excluding Africa).

This year our annual Your View employee opinion survey became a quarterly pulse survey (excluding Africa) allowing for more real-time feedback on how it feels to work at Barclays. At the end of 2016, sustainable engagement of our colleagues remained stable at 75%. Areas of particular strength from the survey included: colleagues feeling proud of the contribution Barclays makes to the community and society (88% favourable, up 3% points on 2015) and employees feeling respected regardless of their job (83% favourable, up 4% points on 2015).

Areas of opportunity include removing the obstacles people face in doing their jobs well and ensuring people have the necessary tools and resources to achieve excellent performance (both 52% favourable). To address this we continue to look at ways to improve the simplicity and efficiency of our systems, tools and resources to drive a culture of excellence.

**A positive conduct and values-based culture**

Fostering the right culture at Barclays is critical to our success and we continue to build a positive conduct and values-based culture through initiatives aimed at strengthening the profession of banking. The Let s talk about how performance management campaign, launched this year, supports the behaviours that underpin our values and reinforces the importance that we place on measuring and rewarding both what our employees deliver and how they deliver.

During 2016, we developed a culture measurement framework, anchored in our values, to manage and measure progress in embedding a positive conduct and values-based culture. The initial results demonstrate that we have been particularly successful in continuing to embed Stewardship and Integrity through focus on innovation and citizenship and by creating an environment where colleagues feel increasingly safe to speak up (81% favourable, up 6% points on 2015); and are unafraid to report unethical behaviour (first reported outcome 86% favourable). In addition, Service and Respect remain strong with 83% of colleagues agreeing with the proposition that Barclays is truly focused on achieving good customer and client outcomes and 89% of colleagues agreeing that Leaders at Barclays support diversity in the workplace . Excellence remains our biggest opportunity for improvement with 36% of colleagues agreeing that Barclays has been successful in eliminating obstacles to efficiency .

**Strategic non-financial performance measures:** Citizenship

**Key outcomes we will look to achieve include:**

§ Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future, through our Shared Growth Ambition

§ Proactively managing the environmental and societal impacts of our business.

**How we measure success**

Progress towards these outcomes is informed by an assessment against our Shared Growth Ambition. These are supplemented by internal dashboards and external measures. Evaluation includes, but is not limited to:

§ Delivery against our Shared Growth Ambition

§ Colleague engagement in Citizenship activities

§ External benchmarks and surveys.

**How and why we are renewing our approach**

Since 2012, we have measured progress against initiatives in our four-year Citizenship plan. In June 2016, we launched our new plan, the Shared Growth Ambition.

**Our long-term aim is to create and grow a collection of products, services and partnerships that improve the lives of people in the communities which we serve, while providing the commercial return our shareholders deserve.**

We are moving away from setting narrow targets for our Shared Growth Ambition, as we focus more on impact and use a broader range of quantitative and qualitative indicators to assess performance. We will continue to have targets for carbon emissions reduction and training on the Barclays Way. We aim to enhance the impact of our Shared Growth Ambition over time and may expand our assessment to include additional measures in future years.

**LifeSkills**

Since 2013, 3.6m young people

have participated in the

programme, gaining real-world

experiences for a better future.

## Our key performance indicators

and positive outcomes for our stakeholders

are integral to our long-term strategic success.

**How we are doing**

We exceeded our own objectives on all six initiatives in the first year of our Shared Growth Ambition. Performance was ahead of plan against our internal milestones for three initiatives around access to financing , access to digital and financial empowerment and access to employment . We also exceeded our 2016 targets for Barclays Way training, carbon emissions reduction and payment of suppliers on time.

**Access to financing:** We continued to deliver innovative financing solutions for areas including renewable energy, water and low carbon technologies; social infrastructure; development institutions; and small business financing. Barclays delivered £21.1bn in financing for selected social and environmental segments across our business lines. This included a range of green bond transactions for corporate, supranational and municipal clients as well as lending facilities for renewable energy projects. For further information, please see our Environmental, Social, Governance (ESG) Supplement 2016 available at home.barclays/annualreport

**Access to financial and digital empowerment:** Inclusive financial systems are key to achieving economic and societal progress, but there can be several barriers to access. We believe digital offerings can help break down these barriers. We helped empower around 249,000 people in 2016 through initiatives such as Barclaycard Initial for those with a limited credit history; our Digital Eagles network, who are specially trained Barclays employees working to provide free technology support to customers and non-customers; and the continued development of learning platforms such as Financial Wings and Digital Wings.

**Access to employment:** In the 21st century new jobs are increasingly coming from fast-growing small businesses and entrepreneurs, which require support to scale up. Barclays is committed to working on both the supply and demand side enhancing supply by helping people gain access to skills, and facilitating demand by supporting entrepreneurs to drive job creation. We helped upskill over 1.7 million people in 2016, driven by a range of regional partnerships and our LifeSkills programme. We also launched Unreasonable Impact in partnership with Unreasonable Group, focused on scaling ventures that solve environmental and societal problems. The first cohorts in the UK started in September and in the US in November 2016, with Asia launching in 2017.

**Business conduct and environmental impact**

The Barclays Way outlines the Purpose and Values which govern our way of working across our business globally. It constitutes a reference point covering all aspects of colleagues working relationships. 99.6% of our colleagues completed annual training on The Barclays Way in 2016 (Target: above 97%).

We reduced carbon emissions by 15.8% against the 2015 baseline, making good progress against our new target of 30% reduction by 2018. We also achieved 88% on-time payment by value to our suppliers (Target: 85%).

**Engaging our colleagues**

Our people are Barclays greatest ambassadors, contributing time, skills and expertise to create a positive and sustainable societal impact. In 2016 more than 43,000 colleagues participated in a range of causes, contributing over 212,000 hours, donating a total of almost £25m, including Barclays matched funding.

**We reduced carbon emissions by 15.8% against the 2015 baseline, making good progress against our new target of 30% reduction by 2018.**

**Benchmarking our performance**

In 2016, we improved our performance and maintained membership of both the Dow Jones Sustainability Index series, where our score increased by 2 percentage points to 84%, and the FTSE4Good Index series, with an absolute score of 3.9/5, up from 3.6 in 2015.

Further detail on policies, including Barclays Group Statement on Modern Slavery, can be found on our website at **home.barclays/citizenship**

We also provide disclosures on key initiatives aligned to the Global Reporting Initiative guidelines, in the Environmental, Social, Governance (ESG) Supplement 2016 available at home.barclays/annualreport

Summary

**Our aim at Barclays UK is to help people move forward. We do this by creating meaningful relationships with our customers, offering them relevant products and services, and by using our leading data and analytic capabilities to ensure suitability and delivery of excellent customer experience.**

**During 2018, Barclays UK will become the ring-fenced bank for the UK, continuing to provide transactional, lending and investment products and services to over 24 million Personal, Wealth and Business Banking customers and clients, via a separate legal entity.**

Ashok Vaswani is the CEO for Barclays UK and has spent the last seven years with Barclays in a variety of roles following an extensive career at Citigroup. Ashok represents Barclays as a Non-Executive Director on the Board of Barclays Africa Group Limited and is a member

**Market and environment in which the division operates**

2016 was a year in which a number of significant events took place, such as the UK s vote to leave the EU and the presidential election in the US both of which impacted our customers and our operating environment.

In addition, the UK retail banking environment is increasingly competitive and dynamic, and is experiencing significant regulatory and technological change. The speed of change and innovation is expected to continue to accelerate with the introduction of new data regulations, such as the Open Banking Standards. Unfortunately, we are also seeing significant growth in sophisticated cyber-fraud.

Customer expectations are also increasing. Our customers want prompt responses to their banking requirements. They want their transactions to be accurate and efficient, yet still have that personalised support during key moments in their lives.

Barclays UK has a tremendous opportunity to grow our business and generate sustainable returns by building meaningful relationships with the 24 million customers we currently do business with. By innovating and harnessing technology we are able to provide simple and relevant solutions for our customers and clients, build sustainable revenue flows, structurally remove cost and of the Board of Directors of Telenor ASA. He also sits on the advisory boards of a number of institutions such as Citizens Advice, FICO, Rutberg & Co and is Founder Director of Lend-a-Hand, a non-profit organisation focused on rural education in India.

achieve prudent, balanced growth within our risk appetite.

We achieve this through:

§ leveraging our data capabilities to identify when our customers need solutions e.g. SmartBusiness, our first big data product providing SMEs with key information, metrics and insights to help them grow their business

§ enhancing functionality on mobile and internet banking to enable customers to undertake all their routine transactional banking quickly and easily. Over 9.5 million of our customers are digitally active

§ building the Direct Bank. We have built capabilities, such as voice recognition and video banking, which allow us to interact with our customers 24/7, increase capacity, and have more meaningful interactions with our customers

§ tailoring services, such as pre-selecting existing banking customers for a Barclaycard, providing instant digital fulfilment and personalised experience through Barclays Mobile Banking

§ providing fully-integrated banking and investments with new, sophisticated digital platforms with a range of helpful tools, planners and information to help customers make informed decisions and take control of their investments

§ giving customers and clients market data they need to make personalised choices across business, property, education or investment  by using our annual Barclays UK Prosperity Map or through our Unlock Britain campaign

§ keeping our customers and clients safe with increased focus and investment in tackling cyber-fraud.

We are also leading the digital revolution with our colleagues, working hand in hand with our communities, and helping our customers feel comfortable in the digital environment by introducing them to our Digital Eagles and our Digital Wings initiatives.

Barclays UK provides diversification to the Group with our balance of products and services in the UK banking sector. This diversification helps protect revenue flows in the changing environment, and allows us to remain close to our customers for all their banking needs.

**Risks to the operating model**

We monitor the market environment closely in particular the effect of low interest rates, the expected growth in credit and unsecured lending, and adjust our financial and economic assumptions in a considered manner. As a large UK retail bank, we are cognisant of the credit risk faced through our lending. Our conservative risk profile for lending through products such as mortgages and credit cards, is continually monitored to ensure our exposure is aligned to our risk appetite.

Barclays UK is the largest contributor to margin-led income for the Group. Our focus on pricing discipline, reflected in our stable net interest margin in recent years, and our structural hedge programme investing in interest rate swaps to provide a smoothing effect on interest rate step changes have both provided protection against adverse changes in the interest rate environment in 2016, and will continue to do so going forward, albeit the beneficial impact of the structural hedge will decline over time.

We are committed to ensuring continued growth of the UK business, and are developing our product offering and services to suit customers needs, in their local environments. We understand the challenges posed by significant technological change and know it is essential that we stay relevant and provide up-to-date solutions for our customers. The pace of development also means a changing set of risks; from data integrity to continuity of service. We ensure our contingency systems are pressure-tested to ensure there is no disruption to customer service. Cyber-risk is a continuing concern, and we have invested heavily in cyber-crime prevention, working very closely with the UK government and other providers to create a secure digital environment.

This year, we launched automated valuations for home purchases, shaving four to five days off processing time and transforming both the colleague and customer experience. We ve also introduced Mortgage Agreement in Principle in 338 branches, allowing a customer to obtain a mortgage decision in less than 15 minutes. We are also offering bespoke mortgage products for Premier customers. Overall, our mortgage business is seeing significant sustainable growth.

We have focused on automating the end-to-end customer journey across all parts of our business, which is resulting in improved customer experience, reduced costs and a double-digit drop in customer complaints. We have made it easier for business clients to open accounts and borrow money from us with digital on-boarding, the Solicitor Portal a dedicated portal for managing the end-to-end business lending journey and pre-approved limits. Business Instant Lending has reduced cycle times for customers requesting unsecured loans of less than £25,000, from five days to a matter of minutes.

We have also launched an exciting new product for SMEs. SmartBusiness is a data analytics tool that allows a business to know its monthly sales, annual debit card transactions, year-on-year sales, or average transaction values in a simple snapshot, using all of our debit card and credit card data for that business. We believe providing these analytics to small businesses will help move their business forward.

We want to ensure we can put past conduct issues behind us, and have continued to de-risk and simplify our product portfolio.

You can read more about changes in regulation, and risks to the business in the Risk section and the Supervisory and Regulation sections in the Annual Report.

**Business highlights**

One of our highlights of 2016 has been the creation of Barclays UK and an even greater focus on transforming how we interact with our customers and use data to identify opportunities to meet their needs.

In 2016, Barclays UK RoTE excluding notable items was 19.3% (2015: 21.1%), as profit before tax decreased 5% to £2,587m driven by an increase in credit impairment charges, partially offset by a reduction in total operating expenses. Including notable items, reflecting provisions for UK customer redress, RoTE was 9.6% (2015: (0.3%)). We have seen strong deposit growth, a stable net interest margin and prudent growth in loans and advances, focused on remortgage and lower loan-to-value segments, and unsecured loans to existing customers.

We now have 5.7 million registered users on Barclays Mobile Banking. On average, customers come into our mobile app 31 times a month, an indication of deep engagement.

Barclays UK operational model

We are delivering on significant opportunities in UK Cards, both by providing credit cards to existing current account customers, leveraging what we have learnt in digital delivery of consumer lending, and by extending programmes like SmartSpend and Features Store to all UK Cards customers.

Pingit, our app where you can undertake a transaction whether or not you are a Barclays customer, now has 3.2 million registered users. Its companion app is our reference tool, Cloudit, which allows all correspondence with the bank to be stored on a customer s personal cloud.

We are the only bank in Europe to have launched video banking, rolling it out at scale, and encrypting the process. And we re the first bank in the UK to introduce contactless cash a completely new way for our customers to withdraw cash, using contactless technology.

We have made significant changes to our business in 2016, and I am confident that in 2017 we will continue on our path of innovation and growth.

**Ashok Vaswani**

CEO, Barclays UK

Barclays UK

## Personal Banking

### Summary

**Personal Banking provides simple and transparent banking products to around 16 million customers, helping them to anticipate and fulfil their financial needs. This can range from opening a first bank account as a young person to managing finances in retirement, or from everyday insurance to buying a home.**

**A core element of our Personal Banking business is to use technology to automate transactions, enabling us to interact with customers about what is important to them, when and how they want.**

The scale and reach of Personal Banking offers a unique opportunity to help people move forward, with confidence, in an increasingly dynamic and changing financial environment.

We are continuing to transform our customer experience, by building innovative technology to make banking easier. This more efficient technology also allows our colleagues more time to spend with customers, all of which positions us well for the future.

Our focus is, therefore, on delivering an outstanding experience for our customers, our colleagues and the communities in which we operate. We believe in building relationships that show we understand individual and collective circumstances to such a degree that we can provide a solution that is both relevant and meaningful. We offer choice and flexibility in how to meet the different needs of our diverse customer base and we are proud to be the first UK bank to launch voice security and secure video banking.

Discovering the value of connecting customers with other people within their communities has proved to be a great success. Our branches are providing spaces for Incubators and Barclays Accelerator projects, for Digital Eagle sessions and also Eagle Labs not only educating customers on new and different technologies, but providing them with space to meet, collaborate, network and build on ideas.

Our innovative technology is industry leading and we are award-winners for our work on intuitive products and ways of banking that suit customer needs. Launching such a broad combination of products, services and convenient ways to conduct everyday banking has meant, however, that we continue to see counter transactions decline. Nevertheless, we have evolved our physical estate and invested in areas such as Newcastle, with our new city centre branch, and also redesigned our Fenchurch Street and Hanover Square branches in London, to better suit the banking needs of the communities there. Our highly-automated consumer lending business to existing customers is growing fast, making Barclays the biggest digital unsecured personal lender in the UK.

Significant improvements have been made to the customer experience, by looking at the end-to-end experience from our customers viewpoint. This is an ongoing programme, but has already resulted in a double-digit drop in customer complaints, as well as helping to lower costs and improve control.

Rewarding customers loyalty has been a focus for 2016. Blue Rewards, including cashback, Premier Exclusives and the launch of welcome gifts for first-time homebuyers, are good examples of this. We wanted to create moments that stand out for our customers, and to make their lives easier by simplifying our processes. This supports our ambition to build better relationships with our customers at all levels.

**We are continuing to transform our customer experience by building innovative technology to make banking easier.**

We have improved the support we offer the communities we serve, making it easier for students and young professionals to open an account. In addition, we are continuing our support to military personnel to improve their access to banking.

We are creating an environment for our colleagues that inspires them to be passionate and empathetic and that makes them feel empowered to find solutions for our customers in turn, helping our customers move forward and achieve their financial ambitions.

Barclaycard Consumer UK

Summary

**Barclaycard Consumer UK is a leading credit card provider in the UK.**

**We are a responsible lender and help consumers fund purchases by providing credit based on their credit history, ability to afford credit and our risk appetite. We enable consumers to pay in the way that suits them by card, online, mobile or using a wearable device, including Barclaycard Contactless Mobile and Apple Pay.**

**We are customer focused and invest in people, processes and future technologies in order to continue to play a leading role in the industry and help our customers move forward every day.**

In 2016, Barclaycard celebrated its 50th anniversary, having launched the first credit card in the UK in 1966. We have been responsible for many firsts from company credit cards through Chip & PIN to contactless, mobile payments and most recently our range of wearable payment options. As Barclays is the only major UK card issuer and payment acceptance provider, we are in a unique position to shape the payments landscape, make businesses more successful and give people greater control over their money.

In UK Cards, we offer three core credit card products. Our Barclaycard Initial credit card is aimed at customers who are looking for a first credit card, or have a limited credit history, and helps them to build a credit profile. Our Barclaycard Platinum card offers promotional savings on balance transfers and purchases for borrowers with good credit history. Alternatively, shoppers can earn reward points everywhere they shop with our Barclaycard Freedom Rewards credit card. All our products are underpinned by terms and conditions that have received the Plain English Crystal Mark.

Every Barclaycard comes with additional features and benefits, including ways to manage accounts online and on the go with the Barclaycard App. We offer free Experian Credit Scores and a range of entertainment benefits. We also give support to consumers by providing guides on how to protect themselves from fraud, how they can protect their purchases and what to do if they have money worries.

We re continuously looking for ways to improve the customer experience we deliver. We track our Transactional Net Promoter Score (TNPS) after customer interactions and use social media as a way to get feedback from our customers and improve our processes. Since UK Cards was brought under the

Barclays UK structure in March, we have been looking for ways to enhance the services we provide to our joint customers. For example, Barclays customers can now apply for a Barclaycard through the Barclays Mobile Banking app, with guaranteed pre-approvals for eligible customers.

The unsecured lending and consumer payments markets continue to experience considerable change, driven by new entrants, new technologies, changing consumer expectations and behaviour. We are continuing to invest in new technology and to develop pioneering new products and services for our consumers, for example we launched proprietary contactless Android capability through our app, six months ahead of our nearest competitor.

We are pleased to have won a number of awards, acknowledging the market-leading products and services we offer our consumers. We won Best Overall Credit Card Provider at the Money Pages Personal Finance Awards 2016/17. In addition, we have won awards for our support for vulnerable customers and our use of social media.

Performance review

Barclays UK

Wealth, Entrepreneurs and Business Banking

Summary

**Barclays wealth offering delivers a truly holistic wealth management service that includes domestic private banking, wealth planning, trust and fiduciary services, investment management and brokerage.**

**Business Banking supports over one million clients, across the UK, run and grow their business, from start-ups to mid-sized businesses. Our model is relationship-based and digitally-driven.**

**We aim to allow clients to access the products they need, in the way they want online, mobile or by working with a Relationship Manager. We put our clients at the heart of our business, delivering the service they need, in the way they choose.**

**Wealth Overview**

In our Wealth business, our bankers provide overall advice to our clients and co-ordinate access to specialists within Wealth and the wider Barclays UK division. Clients benefit from our expertise in personal banking, credit cards, business banking and digital innovation.

A sharp focus on our fundamental business drivers in Wealth, throughout 2016, has resulted in strong underlying asset growth, generating both sustainable income growth and an improvement in our Cost: Income ratio.

We have continued to enhance our Wealth client experience in 2016, most notably with the launch of the Barclays Mobile Banking for Wealth app, which introduced innovative features, such as historical performance analysis, benchmark comparison functionality and asset class drilldowns.

We have reduced our risk by refocusing our Wealth business on our core markets in the UK. The overall wealth market remains stable and we anticipate that it will remain competitive. We feel the business is relatively insulated from the effects of FinTech on traditional financial services, as our clients have a preference for personal service and human interaction.

**Business Banking Overview**

We provide coverage for clients across the UK at every stage of their business cycle in every industry, delivering distribution models which match clients needs and sophistication. We serve our clients through a relationship-based and digitally-driven model, combining an on-the-ground and direct relationship model with unique digital solutions. A number of innovations were launched in 2016, including instant lending online, and on mobile, plus on-demand cash pick-up. We are the only UK bank to offer these services.

In 2016, we launched new tools for our Business Banking colleagues bringing relevant, up-to-date industry information together in one place, enhancing our service to clients through deeper insights and understanding.

The Industry Knowledge Hub, for example, brings together 150 client-shareable industry snapshots, external industry news, industry marketing and thought leadership into one easily-accessible place for colleagues. We are looking to continue enhancements to the platform in 2017, including the ability for colleagues to personalise their industry reports and bookmark their most used reports.

**We ensure a strong focus on conduct and customer outcomes through creating a secure and controlled environment and have mobilised comprehensive and experienced teams to monitor, anticipate and resolve issues.**

Performance review

Barclays International

Summary

**Barclays International is a diversified transatlantic, wholesale and consumer bank which will be housed within Barclays Bank PLC, the future non-ring-fenced bank. We seek to compete in markets where we have the competitive advantage and scale to provide best-in-class service to our clients and customers. We seek to maintain and further our position as a leading provider of financial services to corporates, institutions and individuals.**

**Market and environment in which the division operates**

In 2016, heightened political uncertainty in both of our home markets, caused significant volatility in capital markets and material movements in currency markets, particularly in Sterling.

In spite of this, the environment in which we are operating in is more stable than it has been for a number of years. The implications of a number of post-crisis regulations on the business models of banks, in particular investment banks, have become clearer through 2016 as a number of key regulations have either taken effect or been clarified. As part of complying with Section 165 of the Dodd-Frank Act, Barclays and other large foreign banking organisations operating in the US were required to establish a US Intermediate Holding Company (IHC) by 1 July 2016. The IHC is an umbrella holding company for the Bank s US subsidiaries, and is subject to Federal Reserve prudential standards to ensure safety and soundness, particularly around capital, liquidity and risk management. Barclays IHC became operational on 1 July 2016 and its key subsidiaries include Barclays Capital Inc. (US broker-dealer) that operates key investment banking businesses and Barclays Bank Delaware that operates Barclaycard US.

The implementation of our strategy, which is in-line with the UK ring-fencing regulations, has resulted in the creation of Barclays International as a sister division to Barclays UK under the Barclays PLC Group umbrella. Barclays Bank PLC, the future non-ring fenced banking entity, will continue to house the Barclays International division.

Supported by the newly created Group Service Company, Barclays International is reliant on the support of internal operations and technology to maximise efficiency for customers and clients and meet the requirements of our regulators. In a dynamic environment we need to be setting trends, by using forward-looking technology and adapting quickly and proactively to the evolving regulatory and market conditions.

For example, in the payments space, technological evolution, regulation and consumer behaviour is driving disruption, which is likely to transform the way in which consumers and businesses transact.

Barclays International encompasses the following businesses:

§ Corporate and Investment Bank (CIB)

§ Consumer, Cards and Payments (CC&P)

These businesses combine to form a diversified, yet highly complementary portfolio of businesses that has proved to be resilient in a year of significant uncertainty and change. We consciously focus our efforts and resources on products, sectors and geographies where we have a meaningful competitive advantage.

Our dual home markets, in the UK and US, anchor our business in the two most important global financial centres and two of the most resilient western economies.

Barclays International brings together a portfolio of businesses serving consumers, SMEs, corporates and institutional investors. On the consumer side, Barclaycard International provides consumers with credit cards and lending. In Private Bank & Overseas Services, we provide banking, investment and wealth management services across the client continuum, globally. For SMEs and corporates, we enable payment acceptance, commercial card payments and point-of-sale finance. Through our CIB, we also serve corporates by providing advice on raising new equity or debt capital, and support our institutional investors by enabling them to trade stocks and bonds.

Our business model in Barclays International, especially CIB, is dependent upon client relationships and the services that we provide to these clients. Armed with these financial tools, we help our clients execute their business strategies and grow their businesses. This may result in capital raised to build a new production centre and in turn, create employment as well as product creation for pension funds to invest in.

**Risks to the operating model**

Global volatility and macroeconomic uncertainty in some markets remains a risk. While the UK s vote to leave the EU does not change our overall strategic objectives, we realise that it will add complexity in the shorter term to our operations in the EU.

The volume and reach of regulatory change continues to require significant attention and presents a number of challenges in the medium term. However, we have demonstrated our ability to react early to regulatory changes, and the impact they have on our operating environment, often turning challenges into competitive advantages.

Data and technology drive benefits for our customers and clients. The importance of complying adequately with data protection laws and protecting this information from increasingly sophisticated criminals remains at the forefront of our operations.

The frequency and reach of cyber-attacks has markedly increased, and financial institutions, such as Barclays, are obvious targets for malicious cyber-activity. We are very focused on ensuring our cyber-defences stay ahead of the increasingly sophisticated threats that we face.

In addition, preparing the business for structural reform continues. Barclays International is now operating as a separate segment within the Group, but a number of execution milestones remain before we achieve the Group s target state structure. We are very conscious of ensuring that our clients and customers face the minimum possible disruption from this transition.

We continue to strengthen our resilience to conduct risk and are working to put legacy conduct issues behind us.

**Business highlights**

Barclays International RoTE was 8.0% (2015: 9.5%), excluding notable items, as profit before tax decreased 3% to £3,747m driven by increased credit impairment charges and increased operating expense. This was partially offset by strong income growth, including the benefit from the appreciation of the US Dollar and the Euro against GBP. On a statutory basis, RoTE was 9.8% (2015: 7.2%).

Barclays has taken a leadership role in Blockchain technology in the banking sector, together with enhancements in data analytics, cyber-security and innovative identification and verification techniques. This has enabled us to utilise innovation to deliver improved client service.

We became the first organisation in the world to use a Blockchain-enabled trade transaction to transfer original shipping documentation. The initiative helped the client complete a process that usually takes 10 days in just 4 hours, mostly due to allowing for paperless exchange of documents, full transparency through the supply chain and mitigation of financial crime risks. For further information refer to the case study on page 7.

Transparency and the intelligent use of data has been a key focus. We continued to roll out the SPECS platform across Barclays. SPECS provides buy-side traders with an online portal to view, verify and request changes to client order handling settings. It meets requirements for greater control, transparency, trade analytics and a consolidated view of order settings.

Our payments expertise and dedication to our customers and clients has enabled us to retain and grow relationships with partners and clients such as American Airlines, in US Cards, and TfL, through our payment acceptance proposition, as well as launching new partnerships such as with JetBlue Airways. In addition, we expanded our lending offering with new personal loans launched in the US and Germany and a new partnership with Apple on the iPhone upgrade programme in the UK.

We have made encouraging progress in fraud and cyber-protection in 2016, and will continue to focus on this critical area. For instance, in the Corporate Bank we have introduced cutting-edge malware and remote attack detection solutions and introduced a new PIN Pad reader and Barclays Biometrics reader in the UK, to tackle PIN capture fraud.

The services we offer to our customers and clients have been recognised by industry awards: International Financing Review (IFR) magazine named Barclays its house of the year for North America high-yield bonds, Americas loans and Sterling bonds in its 2016 review of the year. Our research platform ranked third for Developed Markets Research across Equities and Fixed Income in the Institutional Investor 2016 survey, reflecting alignment with our transatlantic strategy. In addition, we won Best Investment Bank Western Europe in the 2016 Euromoney

Awards for Excellence.

**Tim Throsby**

President, Barclays International and Chief Executive Officer,

Corporate and Investment Bank

Barclays International operational model

## Corporate and Investment Bank

### Summary

**The CIB offers wholesale banking products and services to corporate and institutional investor clients. The business is anchored around our two home markets two of the largest capital markets in the world. We have adapted early to regulatory and markets changes, positioning the business to retain our position as a leading European CIB.**

The creation of Barclays International has helped us to better align our businesses so that we now present a single integrated view of Barclays to our corporate and institutional clients through our CIB and deliver synergies to the business. The CIB offers clients a full service capability through its two divisions:

- Banking offers long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions, equity and credit origination capabilities, coupled with lending and transaction banking products

- Markets provides execution, prime brokerage and risk management services across the full range of asset classes, including equity and fixed income and currency products.

We have extensively simplified our CIB over the past three years, making challenging strategic choices to reduce our activities in certain products and geographies, to better position the business for the regulatory and market conditions that we now face. In spite of the heightened political uncertainty that we have seen through 2016, the environment that we are operating in is more stable than it has been for a number of years, and we are beginning to see the positive implications of making early strategic decisions on our CIB business model. We aim to retain our position as a leading European CIB, competing with the US-domiciled banks in our chosen products and markets.

As part of our Banking division, we aim to help clients large and small, improve performance and enable businesses to grow. We review individual business needs to offer bespoke solutions suited to particular business objectives. For example, through our asset finance operations, Barclays can be an enabler in the transition to greener operations through financing more efficient manufacturing sites and green supply chains. We support lending to high growth businesses who typically have difficulty accessing bank finance, as well as through larger infrastructure project finance, where we have supported the financing of over 500 Mega Watts of clean energy in the UK and Ireland in 2016, equivalent to powering c.220,000 homes per annum.

Further information can be found in the case study below, and in the ESG supplement available at home.barclays.com/annualreport

**Performance**

Our Banking business had a strong performance in 2016 gaining share, particularly in our home markets of the UK and US where we ranked 5th by fee share for all clients in M&A, equity and debt capital markets and syndicated loan transactions in 2016 (Dealogic). This momentum helps us retain and hire talented individuals and further develop our relationships with our corporate client base. Landmark transactions that we have closed in 2016 include:

§ financial advisor to Teva Pharmaceutical in its acquisition of Allergan s generic drug business

§ joint bookrunner on the two largest US leveraged loan financings of 2016 for Dell and Avago

§ active joint bookrunner and global coordinator in the second-largest corporate investment grade bond offering ever, ABInBev s M&A IG Bond financing.

Markets income increased compared to 2015 with strong performances in the underlying businesses. Credit income benefitted from a strong performance in fixed income flow credit and emerging markets businesses, which benefitted from increased market volatility and client demand. Macro income benefitted from an increase in activity post the UK s vote to leave the EU and US elections. These performances were partially offset by a decrease in Equities, reflecting the simplification of the EMEA business and lower client activity in Asia.

Consumer, Cards and Payments

Summary

**Consumer, Cards and Payments is the consolidated reporting structure for Barclaycard International and the Private Bank and Overseas Services.**

**Barclaycard International provides branded and co-branded consumer credit cards and lending to our customers and business solutions to our clients, globally.**

**Private Bank and Overseas Services provides banking, investment and wealth management services to over 163,000 clients, globally.**

**Barclaycard US**

Our core co-brand and branded credit card business in the US has continued to grow strongly; we remain the ninth-largest issuer by balances, growing 14% over the last year. We have strengthened our relationship with existing partners, for example signing a major deal with American Airlines, and have launched a new partnership programme with JetBlue Airways. Our Barclaycard brand continues to get stronger in the US; with our Barclaycard Arrival Plus World Elite MasterCard winning the Best Travel Credit Card for Frequent Fliers by MONEY® Magazine.

Our successful online retail deposits business has reached US$11bn, supporting our overall funding strategy in the US. In November we launched a personal loans offering, further diversifying our product mix.

**Barclaycard Business Solutions**

Barclaycard provides payment acceptance, commercial payments and point-of-sale finance solutions to all client segments in the UK. We are a leading provider in all areas, including being the second-largest payment acceptance provider in Europe by volume.

Among our achievements this year, we have launched market-leading business card propositions, developed full omni-channel capabilities including strong data security features, and partnered with Apple to help launch their Apple iPhone Upgrade.

Our large corporate portfolio continued to grow, with a number of major new client wins and retentions, including TfL, Greggs and Centrica.

**Barclaycard Germany and EnterCard**

This year, Barclaycard Germany celebrated its 25th anniversary and now serves over 1.1 million customers. With a share of 34%, Barclaycard Germany is the leading issuer for revolving credit cards in Germany by outstanding balances. In the instalment loans market, Barclaycard Germany has a strong challenger position with a growth rate of 15% and 1% share. Innovative products and features such as the fully digital Express-Kredit or the Equal Payment Plan, as well as continued customer focus, drive exceptional customer satisfaction rankings, with the business leading the market for credit cards and in the top two for loans, respectively.

We also provide cards and lending in Norway, Sweden and Denmark via our EnterCard joint venture.

**Travis Perkins PLC**

Travis Perkins PLC, a leading company in the builders merchant and home improvement markets, was looking for a unified customer payments platform across its different brands. It wanted to work with a partner that would reduce the complexity of managing and maintaining a highly secure, diverse payments environment, while allowing the flexibility to innovate and explore new customer interactions.

Barclaycard Business Solutions was able to provide a true omni-channel payments platform that offers single point management across multiple brands and channels, from online pay pages to in-store points of sale. The implementation has already seen Travis Perkins PLC benefit from increased card payment security and protection of its brand, as well as cutting transaction response times by up to 94%.

For further information, see
**the-logic-group.com/cp/case-studies**

**Private Bank**

The Private Bank strategy going forward is to deliver personalised banking, investment and wealth management solutions to high net worth and ultra high net worth individuals, providing full access to complex and innovative products and services across Barclays platforms. Clients are supported by a dedicated Private Banker and team of investment and wealth specialists. In addition, the Private Bank facilitates access to Barclays Corporate and

Investment Bank full suite of products and services. The Private Bank is now even more focused on our core competencies and poised to grow, demonstrated by strong underlying asset and income growth in 2016.

**Overseas Services**

With a full suite of banking, credit, investment and wealth management operations principally in the Isle of Man, Jersey and Guernsey, our Overseas Services business supports client types that stretch across the client continuum, personal to corporate. Overseas Services is the gateway to the wider Barclays Group, providing offshore capabilities and expertise. The business delivered solid results in 2016, with strong liability growth, coupled with continued focus on cost management, resulting in a strong Cost:Income ratio and returns in 2016.

**Supporting our communities**

Building on our commitment to make a positive difference to the communities in which we live and work, we delivered a number of successful initiatives across Barclaycard International in 2016. In the UK, we have launched a major new partnership with The Prince s Trust, helping young people build their skills and confidence, and have won The Prince s Trust Service to Young People Award for corporate volunteering. In the US and Germany we have been supporting start-ups through our programmes with West End Neighbourhood House and our Social Impact Lab incubator respectively, and helping individuals develop essential coding skills through our Apps Camp programme and partnerships with Tech Impact and Delaware State University.

Non-Core and Africa

## Non-Core

### Summary

**The Non-Core run-down is a key driver of the simplification of Barclays, helping to improve Group returns and deliver value for shareholders. After our accelerated progress in 2016, we now intend to close Non-Core six months early at 30 June 2017.**

Non-Core was formed in 2014 to oversee the divestment of Barclays non-strategic assets and businesses, releasing capital to support strategic growth in our Core businesses. Non-Core brought together businesses and assets that did not fit our strategy, remained sub-scale with limited growth opportunities, or were challenged by the regulatory capital environment.

Non-Core is run by a dedicated management team operating within a clear governance framework to optimise shareholder value as businesses and assets are divested. It maintains a robust risk management framework to mitigate the risks inherent in our businesses and assets, as well as our divestiture and run-down processes. The clearly defined objectives for Non-Core are to bring down RWAs, reduce the ongoing operational cost base and simplify the residual portfolio and risks in preparation for their return to Core.

To divest Non-Core successfully we are partly dependent on external factors that can impact our planned run-down profile. For instance, the income from our businesses and assets, the quantum of associated RWAs and finally market appetite for Non-Core components are all influenced by the market environment. In addition, our ability to complete divestitures depends on regulatory approvals in various jurisdictions and regulatory changes in the treatment of RWAs can impact our stock of RWAs.

2016 was an important year for Non-Core as RWAs were reduced by 41% to £32bn, preparing the division for reintegration into the Core in 2017. The loss before tax increased to £2.8bn, reflecting the acceleration of the run-down during the year, where significant progress was made across all three components of Non-Core. Business RWAs were reduced by £4bn, with the completion of the sales of Barclays Risk Analytics and Index Solutions, the Asia Wealth and Investment Management business, the Southern European cards business, and the Italian retail business. We also made good progress in the run-down of Derivatives, reducing RWAs by £10bn, and Securities & Loans by £3bn respectively.

Given the progress made in 2016, we intend to close Non-Core six months early at 30 June 2017, with c.£25bn of RWAs, meaning that we will have reduced Non-Core RWAs by c.£85bn in just over three years. We expect Non-Core losses in 2017 to be significantly lower than in 2016, with further reductions thereafter once the remaining assets are reabsorbed back into the Core where they will continue to be managed down.

Africa

Summary

**As part of the strategic review on 1 March 2016, Barclays announced its intention to sell down its stake in BAGL to a level that would permit regulatory deconsolidation.**

Barclays Africa Group Limited (BAGL) is a leading pan-African diversified financial services provider headquartered in South Africa, with meaningful operations across the continent (Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia), and is listed on the Johannesburg Stock Exchange.

During 2016, we sold a 12.2% stake, reducing our previous 62.3% holding to 50.1%. Further sell-down to a level that will permit regulatory deconsolidation is expected, and it is currently the Boards intention to maintain a minority shareholding and a commercial relationship with BAGL. Both would need to be consistent with the aim of achieving regulatory deconsolidation.

BAGL is represented in Barclays accounts through Africa Banking. Africa Banking represents BAGL accounts converted to GBP, in addition to Barclays goodwill on acquisition and Head Office allocations that are deemed to be incrementally incurred as a consequence of Barclays operations in Africa, such as the UK bank levy. For clarity, the income statement is provided on page 257. As Africa Banking meets the requirements for presentation as a discontinued operation, the results are presented as two lines in the Group income statement, representing profit after tax relating to our 50.1% stake, and the 49.9% portion attributable to the non-controlling interests in BAGL. This can be seen in the Group income statement on page 277.

Barclays and BAGL have been working closely together to plan and prepare for the successful separation and migration of BAGL s operations from the Barclays Group while Barclays assesses sell-down options, both on and off-market. This work has culminated in the agreement of terms for transitional services and supporting arrangements with BAGL, the details of which have been submitted to relevant regulators as part of a request for approval for Barclays to sell down to below a 50% holding.

A successful regulatory deconsolidation of BAGL s operations will lead to further simplification for the Group, resulting in CET1 ratio uplift and will constitute a further step towards focusing on our core transatlantic consumer, corporate and investment bank operations.

Details on the performance of BAGL can be found at **barclaysafrica.com**

Governance overview

Our shared values guide the choices we make every day

Summary

**A comprehensive corporate governance framework is vital it helps ensure that your investment in Barclays is protected, while at the same time recognising the interests of our wider stakeholders.**

For your Board, 2016 was a year of continued focus on execution and managing through a period of change. Our Group Chief Executive Officer, Jes Staley, completed his first full year in the role and the momentum that has been achieved under his leadership over a relatively short period has been notable. During this time, he has articulated a clear strategy for the future and put together an executive management team that is focused on delivering that strategy and generating sustainable returns for our shareholders. A comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long-term sustainable performance. It helps ensure that your investment in Barclays is protected, while at the same time recognising the interests of our wider stakeholders.

**Supporting strategy execution**

The Board s agenda during 2016 was focused on overseeing and supporting executive management in delivering on Barclays strategic objectives. You will read elsewhere in this report of the progress that has been made with the performance of our Core business, with the accelerated run-down of the Non-Core businesses and with the sell-down of our holding in Barclays Africa. As a Board, we also spent a considerable amount of our time on Structural Reform, in particular the project to separate our retail banking operations into an independent legal entity within the Barclays Group. This is a significant and far-reaching change to Barclays operating structure. In tracking the progress of implementation, your Board debated the risks and challenges across the stakeholder spectrum, including the potential impacts on shareholders, employees, clients and customers. Structural Reform will also have a profound impact on the way in which the Barclays Board itself operates, especially in terms of how it interacts with the boards of the newly-established legal entities and with regard to talent management and succession planning for executive management and board appointments across the Barclays Group.

**Personal accountability is a central tenet of our culture, enabling us to achieve the highest standards of performance and deliver value for our customers and clients. It is also key to ensuring that trust finds its way back into banking and therefore underpins our long-term success.**

It is during such periods of transformational change that leadership and good governance are more important than ever. The challenge was heightened during 2016 by the result of the UK s referendum on its membership of the EU. Your Board spent time assessing Barclays contingency plans and evaluating the potential impact of the UK exiting the EU on each of Barclays businesses. This included the possible consequences for capital, operations and regulation, along with the impact for employees, clients and customers. Of course, the precise terms of the UK s exit from the EU and the long-term effects are not yet known and will only become clear over time. However, our strategy remains focused on building on our strengths as a transatlantic consumer, corporate and investment bank, anchored in the UK and the US.

**Culture, values and accountability**

As Chairman, an important part of my role is to promote the highest standards of corporate governance in Barclays and to ensure that this is supported by the right culture, values and behaviours from the top down. The implementation in March 2016 of the UK s Senior Managers Regime introduced new regulatory standards for individual accountability and conduct, which align closely with our established purpose, culture and values. Personal accountability is a central tenet of our culture, enabling us to achieve the highest standards of performance and deliver value for our customers and clients. It is also key to ensuring that trust finds its way back into banking and therefore underpins our long-term success.

**John McFarlane**

Chairman

22 February 2017

**Your Board**

| | |
|---|---|
| John McFarlane | Group Chairman |
| Jes Staley | Group Chief Executive; Executive Director |
| Mike Ashley | Non-executive Director |
| Tim Breedon | Non-executive Director |
| Mary Francis | Non-executive Director |
| Crawford Gillies | Non-executive Director |
| Sir Gerry Grimstone | Deputy Chairman and Senior Independent Director |
| Reuben Jeffery III | Non-executive Director |
| Tushar Morzaria | Group Finance Director; Executive Director |

| | |
|---|---|
| Dambisa Moyo | Non-executive Director |
| Diane de Saint Victor | Non-executive Director |
| Diane Schueneman | Non-executive Director |
| Steve Thieke | Non-executive Director |

**Board diversity gender balance**

For further information, see pages 39 to 133

Governance overview

Our shared values guide the choices we make every day

Summary

**A snapshot of how Barclays complies with the requirements of the UK Corporate Governance Code (the Code) is set out below.**

**Compliance with the UK Corporate Governance Code**

**Leadership**

There is clear division of responsibilities between the Chairman, who runs the Board, and the Group Chief Executive, who runs the Group s business. Individual roles on the Board and their responsibilities are set out in Barclays *Charter of Expectations.*

The Senior Independent Director, Sir Gerry Grimstone, provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to shareholders if they have concerns that have not been addressed through the normal channels.

The Board has set out Barclays culture, values and behaviours in Barclays *Purpose and Values* and *The Barclays Way,* which are embedded throughout the Group.

Directors are expected to provide rigorous and constructive challenge on matters that, owing to their strategic, financial or reputational implications or consequences, are considered significant to the Group.

**Effectiveness**

The skills, knowledge and experience needed for an effective Board are recorded on a skills matrix, which is used by the Board Nominations Committee to inform Director recruitment, induction and on-going development.

The composition of principal Board Committees meets the independence criteria of the Code and there is appropriate cross-membership to further promote effectiveness.

10 of 13 Directors are independent non-executive Directors (77%), while the Chairman was independent on appointment.

At the end of 2016, there were four women Directors (31%), compared to our target of 33% by 2020.

The Board Nominations Committee regularly considers Board and senior management succession plans.

Appointments to the Board are made via a formal, rigorous and transparent process, based on merit, taking into account the skills, experience and diversity needed on the Board in the context of Barclays strategic direction.

All Directors are expected to commit sufficient time to fulfil their duties to Barclays. In 2016, Directors attendance at scheduled Board meetings was 98% and across the scheduled Board Committee meetings was an average of 98%.

The Board assesses its effectiveness and that of its Committees and the individual Directors annually in a process that is externally facilitated by an independent third party.

Directors are subject to re-election each year by shareholders at the Annual General Meeting (AGM).

Barclays *Charter of Expectations* sets out responsibilities for providing the Board with accurate, timely and high-quality information necessary for it to fulfil its duties.

## Accountability

The Board is responsible for setting Barclays Risk Appetite, i.e. the risks it is prepared to take in the context of achieving Barclays strategic objectives.

Barclays *Enterprise Risk Management Framework* is designed to identify and set minimum requirements in respect of the main risks to achieving the Barclays strategic objectives and to provide reasonable assurance that internal controls are effective.

The Board conducts robust assessments of the principal risks facing Barclays, including those that would threaten its business model, future performance, solvency or liquidity. It reports on this in the annual Viability statement (opposite).

The Directors also review the effectiveness of the Group s systems of internal control and risk management.

The Board has put in place processes to support the presentation to shareholders of fair, balanced and understandable information.

The Board Audit Committee, comprising independent non-executive Directors, oversees the effectiveness of Barclays internal and external auditors.

## Remuneration

The Board Remuneration Committee, comprising independent non-executive Directors, sets overarching Group remuneration policy and approves the remuneration arrangements of the Chairman, the executive Directors and other senior executives.

The Board Remuneration Committee seeks the views of Barclays major shareholders on remuneration matters. This engagement is meaningful and contributes directly to the decisions it makes.

Barclays reward framework is simple and transparent and is designed to support and drive business strategy and long-term success.

To ensure alignment with shareholder interests, a significant part of performance-related pay is delivered through Barclays shares.

Unvested deferred remuneration is subject to malus. Clawback also applies to any variable remuneration awarded to PRA Material Risk Takers after 1 January 2015.

## Engagement

The Chairman and Senior Independent Director, together with other Board representatives and the Company Secretary, hold meetings with investors focusing on corporate governance matters.

The Chief Executive and Group Finance Director present quarterly results briefings and the Group Finance Director holds briefings for equity and debt sellside analysts.

Regular engagement with Barclays brokers ensures that the Group s strategy and performance is being communicated effectively and provides a better understanding of investor views.

The Board receives feedback on investor relations activity, along with regular reports of changes in holdings of substantial shareholders and reports on share price movements.

A number of events are held throughout the year to maintain an open dialogue with investors, of which the AGM is the most important.

## Viability statement

**While the financial statements and accounts have been prepared on a going concern basis, the UK Corporate Governance Code requires the Directors to make a statement in the Annual Report regarding the viability of the Group, including explaining how they assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.**

In light of the analysis set out below, the Board has assessed the Group s viability and confirms that the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. This timeframe is used in management s Working Capital and Viability Report (WCR) dated 16 February 2017. The availability of the WCR gives management and the Board sufficient visibility and confidence on the future operating environment for this time period. The three year timeframe has also been chosen because:

§ it is within the period covered by the Group s future projections of profitability, cash flows, capital requirements and capital resources;

§ it is also within the period over which regulatory and internal stress testing is carried out and in the current environment it is necessary for the Board to ensure confidence in the Group is maintained over the shorter term; and

§ as a consequence of the unparalleled level of regulatory change in the financial services industry, a three year timeframe is appropriate.

The Directors are satisfied that this period is sufficient to enable a reasonable assessment of viability to be made.

In making their assessment the Board has:

§ carried out a regular and robust assessment of the Group s risk profile and material existing and emerging risks. Notable among these are risks which senior management believe could cause the Group s future performance (i.e. results of operations or financial condition) to differ materially from current expectations, including the ability to meet dividend expectations, maintain minimum levels of regulatory capital and meet solvency targets (including capital, leverage and total loss absorbing capacity including TLAC/MREL) over the period of the assessment;

- reviewed how those risks are managed and controlled (see below and also further detail provided on pages 146 to 162);

- considered the WCR which provides an assessment of forecast CET1, leverage ratio, Tier 1 and total capital ratios, as well as the build-up of MREL up to 2022;

- reviewed the Group s liquidity and funding profile, particularly Barclays internal liquidity risk appetite (LRA) and regulatory liquidity coverage ratios;

- considered the Group s viability under specific internal and regulatory stress scenarios (further details below);

- considered the stability of the major markets in which it operates, the risks posed by the simplification of the business model and regulatory changes;

- reviewed the statutory accounts and the in-depth disclosure of the financial performance of the Group;

- considered the Group s medium term plan (MTP); and

- reviewed the legal, competition and regulatory matters set out in Note 29 to the financial statements on pages 330 to 338.

Conduct, capital and operational risks are controlled and managed in line with the Enterprise Risk Management Framework and the relevant Principal Risk Frameworks. Executive management set a Risk Appetite for the Group, which is then approved by the Board. The second line set limits, within which the first line are required to operate. Management and the Board then oversee the associated Risk Profile.

In relation to regulatory change, the firm has a fully resourced project team, dedicated to understanding and implementing changes required by Structural Reform.

Particular risks to viability identified by the Board are detailed below. These have been chosen on the basis of their ability to impact viability over the timeframe of the assessment. In some instances, however, the risks exist beyond this timeframe:

- legacy conduct matters and the potential risk of fines and other sanctions;

- the cost and scale of regulatory change in the financial services industry, including the implementation of structural reform, which could impact ratings, alter the behaviour of depositors and affect the ability of the firm to maintain appropriate capital and liquidity ratios; and

- evolving operational risks (notably cyber security, technology and resilience) and potential impact on operations and/or payment systems.

The Board has also considered the Group s viability under specific internal and regulatory stress scenarios.

The latest internal stress test conducted in Q4 2016 (which was concluded on 16 February 2017) considered the potential impacts of:

§ a severe global recession;

§ decelerating growth in China and emerging markets;

§ UK housing market weakness; and

§ a significant and sustained fall in commodity prices.

Litigation matters and remediation/redress are assessed as part of the stress testing process. Capital risk appetite and LRA were set at a level which would enable the Group to withstand the stress scenario, based on expected financial performance. Management also identified actions, including cost reductions and withdrawal from lines of business, available to restore the Group to its desired capital flightpath under a range of operating environments.

The Group-wide stress testing framework also includes reverse stress testing techniques which aim to identify and analyse the circumstances under which the Group s business model would no longer be viable, leading to a significant change in business strategy and to identify appropriate mitigating actions. Examples include extreme macroeconomic downturn ( severely adverse ) scenarios, or specific idiosyncratic events, covering both operational risk (e.g. cyber attack) and capital/liquidity events.

These internal stress tests informed the conclusions of the WCR. Based on current forecasts, incorporating key known regulatory changes to be enacted and having considered possible stress scenarios, the current liquidity and capital position of the Group continues to support the Board s assessment of the Group s viability.

The Board also reviewed external regulatory stress test results which are designed to assess the resilience of banks to adverse economic developments and ensure that we have robust forward looking planning processes for the risks associated with our business profile. Barclays was not required to submit revised capital plans as a result of these tests.

The Board s assessment of the Group s viability over the next three years is subject to material existing and emerging risks highlighted on pages 137 to 144. Future events, such as the crystallisation of any of these risks may require the Board to review dividend policy.

## Our culture and our people

and the energy, commitment and passion

of our colleagues enhances our success

Summary

**We recognise that fostering the right culture at Barclays is critical to our success and we want to play a leading role in defining the future of banking, restoring trust and respect for our profession.**

We are four years into a cultural change journey at Barclays and we have a clear set of values that guide how we work and how we act. We are continuing to make progress to further embed and sustain a values-based culture through initiatives aimed at strengthening the profession of banking. We recognise that fostering the right culture at Barclays is critical to our success and we want to play a leading role in defining the future of banking, restoring trust and respect for our profession. We have placed continued focus on the importance of a values-based culture and with that in mind, conduct, culture and values were established as part of our key strategic priorities for the year. Throughout 2016 we have launched a number of initiatives to foster the right culture at Barclays and we developed a culture measurement framework, anchored in our values, to measure and manage progress in embedding a values-based culture across the organisation. We also seek to share across different parts of the business the initiatives that are having a positive impact on our culture and engagement of our employees.

**Having constructive and empathetic conversations with customers reflect our continued focus on a values-based culture.**

To ensure we constantly review and reappraise to see what is working, in 2016 the annual Your View survey became a quarterly pulse survey (excluding Africa), providing colleagues the opportunity on a more regular basis to say what they are experiencing and how it feels to work at Barclays. In the third quarter of the year, we surveyed 50% of all colleagues and the remaining 50% were surveyed in the fourth quarter. Starting from 2017, each quarter, 25% of colleagues (excluding Africa) will be invited to take part in Your View.

The Your View results have continued to measure Sustainable Engagement and this year we have been provided with more regular snapshots. The quarterly results were then aggregated at the end of the year into an overall annual picture of engagement. At the end of 2016, Sustainable Engagement of our colleagues has remained stable year-on-year at 75%. The quarterly results of the Your View survey and the indicators and insights from our culture measurement framework help us to assess what we are doing well and guide and focus management action as required across our businesses and functions. Each quarter the results are analysed in depth and our senior leadership teams across the businesses and functions work to identify relevant actions that will continue to foster a culture that builds the Barclays of the future. The results from the Your View survey, and the insights from the quarterly indicators within the culture measurement framework, evidence that we continue to make strong progress in embedding a values-based culture across the bank.

Apply within , our internal mobility programme, and the Let s talk about how performance management campaign, both launched this year, are initiatives that support the behaviours that underpin our values. The Let s talk about how campaign reinforces the importance that we place on both what our employees deliver and how they deliver. A new event launched this year, sponsored by the Group CEO, this was a step forward in developing the next generation of enterprise leaders who actively contribute towards rebuilding the profession of banking through their own leadership and their influence of others. By bringing together high potential senior leaders from across our businesses and functions we seek to strengthen collaboration and an enterprise-wide perspective amongst our senior leaders to deliver improved solutions and products for our customers and clients.

Our Wellbeing programme; Barclays Shared Growth Ambition which focuses on access to employment, access to financial and digital empowerment and access to financing; as well as the Conversation Framework and Empathy Diagnostic launched in Barclays UK to support colleagues in having constructive and empathetic conversations with customers, reflect our continued focus on a values-based culture that ensures we do the right thing for our customers and clients.

**Tristram Roberts**

Group Human Resources Director

Remuneration framework

so our remuneration is reflective

of the way we do business.

Summary

**The Committee remains focused on aligning our pay to performance and setting pay at a level which allows us to attract, retain and motivate, but is no more than necessary to ensure that we accelerate the delivery of shareholder value. The inherent tension between these important considerations continues to be a key component of the Committee s deliberations.**

2016 represented a year of strong progress against our strategy. The Committee s deliberations on the 2016 incentive pool reflected Group performance and strategic delivery in both the Core and Non-Core businesses. We reached the decision that an overall Group incentive pool of £1,533m, down slightly from £1,544m in 2015, is appropriate notwithstanding strong 2016 delivery. This level of incentive pool also absorbs the material adverse impact of foreign exchange movements through the year, which more than offset the impact of reductions in staff numbers in the year.

The Core compensation to net income (excluding notable items) ratio decreased from 34.0% in 2015 to 32.7% in 2016 excluding the impact of deferral changes, increasing slightly to 34.7% including the impact of these changes. At a Group level, the ratio increases to 40.2% (2015: 37.7%) driven by Non-Core as it continues to be run down.

From 2016, a change in the recognition timing of deferral costs, together with a harmonisation of deferral levels across the Group, will result in improvements to the Group s operational flexibility going into 2017 and beyond. Further information on deferral changes can be found on page 104.

We will be seeking shareholder approval for a new Directors remuneration policy at the 2017 AGM. More details can be found on page 45.

During 2017, the Committee will continue to focus on ensuring that remuneration is aligned to the delivery of our strategy and sustainable shareholder returns. The Committee will also continue to monitor the competitiveness of our remuneration in the light of recent regulatory changes by the PRA, FCA and EBA. We will also continue to progress further our agenda to address pay inequality, which is in line with the proposals in the Government s Green Paper on Corporate Governance Reform.

The Committee is grateful for the feedback received from our larger shareholders on our remuneration proposals and values the insight the discussions provide.

**Crawford Gillies**

Board Remuneration Committee (Chairman)

**We continue to focus on aligning reward and performance**

**Barclays Group incentive pool**

| | |
|---|---|
| 2010 | £3,484m |
| 2011 | £2,578m |
| 2012 | £2,168m |
| 2013 | £2,378m |
| 2014 | £1,860m |
| 2015 | £1,544m |
| **2016** | **£1,533m** |

Note

The 2015 number has been restated from £1,669m to reflect the treatment of Africa Banking as a discontinued operation. The 2010-2014 numbers have not been restated.

**Distribution of 2016 total remuneration to Group employees by banding**

| | |
|---|---|
| 364 | £1m+ |
| 11,962 | £100k-£1m |

39,990 £25k-£100k

33,989 £0-25k

Note

The number of employees paid above £1m is slightly down year on year on a constant currency basis (364 in 2016 vs. 369 in 2015).

**Directors remuneration policy**

Barclays new Directors remuneration policy is subject to shareholder approval at the 2017 AGM on 10 May 2017 and, if approved, is intended to apply immediately, for three years to the date of the 2020 AGM. The new policy has evolved from the existing policy and has been updated for regulatory changes, and simplified where possible.

Full details of our Directors remuneration policy can be found on pages 108 to 120

The key changes to the policy can be summarised as follows:

**Key changes**

| | |
|---|---|
| Fixed pay | § Fixed Pay introduced, replacing salary and Role Based Pay<br>§ Fixed Pay delivered 50% in cash and 50% in shares (subject to 5 year holding period lifting pro-rata)<br>§ Fixed Pay will not change during the policy period for either of the current executive Directors<br>§ Pension allowance retained at current levels, but limited to 10% of Fixed Pay for new hires |

| | |
|---|---|
| Variable pay | § Bonus and Long Term Incentive Plan (LTIP) combined for regulatory deferral purposes |
| Performance measures | § Bonus: Financial measures ³ 60%<br>§ LTIP: Financial measures ³ 70% |
| Delivery | § Any bonus deferral vests in equal tranches between the third and seventh anniversary of award<br>§ LTIP performance is tested at end of 3 year performance period and vests in equal tranches between the third and seventh anniversary of award |
| Shareholding requirement | § Requirement increased to 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within 5 years from the date of appointment (from 400% of salary to equivalent of 457% of salary for CEO)<br>§ New requirement to hold shares worth 100% of Total fixed pay (or pro-rata thereof) for 2 years post-termination |
| Employment contracts | § For new hires, asymmetry for notice periods removed i.e. 6 months from the Company and 6 months from the Director (from 12 months from the Company and 6 months from the Director) |

**2017 remuneration**

The following summarises how the Directors   remuneration policy would be implemented in 2017 assuming the new policy is approved by shareholders.

| | Fixed Pay | Annual bonus[a] | LTIP[a] |
|---|---|---|---|
| Jes Staley | £2,350,000 | Maximum 80% of Total fixed pay | Maximum 120% of Total fixed pay |
| Tushar Morzaria | £1,650,000 | Maximum 80% of Total fixed pay | Maximum 120% of Total fixed pay |
| plus competitive benefits and pension | | | |

Note

a Total fixed pay is defined as Fixed Pay plus Pension.

**2016 remuneration**

The following tables show a single total figure for 2016 remuneration in respect of qualifying service for each executive and non-executive Director together with comparative figures for 2015.

**Executive Directors: Single total figure for 2016 remuneration (audited)**

| | Salary £000 | | Role Based Pay £000 | | Taxable benefits £000 | | Annual bonus £000 | | LTIP £000 | | Pension £000 | | T £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** |
| Jes Staley[a] | 1,200 | 100 | 1,150 | 96 | 169 | 48 | 1,318 | | | | 396 | 33 | 4,233 |
| Tushar Morzaria | 800 | 800 | 750 | 750 | 44 | 82 | 854 | 701 | 1,008 | | 200 | 200 | 3,656 |

Note

a The 2015 figures for Jes Staley relate to the period from 1 December 2015 when he joined the Board as Group Chief Executive.

so our remuneration is reflective

of the way we do business.

**Additional information in respect of each element of pay for the executive Directors (audited)**

**Role Based Pay (RBP)**

Executive Directors received RBP which was delivered quarterly in shares, subject to a holding period with restrictions lifting over five years (20% each year). The value shown is of shares at the date awarded.

**Taxable benefits**

Taxable benefits include private medical cover, life and ill health income protection, tax advice, relocation, car allowance, the use of a Company vehicle and driver when required for business purposes and other benefits that are considered minor in nature.

**Annual bonus**

The 2016 bonus awards reflect the Committee s assessment of the extent to which the executive Directors achieved their Financial (50% weighting) and Balanced Scorecard (35% weighting) performance measures, and their personal objectives (15% weighting). A summary of the assessment against the performance measures is provided below. For more information please see pages 121 and 122.

*Financial (50% weighting)*

| Performance measure | Weighting | Threshold 25% | Maximum 100% | 2016 Actual | 2016 Outcome |
|---|---|---|---|---|---|
| Profit before tax (excluding notable items) | 20% | £3.45bn | £4.20bn | £3.65bn | 9% |
| Costs (excluding notable items) | 10% | £14.6bn | £13.7bn | £15.3bn | 0% |
| CET1 ratio | 20% | 11.1% | 11.6% | 12.4% | 20% |
| **Total financial** | **50%** | | | | **29%** |

*Balanced Scorecard (35% weighting)*

Progress in relation to each of the 5Cs of the Balanced Scorecard was assessed by the Committee. The Committee took a similar approach as for 2015 i.e. based on a three-point scale in relation to each measure, with 0% to 2% for below target, 3% or 4% for a met target, and 5% to 7% for above target progress against a particular Balanced Scorecard component. Based on this approach, the Committee agreed an 18% outcome out of a maximum of 35%.

*Personal objectives (15% weighting)*

(i) Jes Staley: The Committee concluded that Jes Staley had delivered a very strong performance throughout the year. By the end of 2016, a clear new strategy was firmly embedded and a new Core organisational structure consistent with structural reform has been implemented. The Core businesses have performed well, delivering improved profitability and cost income efficiency. At the same time significant progress has been made in exiting the Non-Core businesses. Jes Staley has demonstrated strong leadership, strengthened the management team and has instilled a more effective performance ethic and culture within the organisation. Given his very strong performance, the Committee judged that 13% of a maximum of 15% was appropriate.

(ii) Tushar Morzaria: The Committee concluded that Tushar Morzaria had delivered an outstanding performance in 2016. In doing so, the Committee noted the role provided by Tushar Morzaria in reshaping the business and in particular, recognised his contribution in the significant progress in exiting Non-Core, resulting in a reduction of £22bn in Risk Weighted Assets and his focus in delivering an organisation with a significantly higher CET1 ratio and lower Cost: Income ratio. In doing so, it was also noted that Tushar Morzaria has continued to develop very strong working relationships with shareholders, investors and regulators, while also improving the performance delivery within the Finance Functions. Given his exceptional personal performance during 2016, the Committee judged that 14% of a maximum of 15% was appropriate.

*Overall summary*

In aggregate, the performance assessment for Jes Staley resulted in an overall formulaic outcome of 60% of maximum bonus opportunity being achieved. The resulting bonus is £1,318,000 of which 70% is deferred under the Share Value Plan and will vest in five equal tranches from the third to seventh anniversary (subject to the rules of the Share Value Plan as amended from time to time).

In aggregate, the performance assessment for Tushar Morzaria resulted in an overall formulaic outcome of 61% of maximum bonus opportunity being achieved. The resulting bonus is £854,000 of which 60% is deferred under the Share Value Plan and will vest in five equal tranches from the third to seventh anniversary (subject to the rules of the Share Value Plan as amended from time to time).

## LTIP

The LTIP amount included in Tushar Morzaria s 2016 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2014 in respect of performance period 2014-2016 (by reference to Q4 2016 average share price). Jes Staley was not a participant in this cycle. The performance achieved against the performance targets is as follows.

| Performance measure | Weighting | Threshold | Maximum vesting | Actual | % of award vesting |
|---|---|---|---|---|---|
| Return on risk weighted assets (RoRWA) | 50% | 23% of award vests for average annual RoRWA of 1.08% | Average annual RoRWA of 1.52% | 0.33% | 0% |
| Loan loss rate | 20% | 7% of award vests for average annual loan loss rate of 70bps | Average annual loan loss rate of 55bps or below | 50bps | 20% |
| Balanced Scorecard | 30% | Performance against the Balanced Scorecard was assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. | | See page 123 | 14% |

The Committee was also satisfied that the discretionary underpin in respect of the underlying financial health of the Group based on profit before tax was met, and accordingly determined that 34% of the maximum number of shares under the total award should be considered for release in March 2017. After release, the shares are subject to an additional two year holding period.

## Pension

Executive Directors are paid cash in lieu of pension contributions. This is market practice for senior executives in comparable roles.

**Chairman and non-executive Directors: Single total figure for 2016 fees (audited)**

| | Fees | | Benefits | | Total | |
|---|---|---|---|---|---|---|
| | **2016 £000** | 2015 £000 | **2016 £000** | 2015 £000 | **2016 £000** | 2015 £000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Chairman** | | | | | | |
| John McFarlane[a] | 800 | 628 | 1 | 11 | 801 | 639 |
| Sir David Walker[b] | | 285 | | 6 | | 291 |
| **Non-executive Directors** | | | | | | |
| Mike Ashley | 207 | 207 | | | 207 | 207 |
| Tim Breedon | 220 | 232 | | | 220 | 232 |
| Mary Francis[c] | 29 | | | | 29 | |
| Crawford Gillies | 195 | 178 | | | 195 | 178 |
| Sir Gerry Grimstone[d] | 250 | | | | 250 | |
| Reuben Jeffery III | 120 | 135 | | | 120 | 135 |
| Wendy Lucas-Bull[e] | 64 | 358 | | | 64 | 358 |
| Dambisa Moyo | 135 | 152 | | | 135 | 152 |
| Frits van Paasschen[f] | 35 | 88 | | | 35 | 88 |
| Diane de Saint Victor | 118 | 135 | | | 118 | 135 |
| Diane Schueneman[g,h] | 232 | 74 | | | 232 | 74 |
| Steve Thieke[h] | 221 | 184 | | | 221 | 184 |
| Sir Michael Rake[i] | | 250 | | | | 250 |
| Sir John Sunderland[j] | | 60 | | | | 60 |
| **Total** | **2,626** | **2,966** | **1** | **17** | **2,627** | **2,983** |

Non-executive Directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays.

The Chairman is provided with private medical cover and the use of a Company vehicle and driver when required for business purposes.

Notes

a John McFarlane joined the Board as a non-executive Director with effect from 1 January 2015 and as Chairman from 24 April 2015. The 2015 total includes non-executive Director fees of £78,000 for the period from 1 January 2015 to 24 April 2015.
b Sir David Walker retired from the Board with effect from 23 April 2015.
c Mary Francis joined the Board as a non-executive Director with effect from 1 October 2016.
d Sir Gerry Grimstone joined the Board as a non-executive Director from 1 January 2016 and succeeded Sir Michael Rake as Senior Independent Director and Deputy Chairman with effect from 1 January 2016.
e Wendy Lucas-Bull retired from the Board with effect from 1 March 2016. Figures include fees received by Wendy Lucas-Bull for her role as Chairman of Barclays Africa Group Limited.
f Frits van Paasschen retired from the Board with effect from 28 April 2016.
g Diane Schueneman joined the Board as a non-executive Director with effect from 25 June 2015.
h Diane Schueneman and Steve Thieke both served in 2016 on the US Governance Review Board, which was an advisory board set up as the forerunner of the board of our US intermediate holding company which was established during 2016. They each subsequently joined the board of the US intermediate holding company on its formation. The 2015 figures for Diane Schueneman and Steve Thieke included fees of $37,500 and $75,000 respectively for their roles on the US Governance Review Board. The 2016 figures include fees of $138,000 and $150,000 respectively for their roles on the US Governance Review Board and the board of the US intermediate holding company. In addition, Steve Thieke waived fees of $63,000.
i Sir Michael Rake retired from the Board with effect from 31 December 2015.
j Sir John Sunderland retired from the Board with effect from 23 April 2015.

## Financial performance

Our strategy is on track with good progress in 2016.

### Summary

**2016 reflected good operational performance of Barclays UK and Barclays International reflecting the benefits of diversification across customers and clients, geographies and products.**

The Core business generated a RoTE excluding notable items of 9.4% (2015: 11.2%) on a £4bn increased average allocated tangible equity base of £41bn. The Core business also generated positive cost: income jaws and we intend to continue to reduce the Group s structural cost base, targeting a Group cost: income ratio of less than 60% over time. The accelerated Non-Core run-down resulted in a reduction in RWAs of £22bn to £32bn resulting in the decision to close the unit six months ahead of plan on 30 June 2017. Capital ratio progression towards end state requirements of 150bps to 200bps above the minimum regulatory level was strong with a CET1 ratio of 12.4% (December 2015: 11.4%), largely reflecting profit generation in the period.

| | 2016 | 2015 |
|---|---|---|
| Common Equity Tier 1 (CET1) ratio | **12.4%** | 11.4% |
| Cost: income ratio | **76%** | 84% |
| Return on average tangible shareholders equity (RoTE) | **3.6%** | (0.7%) |
| Total operating expenses | **£16,338m** | £18,536m |
| Non-Core RWAs | **£32bn** | £54bn |

**Group performance**

§ Return on average tangible shareholders equity was 3.6% (2015: (0.7%)) and basic earnings per share was 10.4p (2015: (1.9p))

§ Profit before tax increased to £3,230m (2015: £1,146m). The Group performance reflected good Core results while being impacted by the Non-Core loss before tax of £2,786m (2015: £2,603m) and provisions for UK customer redress of £1,000m (2015: £2,772m). The appreciation of average USD and EUR against GBP positively impacted income and adversely affected impairment and operating expenses

§ Total income decreased 3% to £21,451m as Non-Core income reduced £1,776m to a net expense of £1,164m due to the acceleration of the Non-Core run-down, while Core income increased 6% to £22,615m driven by Barclays International

§ Credit impairment charges increased £611m to 2,373m including a £320m charge in Q316 following the management review of the UK and US cards portfolio impairment modelling. This resulted in a 11bps increase in the loan loss rate to 53bps

§ Total operating expenses reduced 12% to £16,338m reflecting lower litigation and conduct charges. This was partially offset by the non-recurrence of the prior year gains of £429m on the valuation of a component of the defined retirement benefit liability, increased structural reform implementation costs, and a £150m charge in Barclays International in Q316, relating to a reduction in the real estate footprint which will generate savings in future periods. Operating expenses also included a £395m additional charge in Q416 relating to 2016 compensation awards

§ The effective tax rate on profit before tax decreased to 30.7% (2015: 100.3%) principally as a result of a reduction in non-deductible charges

§ Profit after tax in respect of continuing operations increased to £2,237m (2015: loss of £3m). Profit after tax in relation to the Africa Banking discontinued operation decreased 6% to £591m as increased credit impairment charges and operating expenses were partially offset by income growth

§ Notable items totalled a net loss before tax of £420m (2015: £3,330m) comprising provisions for UK customer redress of £1,000m (2015: £2,772m), a £615m (2015: £nil) gain on disposal of Barclays share of Visa Europe Limited and an own credit loss of £35m (2015: gain of £430m)

**Group capital and leverage**

§ The fully loaded CRD IV CET1 ratio increased to 12.4% (December 2015: 11.4%) reflecting an increase in CET1 capital of £4.5bn to £45.2bn, despite RWAs increasing by £7bn to £366bn

The increase in CET1 capital was largely driven by profits of £2.1bn generated in the period, after absorbing the impact of notable items. Other favourable movements included the currency translation reserve as a result of the appreciation of all major currencies against GBP

The increase in RWAs was principally due to the appreciation of ZAR, USD and EUR against GBP and business growth, which more than offset RWA reductions in Non-Core

**Our corporate governance processes and the role they play in supporting the delivery of our strategy, including reports from the Chairman and each of the Board Committee Chairmen.**

**Directors report**

Governance: Directors report

## UK Corporate Governance Code index to disclosures

**The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company.**

### The UK Corporate Governance Code

The UK Corporate Governance Code (the Code) is not a rigid set of rules. It consists of principles (main and supporting) and provisions. The Listing Rules require companies to apply the main principles and report to shareholders on how they have done so.

You can find our disclosures as follows:

| | | | Page |
|---|---|---|---|
| **Leadership** | Every company should be headed by an effective board which is collectively responsible for the long-term success of the company. | Board of Directors Composition of the Board | 51 to 52 87 |
| | There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company s business. No one individual should have unfettered powers of decision. | Roles on the Board | 85 |
| | The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role. | Roles on the Board | 85 |
| | As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy. | Roles on the Board | 85 |

| | | | |
|---|---|---|---|
| **Effectiveness** | The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. | Board of Directors | 51 to 52 |
| | There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. | Appointment and re-election of Directors | 80 |
| | All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. | Attendance<br>Time commitment | 86<br>87 |
| | All directors should receive an induction on joining the board and should regularly update and refresh their skills and knowledge. | Induction, Training and development | 87 |
| | The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. | Information provided to the Board | 88 |
| | The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. | Review of Board and Board Committee effectiveness | 81 |
| | All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. | Roles on the Board<br>Appointment and re-election of Directors | 85<br>80 |
| **Accountability** | The board should present a fair, balanced and understandable assessment of the company s position and prospects. | Strategic report Risk management Viability statement, going concern | 1 to 48<br>145 to 162<br>41, 80 |
| | The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems. | Risk management and internal control | 88 to 89 |
| | The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles, and for maintaining an appropriate relationship with the company s auditors. | Board Audit Committee report | 58 to 67 |
| **Remuneration** | Executive directors remuneration should be designed to promote the long-term success of the company. Performance-related elements should be | Remuneration report | 99 to 133 |

| | | | |
|---|---|---|---|
| | transparent, stretching and rigorously applied. | | |
| | There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration. | Remuneration report | 99 to 133 |
| **Relations with shareholders** | There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. | Stakeholder engagement | 89 to 90 |
| | The board should use general meetings to communicate with investors and to encourage their participation. | Stakeholder engagement | 89 to 90 |

Who we are

## Board of Directors

## Board of Directors

Barclays understands the importance of having a Board containing the right balance of skills, experience and diversity and the composition of the Board is regularly reviewed by the Board Nominations Committee. The skills and experience of the current Directors and the value they bring to the Barclays Board is described below.

Full biographies can be accessed online via

**home.barclays/investorrelations**

**John McFarlane**

Chairman

Appointed:

1 January 2015

### Relevant skills and experience

John is a senior figure in global banking and financial services circles and is in his 42nd year in the sector, including 22 years as a main board director, 10 years as a CEO and six years as a chairman. John is Chairman of Barclays PLC and Barclays Bank PLC. He is also a non-executive director of Westfield Corporation and Old Oak Holdings Limited. He is chairman of TheCityUK and a member of the Financial Services Trade and Investment Board and the European Financial Round Table. John was formerly chairman of Aviva plc, where he oversaw a transformation of the company and for a brief period he was also chairman of FirstGroup plc. He was also a non-executive director of The Royal Bank of Scotland plc, joining at the time of the UK government rescue. Prior to that for 10 years he was chief executive officer of Australia and New Zealand Banking Group Ltd, Group Executive Director of Standard Chartered plc and head of Citibank in the UK.

### Other current appointments

None

**Committees**

Nom*

**Jes Staley**

Group Chief Executive

Appointed:

1 December 2015

**Relevant skills and experience**

Jes joined Barclays as Group Chief Executive on 1 December 2015. He has nearly four decades of extensive experience in banking and financial services. He worked for more than 30 years at JP Morgan, initially training as a commercial banker, later advancing to the leadership of major businesses involving equities, private banking and asset management and ultimately heading the company s Global Investment Bank. Most recently, Jes served as Managing Partner at BlueMountain Capital. These roles have provided him with a vast experience in leadership and he brings a wealth of investment banking knowledge to Barclays Board.

**Other current appointments**

None

**Committees**

None

**Sir Gerry Grimstone**

Deputy Chairman and
Senior Independent Director

Appointed:

1 January 2016

**Relevant skills and experience**

Sir Gerry brings to the Board a wealth of investment banking, financial services and commercial experience gained through his senior roles at Schroders and his various board positions. Sir Gerry has global business experience across the UK, Asia, the Middle East and the US. Sir Gerry has significant experience as a non-executive director and chairman. He is currently the chairman of Standard Life plc, independent non-executive board member of Deloitte LLP and the lead non-executive at the Ministry of Defence.

**Other current appointments**

Financial Services Trade and Investment Board

**Committees**

Nom, Rep*

**Mike Ashley**

Non-executive

Appointed:

18 September 2013

### Relevant skills and experience

Mike has deep knowledge of auditing and associated regulatory issues, having worked at KPMG for over 20 years, where he was a partner. Mike was the lead engagement partner on the audits of large financial services groups including HSBC, Standard Chartered and the Bank of England. While at KPMG, Mike was Head of Quality and Risk Management for KPMG Europe LLP, responsible for the management of professional risks and quality control. He also held the role of KPMG UK s Ethics Partner.

### Other current appointments

ICAEW Ethics Standards Committee; International Ethics Standards Board for Accountants; Chairman, Government Internal Audit Agency; Charity Commission

### Committees

Aud*, Nom, Ris, Rep

**Tim Breedon**

Non-executive

Appointed:

1 November 2012

### Relevant skills and experience

Tim joined Barclays after a distinguished career with Legal & General, where, among other roles, he was the group chief executive until June 2012. Tim s experience as a CEO enables him to provide challenge, advice and support to the Executive on performance and decision-making.

Tim brings to the Board extensive financial services experience, knowledge of risk management and UK and EU regulation, as well as an understanding of the key issues for investors.

### Other current appointments

Marie Curie Cancer Care; Chairman, Apax Global Alpha Limited; Chairman, The Northview Group

**Committees**

Aud, Nom, Rem, Ris*

**Relevant skills and experience**

**Mary Francis CBE**

Non-executive

Appointed:

1 October 2016

Mary has extensive board-level experience across a range of industries. She is a non-executive director of Swiss Re Group and Ensco plc and was formerly Senior Independent Director of Centrica and a non-executive director of the Bank of England, Aviva and Alliance & Leicester. She held senior executive positions in the UK Treasury and Prime Minister s Office and in the City as Director General of the Association of British Insurers. She brings to Barclays strong understanding of the interaction between public and private sectors and skills in strategic decision-making and all aspects of board governance.

**Other current appointments**

Advisory Panel of The Institute of Business Ethics

**Committees**

Rem, Rep

**Relevant skills and experience**

**Crawford Gillies**

Non-executive

Appointed:

1 May 2014

Crawford has extensive business and management experience, gained with Bain & Company and Standard Life plc. These roles have provided him with experience in strategic decision-making and knowledge of company strategy across various sectors and geographical locations.

Crawford has also held board and committee chairman positions during his career, notably as chairman of the remuneration committees of Standard Life plc and MITIE Group PLC.

**Other current appointments**

SSE plc; Control Risks International; The Edrington Group Limited

**Committees**

Aud, Nom, Rem*

Who we are

## Board of Directors

**Reuben Jeffery III**

Non-executive

Appointed:

16 July 2009

### Relevant skills and experience

Reuben has extensive financial services experience, particularly within investment banking and wealth management, through his role as CEO and president of Rockefeller & Co. Inc. and Rockefeller Financial Services Inc. and his former senior roles with Goldman Sachs, including as the managing partner of the Paris office. His various government roles in the US, including as chairman of the Commodity Futures Trading Commission, provides Barclays Board with insight into the US political and regulatory environment.

### Other current appointments

Advisory Board of Towerbrook Capital Partners LP; Rothschild Capital Management Limited; Financial Services Volunteer Corps; The Asia Foundation

### Committees

Nom, Ris

**Tushar Morzaria**

Group Finance

Director

### Relevant skills and experience

Tushar joined Barclays in 2013 having spent the previous four years in senior management roles with JP Morgan Chase, most recently as the CFO of its Corporate & Investment Bank. Throughout his time with JP Morgan he gained strategic financial management and regulatory relations experience. Since joining the Barclays Board he has been a driving influence on the Group s cost reduction programme and managing the Group s capital plan, particularly in response to Structural Reform.

Appointed:

15 October 2013

**Other current appointments**

Member of the 100 Group main committee

**Committees**

None

**Relevant skills and experience**

**Dambisa Moyo**

Non-executive

Dambisa is an international economist and commentator on the global economy, having completed a PhD in economics. Dambisa has a background in financial services and a wide knowledge and understanding of African economic, political and social issues, in addition to her experience as a director of companies with complex, global operations. She served as a non-executive director of SABMiller Plc from 2009-2016.

Appointed:

1 May 2010

**Other current appointments**

Chevron Corporation; Barrick Gold Corporation; Seagate Technology plc

**Committees**

Rem, Rep

**Relevant skills and experience**

**Diane de Saint Victor**

Non-executive

Diane holds the role of general counsel and company secretary of ABB Limited, a listed pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids. Diane s legal background, combined with her knowledge of regulatory and compliance requirements bring a unique perspective to discussions of the Board and its committees.

Appointed:

1 March 2013

**Other current appointments**

American Chamber of Commerce in France

**Committees**

Rep

**Diane Schueneman**

Non-executive

Appointed:

25 June 2015

**Relevant skills and experience**

Diane joined Barclays after an extensive career at Merrill Lynch, holding a variety of senior roles, including responsibility for banking, brokerage services and technology provided to the company s retail and middle market clients, and latterly for IT, operations and client services worldwide. She brings a wealth of experience in managing global, cross-discipline business operations, client services and technology in the financial services industry. Diane is a member of the board of Barclays US LLC, Barclays US intermediate holding company.

**Other current appointments**

None

**Committees**

Aud, Ris

**Steve Thieke**

Non-executive

Appointed:

7 January 2014

**Relevant skills and experience**

Steve has significant experience in financial services, in both investment banking with JP Morgan, where among other roles he served as the chairman of the risk management committee, and in regulation, through roles with the Federal Reserve Bank of New York and the Financial Services Authority. He also has significant board experience, having served in both executive and non-executive director roles in his career. Steve is chairman of the board of Barclays US LLC.

**Other current appointments**

None

**Committees**

Ris

**Company Secretary**

| | |
|---|---|
| **Claire Davies**<br><br>Appointed:<br><br>1 December 2016 | **Relevant skills and experience**<br><br>Claire is a solicitor and a Fellow of the Institute of Chartered Secretaries and Administrators. She has substantial experience in legal, compliance and company secretarial roles gained in-house and in professional services. She was appointed Barclays Group Company Secretary with effect from 1 December 2016, a role she has previously held at Legal & General plc and Lloyds Banking Group plc. More recently, she was Society Secretary at the Co-operative Group. She is a non-executive member of the audit and risk committee of the Department for Business, Energy & Industrial Strategy. |

Note

The composition of the Board is shown as at 22 February 2017.

**Committee membership key**

| | |
|---|---|
| Aud | Board Audit Committee |
| Nom | Board Nominations Committee |
| Rem | Board Remuneration Committee |
| Rep | Board Reputation Committee |
| Ris | Board Risk Committee |
| * | Committee Chairman |

Who we are

## Group Executive Committee

## Group Executive Committee

Biographies for Jes Staley, Group Chief Executive, and Tushar Morzaria, Group Finance Director, who are members of the Group Executive Committee, which is chaired by Jes Staley, can be found on pages 51 and 52.

**Paul Compton**

Group Chief

Operating Officer

**Bob Hoyt**

Group General

Counsel

**Tristram Roberts**

Group Human

Resources Director

**Mike Roemer**

Group Head of

Compliance

**Amer Sajed**

CEO, Barclaycard

International

**Tim Throsby**

President, Barclays

International and

Chief Executive

Officer, Corporate

and Investment Bank

**Ashok Vaswani**
CEO, Barclays UK

**C.S. Venkatakrishnan**
Chief Risk Officer

Group Executive Committee meetings are also attended on a regular basis by the Chief Internal Auditor, Sally Clark, and by an ex-officio member, drawn from senior management. The current ex-officio member is Kathryn McLeland, Head of Investor Relations.

**Board diversity**

The Board has a balanced and diverse range of skills and experience. All Board appointments are made on merit, in the context of the diversity of skills, experience, background and gender required to be effective.

**Balance of non-executive Directors: executive Directors**

| | | |
|---|---|---|
| 1 | Chairman | 1 |
| 2 | Executive Directors | 2 |
| 3 | Non-executive Directors | 10 |

**Gender balance**

Male: Female **9:4**

**Length of tenure**
(Chairman and non-executive Directors)

| | |
|---|---|
| 0-3 years | **6** |
| 3-6 years | **3** |
| 6-9 years | **2** |

**Geographical mix**
(Chairman and non-executive Directors)

| | |
|---|---|
| UK | **6** |
| US | **3** |
| Continental Europe | **1** |
| Other | **1** |

**Industry/background experience**
(Chairman and non-executive Directors)[a]

| | |
|---|---|
| Financial Services | 10 (91%) |
| Political/regulatory contacts | 11 (100%) |
| Current/recent Chair/CEO | 3 (27%) |
| Accountancy/financial | 1 (9%) |

| | |
|---|---|
| International (US) | 3 (27%) |
| International (Europe) | 1 (9%) |
| International (Rest of the World) | 3 (27%) |
| Operations and Technology | 1 (9%) |

Note

a Individual Directors may fall into one or more categories

What we did in 2016

## Chairman s introduction

**Strong and effective governance benefits companies and the UK economy more generally, by instilling public confidence and respect for the corporate sector, making the UK an attractive place to do business.**

**Dear Fellow Shareholders**

Welcome to my 2016 corporate governance report. When I think about corporate governance, I inevitably focus on how strong and effective governance acts to provide the necessary checks and balances at the very top of companies, thus supporting better decision-making and accountability. In turn, this benefits companies and the UK economy more generally, by instilling public confidence and respect for the corporate sector and making the UK an attractive place to do business, something that has grown in importance post the EU Referendum. As a bank, gaining this confidence and respect is paramount. Our business is founded on and operates on trust the trust of our customers and clients, our employees and the wider public. Strong and effective corporate governance has a vital role in ensuring that we earn and keep that trust.

**What is the role of the Board?**

I firmly believe that the role of the Board is to focus on long-term, sustainable value creation. At the heart of our strategy, which we announced in March 2016, is building on our strength as a transatlantic consumer, corporate and investment bank, with global reach. To this end, the Board has provided critical oversight of executive management in developing and delivering this strategy, creating a smaller, simplified bank capable of producing high quality returns for our shareholders on a sustainable basis.

**What were the Board s key areas of focus in 2016?**

During 2016, the Board focused its activity to support management in delivery of the agreed strategy. A summary of key items considered by the Board can be found on pages 56 to 57. The main areas of Board activity have been on ensuring that we have strong foundations in place by focusing on the performance of our Core businesses, and on completing the restructuring of Barclays by accelerating the run-down of the Non-Core businesses. We also took the difficult, but important, decision to sell-down our holding in Barclays Africa. Progress in these areas is enabling us to build the Barclays of the future. As part of ensuring we are well-positioned, and to meet regulatory requirements, we have aligned our business more closely with our legal entity structure and geographic locations. You can read more about the Board s role in preparing Barclays for Structural Reform in the case study on page 57. We also had to deal with the impacts of the UK s vote to leave the EU and held a special meeting in the days following the EU Referendum result to assess the position for Barclays. You can read more about how we prepared for the EU Referendum in the case study on page 72.

**How effective is the Board?**

Effective delivery of long-term, sustainable value for shareholders requires an effective Board. It is an important part of my role as Chairman to satisfy myself that the Board both collectively and its individual members operates effectively. Each year, we conduct a self-assessment of our performance, with the aid of an independent facilitator, and you can read a report on the outcomes of the 2016 self-assessment on pages 81 to 83. We also describe the actions we took during 2016 in response to any matters identified for improvement during the 2015 self-assessment. I hope this provides a flavour of how seriously the Board regards this important exercise.

The working relationship between the Board and executive management is, of course, critical to the effectiveness of the Board and I am pleased to report that we enjoy a healthy, constructive relationship, with an appropriate level of creative tension that helps drive productive discussions in the boardroom.

**How did the Board change in 2016?**

To be effective, the Board needs the right people and, in particular, it needs to have the right balance and diversity of skills, experience and perspectives. It is important that the composition of the Board brings to bear a broad range of social perspectives and talent on decision-making and that the Board is able to connect with the demographics of Barclays customers and clients and employees. We have a healthy non-executive presence on the Board, which was strengthened further during 2016 with the appointments of Sir Gerry Grimstone as Deputy Chairman and Senior Independent Director and Mary Francis as a non-executive Director. Both are highly-experienced non-executive Directors and add to the depth of experience and talent on the Board. During 2016, Wendy Lucas-Bull and Frits van Paasschen, both non-executive Directors, left the Board and I thank them on behalf of the Board for their service.

In early 2016, we set ourselves a new Board diversity target, which is to have 33% women on the Board by 2020. We currently have 31% women on the Board and are pleased with the progress we are making towards our target. Of course, diversity is not just about gender and although we have not set any other Board diversity targets, such as ethnicity, when it discusses and assesses Board composition and prospective candidates the Board Nominations Committee considers a number of factors before making its recommendations. Ultimately, maintaining the overall effectiveness of the Board is paramount and we maintain the position that all appointments to the Board are made on merit. More information on the Board appointments process can be found on page 80.

**How does the Board ensure that high standards of business conduct are maintained?**

There can be no argument that to be successful and to create long-term, sustainable value, we must maintain consumer and market trust and confidence. We need to act with transparency and integrity in every interaction we have with all of our stakeholders and this behaviour is integral to the way in which we operate. This is why as a Board we have continued to wholeheartedly support Barclays shared purpose and common values. *The Barclays Way,* which is endorsed by me, as Chairman, outlines the purpose and values that govern our way of working across our businesses globally. Of course, the challenge we have, in a large organisation such as Barclays, is to ensure that all employees do the right thing day in, day out. To address this challenge, all employees continue to be required to undertake training on *The Barclays Way* annually, with the Board Reputation Committee tracking completion rates. Additionally, the Board Reputation Committee hears directly from the senior management in each business on how they are addressing any conduct and cultural matters specific to that business, thus holding senior management to account for the values and behaviours in their business. You can read more about the work of the Board Reputation Committee on pages 73 to 76.

**How does the Board take account of Barclays wider stakeholders?**

I ve referred a number of times to the Board s role in creating and delivering shareholder value in a long-term, sustainable way. This can only be achieved by being acutely alive to the impact that our business decisions might have on our customers, clients, employees and others and by fully understanding and appreciating the wider societal obligations that we have. These issues are important for the Board and the Board Reputation Committee fulfils a vital role on behalf of the Board by monitoring key indicators across the areas of conduct, culture, citizenship and customer complaints. This includes, for example, assessing not only the volumes of customer complaints that we receive, but also the way in which they are handled. It covers assessing the results from regular employee opinion surveys and the actions being taken to address any common issues or themes that arise across the business. It also includes oversight of the delivery of our citizenship strategy, the *Shared Growth Ambition*, where our long-term aim is to create and grow a collection of products, services and partnerships that improve the lives of people in the communities that we serve. All of this activity can and does support the Board s over-arching objective of delivering sustainable returns for our shareholders.

You can read more about the *Shared Growth Ambition* at **home.barclays/citizenship**

**Looking ahead**

I expect 2017 to be a pivotal year for Barclays in the delivery of its strategy; a year when we will complete our restructuring and establish ourselves as a bank that is recognised for financial strength, financial transparency, operational stability, underpinned by a values-driven culture. We are incredibly focused and working hard as your Board to engender respect and trust for our Company and the profession of banking, in order to support our customers and clients, to contribute to the UK s reputation as a place to do business and to deliver long-term value to shareholders.

**John McFarlane**

Chairman

22 February 2017

## What we did in 2016

During 2016, the Board focused on a number of specific areas, outlined in the table below, in line with Barclays three strategic goals and five principal risks:

**Strategic goals**

- Have strong foundations in place
- Accelerate the completion of restructuring
- Build the Barclays of the future

**Principal risks**

- Credit
- Market
- Funding
- Operational
- Conduct

**Board allocation of time (%)**

| | | 2016 | 2015 |
|---|---|---|---|
| 1 | Strategy formulation and implementation monitoring | **55** | 56 |
| 2 | Finance (incl. capital and liquidity) | **17** | 11 |
| 3 | Governance and Risk (incl. regulatory issues) | **26** | 29 |
| 4 | Other (incl. compensation) | **2** | 4 |

| | Strategic Goal | Principal Risks |
|---|---|---|
| **Strategy formulation and monitoring** | | |

§ Debated the potential impact of the EU Referendum and the contingency plans being developed. Following the result of the Referendum, discussed and assessed the implications for the UK, the banking sector and for Barclays, including a presentation from a third party on the political aspects and their potential implications

§ Regularly debated and monitored the progress of Barclays preparations for Structural Reform see the case study on page 57 for further details

§ Reflected on the position of Barclays Africa in the Barclays Group and its impact on Barclays capital position, deciding to sell-down Barclays holding to a position where Barclays Africa accounting and regulatory de-consolidation could be achieved

§ Assessed the progress of strategy execution in each of Barclays UK, Barclays International s investment bank and corporate business and the Cards business, via presentations from the heads of each business

§ Monitored the progress of the run-down of Barclays Non-Core via regular presentations from the heads of the Non-Core business

§ Discussed regular updates from the Group Chief Executive on the progress being made against the Group s execution priorities and received insights on stakeholder issues (including those arising from customers and clients, employees, regulators and governments) and cultural matters, including results from employee opinion surveys

§ Debated and provided input to management on the formulation of overall Group strategy, including

the impact of structural change and the creation of new subsidiary legal entities in the Group

the progress of the sell-down of Barclays Africa, including potential options, costs of separation, potential conduct risks and customer impacts

the impact of the EU Referendum result, taking into account an assessment of possible political scenarios and the potential impacts on each of Barclays businesses in terms of capital, operations, economics, regulation, clients and customers

a strategic approach to costs optimisation

constraints and risks to strategy execution, covering economic assumptions; expected regulatory requirements on capital and solvency ratios at Group and subsidiary legal entity level; anticipated changes to accounting rules; investor expectations; and potential impacts for clients and customers

potential growth opportunities, covering an assessment of the competitive landscape for Barclays UK, Barclays International and the Cards business; key trends and risks for each business in terms of economics, regulation, customers, employees and technology; near-term focus areas and potential transformational opportunities

**Finance, including capital and liquidity**

§ Debated and approved the Group s Medium Term Plan for 2016-2018 and short-term plan for 2016, with a focus on producing increased returns in future

§ Regularly assessed financial performance of the Group and its main businesses via reports from the Group Finance Director

§ Reviewed and approved Barclays financial results prior to publication, including approving final and interim dividends

§ Discussed market and investor reaction to Barclays strategic and financial results announcements, with insights provided by the Head of Investor Relations

§ Provided input, guidance and advice to senior management on the high-level shape of Barclays 2017-2019 Medium Term Plan and subsequently approved the final plan

Strategic Goal Principal Risks

**Governance and risk, including regulatory issues**

§ Debated and approved 2016 risk appetite for the Barclays Group
§ Regularly assessed Barclays overall risk profile and emerging risk themes, hearing directly from the Chief Risk Officer and the Chairman of the Board Risk Committee
§ Evaluated Barclays operational and technology capability, including specific updates on cyber-risk capability and the strategy for infrastructure services. Approved Barclays International s investment bank s IT and Data Global Strategy
§ Approved the Group s 2016 Recovery Plan and US Resolution Plan
§ Held specific meetings with representatives of Barclays UK and US regulators to hear first-hand about regulatory expectations and their specific views on Barclays
§ Evaluated the status of Barclays risk and control environment and the plans in place to enhance the risk and control framework and approved a revised Enterprise Risk Management Framework (ERMF)
§ Considered regular updates from the Group General Counsel on the legal risks facing Barclays
§ Heard regularly from the chairmen of the Board s principal Board Committees on the matters discussed at Board Committee meetings
§ Received updates from the chairman of Barclays US IHC on matters discussed at its board meetings
§ Heard directly from representatives of the Banking Standards Board on its assessment of the culture in Barclays and the banking sector as a whole

**Other, including compensation**

§ Reviewed Barclays Talent Management strategy and the process for succession planning for key executive positions, hearing directly from the Group HR Director and the Chairman of the Board Nominations Committee

§ Received and debated a presentation from the independent facilitator of the 2016 Board effectiveness review on the outcomes and potential areas of focus for improvement

The above analysis reflects the ERMF that was in place during 2016.

## Governance in Action

### Preparing for Structural Reform

Law and regulation in the UK, and associated regulatory rules, require Barclays to separate its retail banking operations into a separate, independent legal entity (known as ring-fencing ). Barclays has an internal Structural Reform Programme in place to implement these required changes in the UK. A new UK banking entity is being established as the ring-fenced bank (Barclays UK) and will serve retail and small business customers, as well as UK wealth and credit card customers. Barclays International will continue to serve corporate, institutional and investment banking clients and will also serve international wealth and credit card customers. A Group Service Company will be established to support the revised operating entity structure.

These structural changes will have a material impact on the way in which Barclays operates in future. Consequently, the progress of the Structural Reform Programme featured heavily on the Board s agenda during 2016, given the scale of change required and the potential material risks associated with transitioning to the new structure and with the new structure itself. The Board evaluated progress of the Structural Reform Programme at seven of the eight Board meetings held during 2016, including specifically evaluating the impact of structural change as part of the annual Group strategy Board meeting. Specific matters addressed by the Board included:

§ Structural Reform design and implementation plans, including evaluating any identified risks and challenges; considering regulatory feedback on the plans and the status of actions arising from regulatory engagement; and agreeing the internal accountability framework

§ debating the potential implications of Structural Reform on Barclays pension scheme, both in terms of the potential impact on Barclays and on pension scheme members

§ conducting an assessment of the overall conduct risk considerations associated with Structural Reform, focusing on the potential impacts for clients and customers

§ evaluating the work being conducted to address sort-code migration, covering technology planning and implementation and customer impact considerations.

Separately, during 2016, Barclays US businesses were organised under an Intermediate Holding Company (IHC) in order to meet US legal requirements. The IHC became operational from 1 July 2016. The Board was regularly updated on progress of implementation, any risks and challenges and how they were being managed.

Board Committees have supported the Board in overseeing the implementation of Structural Reform on matters that fall directly within their remit. For example, the Board Nominations Committee determined the proposed composition of the boards of the new operating entities and is in the process of identifying and evaluating proposed candidates for appointment to those boards. It also discussed and

§ assessing the progress being made with establishing the new legal entity for Barclays UK, including any necessary regulatory licencing requirements and preparations for the ring-fence transfer scheme

§ monitoring the creation of the Group Service Company, including assessing its design, its board governance structure, its control and oversight framework and the execution milestones to be achieved

endorsed a set of Governance Guiding Principles, which will govern the relationship between the parent company and its new operating entities. The Board Risk Committee spends time at each meeting assessing the prospective capital and liquidity impacts of Structural Reform, while the Board Audit Committee has evaluated the potential accounting implications. More information can be found in the individual Board Committee reports on the pages that follow.

What we did in 2016

## Board Audit Committee report

**Change has continued apace and it has been critical to focus on ensuring that the commitment to strengthening the control environment is maintained throughout this transformational period.**

**Dear Fellow Shareholders**

My report to you last year highlighted the significant degree of change that Barclays was facing, driven by its own strategic aims and by the demands of Structural Reform. Change has continued apace and it has been critical for the Committee to focus on ensuring the commitment to strengthening the control environment is maintained throughout this transformational period. Barclays has during 2016 put in place a significantly changed senior management team and my Committee colleagues and I are greatly encouraged by the renewed focus and vigour with which the control environment is being addressed and the sense of personal accountability that we are seeing. A significant development in the fourth quarter of 2016 was the creation of a chief controls office and the appointment of a Chief Controls Officer, which will drive forward the delivery of an enhanced programme designed to strengthen the control environment and remediate any known issues. Although the new controls office structure is in its infancy, I welcome the more strategic approach that is now being taken to embed accountability for a strong control environment into the first line of management. Such is the importance of this programme to Barclays that, for its initial phase, progress on the framework will be reported directly to the full Board. In assessing control issues for disclosure in the Annual Report, the Committee has continued to apply similar definitions to those used for assessing internal financial controls for the purposes of Sarbanes-Oxley. The conclusion we have reached is that there are no control issues that are considered to be a material weakness, which merit specific disclosure. Further details may be found in the Risk management and internal control section on page 88.

Our busy agenda in 2016 continued to include our responsibilities for overseeing the performance and effectiveness of internal and external audit, the main independent assurance mechanisms that serve to protect shareholders interests. The Committee also continued to exercise its responsibilities for ensuring the integrity of Barclays published financial information by debating and challenging the judgements made by management and the assumptions and estimates on which they are based. The exercise of appropriate judgement in preparing the financial statements is critical in ensuring that Barclays reports to its shareholders in a fair, balanced and transparent way. The report that follows sets out details of the material matters considered by the Committee since my last report.

A significant change that the Committee has been overseeing is the transition to KPMG as Barclays statutory auditor, following the audit tender concluded in 2015. I met regularly with the PwC lead audit partner and his KPMG successor during 2016. KPMG has been shadowing the current auditor, PwC, during the 2016 year-end audit and the Committee is already seeing some value from the new perspective provided by KPMG on accounting estimates and policies. You can read more about auditor transition in the case study on page 67.

The introduction in March 2016 of the UK s Senior Managers Regime allocated to me specific prescribed responsibilities for safeguarding the independence of, and overseeing the performance of, the internal audit function, including the performance of the Chief Internal Auditor, in line with regulatory requirements. In practice, little has changed in the way in which I fulfil my responsibilities: I continue to hold regular meetings with the Chief Internal Auditor and members of her senior management team to ensure I am aware of current work programmes and any emerging issues and I also agree the Chief Internal Auditor s objectives and the outcomes of her performance assessment. During 2016, the PRA undertook a review of Barclays Internal Audit (BIA) and made a number of recommendations to increase its effectiveness and the Committee s monitoring thereof. An action plan has been developed to address these recommendations. The Committee also held a networking event with BIA during 2016, enabling Committee members to meet less formally with senior members of the BIA team.

An additional responsibility I have assumed under the Senior Managers Regime is that of Whistleblower s Champion, a position required by the FCA to be held at Board level. As champion, I have specific responsibility for the integrity, independence and effectiveness of the Barclays policies and procedures on whistleblowing, including the procedures for protecting employees who raise concerns from detrimental treatment. During 2016, I recorded a video message to all employees Group-wide, highlighting my role as Whistleblower s Champion and raising awareness of the policies and procedures we have in place.

I continued to work closely with my fellow Board Committee chairmen during 2016, particularly with the Board Risk Committee chairman on the question of operational risk issues, which each Committee has a role in overseeing. I attended meetings of the IHC audit committee to gain a first-hand insight into the issues being addressed by that committee and have invited its chairman to attend a Committee meeting in early 2017 by way of reciprocating. I met frequently with other members of senior management, including the Group Finance Director, and continued my engagement with Barclays regulators both in the UK and US.

**Committee performance**

The Committee s performance during 2016 was assessed as part of the independently facilitated annual Board effectiveness review. The conclusion of my Board colleagues was that the Committee is regarded as thorough and the Board takes assurance from the quality of the Committee s work. The main area identified for improvement was to ensure that the Committee continues to strike an appropriate balance between covering issues in appropriate detail and taking a strategic approach to its oversight and supervision of management. The review also commented on the need to strengthen the depth of financial and accounting expertise on the Committee via new appointments, which is a matter that was already under consideration during 2016, and the need to ensure that the way in which the Committee works with the Board Reputation and Board Risk Committees continues to capture all significant issues effectively while minimising any overlap. I will be seeking to address each of these areas over the coming year. You can read more about the outcomes of the Board effectiveness review on pages 81 to 83.

**Looking ahead**

The Committee is looking forward to working with both the new Chief Controls Officer and with the new auditor, KPMG, during 2017. In addition to overseeing management s progress on enhancing the control environment, the Committee will be focusing on some significant accounting issues, including the Group s preparedness for the implementation of IFRS9 and the accounting implications of Structural Reform. We will also be closely monitoring the implementation of the action plan to address the recommendations arising from the PRA s review of BIA.

**Mike Ashley**

Chairman, Board Audit Committee

22 February 2017

**Board Audit Committee allocation of time (%)**

| | | 2016 | 2015 |
|---|---|---|---|
| 1 | Control issues | **23** | 18 |
| 2 | Business control environment | **19** | 16 |
| 3 | Financial results | **36** | 27 |
| 4 | Internal audit matters | **11** | 7 |
| 5 | External audit matters (including, in 2015, external audit tender) | **6** | 26 |
| 6 | Other (including governance and compliance) | **4** | 6 |

**Committee composition and meetings**

The Committee is composed solely of independent non-executive Directors, with membership designed to provide the breadth of financial expertise and commercial acumen its needs to fulfil its responsibilities. Its members as a whole have experience of the banking and financial services sector in addition to general management and commercial experience. Diane Schueneman was appointed to the Committee with effect from 18 February 2016, bringing valuable insights into operational and technology risk and controls. Diane de Saint Victor retired from the Committee at the end of May 2016. Mike Ashley is the designated financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act. Although each member of the Committee has financial and/ or financial services experience, the Board has identified that the Committee could be strengthened by the appointment of an additional member with direct accounting and auditing experience. Consideration is being given to further appointments to the Committee in this regard, however, given the impact of Structural Reform, the search for suitable candidates is being addressed in the context of overall Board composition requirements. You can find more details of the experience of Committee members in their biographies on pages 51 and 52.

The Committee met 12 times in 2016 and the chart above shows how it allocated its time. Meetings are generally arranged well in advance and are usually scheduled in line with Barclays financial reporting timetable. Two of the meetings were arranged specifically to provide the Committee opportunity to consider particular issues relevant to the financial statements, such as the viability statement and the proposed deadline for PPI claims. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, Chief Operating Officer, General Counsel and Head of Compliance, as well as representatives from the businesses and other functions. In future, the Chief Controls Officer will attend meetings on a regular basis. The lead audit partner of the external auditor attended all Committee meetings and the Committee held a number of private sessions with each of the Chief Internal Auditor or the lead auditor partner, which were not attended by management. From 1 July 2016, the lead audit partner of KPMG also attended meetings as part of the statutory auditor transition process. Representatives from the PRA also attended a meeting during 2016.

| Member | Meetings attended/eligible to attend |
|---|---|
| Mike Ashley | 12/12 |
| Tim Breedon | 12/12 |
| Crawford Gillies* | 11/12 |
| Diane de Saint Victor (to 31 May 2016) | 8/8 |
| Diane Schueneman (from 18 February 2016) | 9/9 |

*Did not attend one meeting convened at short notice owing to a prior commitment

**Committee role and responsibilities**

The Committee is responsible for:

§ assessing the integrity of the Group s financial reporting and satisfying itself that any significant financial judgements made by management are sound

§ evaluating the effectiveness of the Group s internal controls, including internal financial controls

§ scrutinising the activities and performance of the internal and external auditors, including monitoring their independence and objectivity.

The Committee s terms of reference are available at **home.barclays/corporategovernance**

What we did in 2016

## Board Audit Committee report

### The Committee s work

The significant matters addressed by the Committee during 2016 and in evaluating Barclays 2016 annual report and financial statements, are described on the following pages.

### Financial statement reporting issues

The Committee s main responsibility in relation to Barclays financial reporting is to review with both management and the external auditor the appropriateness of Barclays financial statements, including quarterly results announcements and half-year and annual financial statements and supporting analyst presentations, with its primary focus being on:

§ the quality and acceptability of accounting policies and practices

§ any correspondence from financial reporting regulators in relation to Barclays financial reporting

§ material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor

§ an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Barclays position and performance, business model and strategy.

*Accounting policies and practices*

The Committee discussed reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and the proposed disclosure of these in the 2016 Annual Report. Following discussions with both management and the external auditor, the Committee approved the critical accounting judgements, significant accounting policies and disclosures, which are set out in note 1, Significant accounting policies , to the consolidated financial statements. There were no significant changes in accounting policy during the period. During 2016, the Committee was regularly updated on Barclays preparations for the implementation of IFRS9 (Financial Instruments), which is effective from 1 January 2018, including the key technical decisions and interpretations required and Barclays proposed approach

for each. The Committee also considered the accounting implications of Structural Reform and the establishment of the ring-fenced bank. These will continue to be areas of focus in 2017.

*Financial reporting regulators and Barclays*

During the third quarter of 2016, Barclays received a comment letter from the Corporate Reporting Review Team (CRRT) of the Financial Reporting Council (FRC) in relation to its thematic review of tax disclosures. The comment letter covered the disclosure of uncertain tax provisions in Barclays 2015 annual report and financial statements. The CRRT requested and was provided with additional information in respect of Barclays disclosure of uncertain tax positions, including an advance copy of Barclays enhanced policy for such disclosure (see page 294), and subsequently confirmed in writing that it had closed its enquiries.*

The Committee from time to time considers comment letters from the SEC in relation to its reviews of Barclays Annual Report and other publicly filed financial statements. Such comment letters and Barclays responses are made publicly available by the SEC on its website, www.sec.gov, once it has closed each such review. The Committee sought to ensure that Barclays took due account of the SEC s views in its external reporting.

*Significant judgements and issues*

The significant judgements and issues and actions taken by the Committee in relation to the 2016 annual report and financial statements are outlined below. The significant judgements and issues are broadly comparable in nature to prior years. Each of these matters was discussed with the external auditor during the year and, where appropriate, have been addressed as areas of audit focus in the Auditors Report on pages 269 to 275.

* The CRRT s review was based on Barclays annual report and financial statements and did not benefit from detailed knowledge of Barclays business or the transactions entered into. The closure of the CRRT s enquiries provides no assurance that Barclays annual report and accounts are correct in all material respects, as the FRC s role is not to verify information but to ensure compliance with reporting requirements. The FRC accepts no liability for reliance on its closure letter from Barclays or any third party, including but not limited to investors and shareholders.

| Area of focus | Reporting issue | Role of the Committee | Conclusion/action taken |
| --- | --- | --- | --- |
| **Conduct provisions**<br><br>(see Note 27 to the financial statements). | Barclays makes certain assumptions and estimates, analysis of which underpins provisions made for the costs of customer redress, such as for Payment | § Regularly analysed the judgements and estimates made with regard to Barclays provisioning for PPI claims, taking into account forecasts and assumptions made for PPI complaints and actual claims | The Committee and management continue to monitor closely any changes in customer or claims management companies behaviour in light of the Plevin case and the proposed FCA timebar. Over the course of |

| | | |
|---|---|---|
| Protection Insurance (PPI). | experience for Barclays and the industry as a whole.<br><br>§ Debated the potential impact on the future range of provisions arising from the FCA s proposed timebar on claims and the expected deadline of June 2019, discussing the levels of uncertainty in the projections.<br><br>§ Discussed the potential range of outcomes that might arise from the Plevin case (the 2014 UK Supreme Court ruling in Plevin v Paragon Personal Finance Ltd) and whether any increase in provisions was required.<br><br>§ Evaluated proposed additional provisions for PPI and whether the analysis performed by management was consistent with prior periods and reflected known trend data and whether Barclays approach was consistent with that taken by industry peers.<br><br>§ Assessed provisions for alternative PPI (card protection and payment break plan insurance) and the claims experience compared to the range of reasonable high and low end scenarios that had been determined. | 2016, having assessed actual claims experience and the potential impact of the proposed timebar and the Plevin case, the Committee agreed to recognise additional provisions of £1,000m in 2016, bringing Barclays total cumulative provisions against the cost of PPI redress and associated processing costs to £8.4bn, of which £2.0bn is remaining. |

| Area of focus | Reporting issue | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Legal, competition and regulatory provisions**<br><br>(see Notes 27-29 to the financial statements). | Barclays is engaged in various legal, competition and regulatory matters. The extent of the impact on Barclays of these matters cannot always be predicted, but matters can give rise to provisioning for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisioning is subject to management judgement on the basis of legal advice and is therefore an area of focus for the Committee. | § Evaluated advice on the status of current legal, competition and regulatory matters.<br><br>§ Assessed management s judgements and estimates of the levels of provisions to be taken and the adequacy of those provisions, based on available information and evidence.<br><br>§ Considered the adequacy of disclosure, recognising that any decision to set provisions involves significant judgement. | The Committee discussed provisions and utilisation. Having reviewed the information available to determine what was both probable and could be reliably estimated, the Committee agreed that no additional provision should be made at the full year for ongoing investigations and litigation.<br><br>Further information may be found on pages 330 to 338. |
| **Valuations**<br><br>(see Notes 14-18 to the financial statements). | Barclays exercises judgement in the valuation and disclosure of financial instruments, derivative assets and certain portfolios, particularly where quoted market | § Evaluated reports from Barclays Valuations Committee, with particular focus on the restructuring of the ESHLA portfolio and its subsequent de-recognition; a valuation disparity with a third party in | The Committee confirmed its agreement to the restructuring and de-recognition of the ESHLA portfolio and concluded that it was a de-recognition event. It noted the lack of progress made in resolving the |

| | | | |
|---|---|---|---|
| | prices are not available, including the Group s Education, Social Housing and Local Authority (ESHLA) portfolio. | respect of a specific long-dated derivative portfolio; and an assessment of the impact of negative interest rates on the valuation of derivatives.<br><br>§ Considered proposals from the Valuations Committee to revise the valuations approach for the remaining ESHLA portfolio and to revise the approach to the marking of Own Credit. | third-party valuation disparity, which has been outstanding for some time, and satisfied itself on the basis of the information available to it that Barclays valuation methodology remains appropriate. It approved a revision to the model used for valuing the remaining ESHLA portfolio recommended by the Valuations Committee. |
| **Impairment**<br><br>(see Note 7 to the financial statements). | Where appropriate, Barclays models potential impairment performance, allowing for certain assumptions and sensitivities, to agree allowances for credit impairment, including agreeing the timing of the recognition of any impairment and estimating the size, particularly where forbearance has been granted. | § Assessed impairment experience against forecast and whether impairment provisions were appropriate.<br><br>§ Evaluated the appropriateness and timing of the impairment taken in connection with Barclays exposures to the oil and gas sectors, including the impact of single name losses in the oil and commodities sectors.<br><br>§ Debated the adjustment in impairment taken in the Cards business for informal forbearance arrangements and the potential impact of changes in emergence modelling.<br><br>§ Considered a report from the Group Impairment Committee on the adequacy of loan impairment allowances as at 31 December 2016, including assessing internal and external trends, methodologies and key management judgements. | The Committee challenged the timing of the oil and gas impairment taken in the half-year results, although confirmed that the provision was adequate. It welcomed the proposal to create a new Group Impairment Committee and enhance the role of the Group Finance function in assessing impairment provisioning. It agreed a post-model adjustment of £250m for impairment in the UK and US Cards businesses during the third quarter of 2016 and obtained clarification on the impairment policy for the Cards business. At the full year, having debated the report from the Group Impairment Committee it confirmed the adequacy of the full year impairment charge of £2.4bn. |

| | | | |
|---|---|---|---|
| **Tax**<br><br>(see Note 10 to the financial statements). | Barclays is subject to taxation in a number of jurisdictions globally and makes judgements with regard to provisioning for tax at risk and on the recognition and measurement of deferred tax assets. | § Evaluated the appropriateness of tax risk provisions to cover existing tax risk.<br><br>§ Debated the forecasts and assumptions supporting the recognition and valuation of deferred tax assets. | The Committee confirmed the tax risk provisions for the full year and the treatment of deferred tax assets. |

What we did in 2016

## Board Audit Committee report

| Area of focus | Reporting issue | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Long-term viability**<br><br>(see page 41 for further information). | The Directors are required to make a statement in the Annual Report as to the long-term viability of Barclays. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions. | § Evaluated at year end a report from management setting out the view of Barclays long-term viability. This report was based on Barclays Medium Term Plan (MTP) and covered forecasts for capital, liquidity and leverage, including forecast performance against regulatory targets, outcomes of the stress test of the MTP and forecast capital and liquidity performance against stress hurdle rates, funding and liquidity forecasts and an assessment of global risk themes and the Group s risk profile.<br><br>§ Considered the viability statement in conjunction with Barclays risk statements and strategy/business model disclosures. | Taking into account the assessment by the Board Risk Committee of stress testing results and risk appetite, the Committee agreed to recommend the viability statement to the Board for approval. |

| | | | |
|---|---|---|---|
| | | § Addressed specific feedback from investors and other stakeholders on viability statements in general. | |
| **Fair, balanced and understandable reporting**<br><br>(including country-by-country reporting and Pillar 3 reporting). | Barclays is required to ensure that its external reporting is fair, balanced and understandable. The Committee undertakes an assessment on behalf of the Board in order to provide the Board with assurance that it can make the statement required by the Code. | § Assessed, via discussion with and challenge of management, including the Group Chief Executive and Group Finance Director, whether disclosures in Barclays published financial statements were fair, balanced and understandable.<br><br>§ Evaluated reports from Barclays Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures.<br><br>§ Established via reports from management that there were no indications of fraud relating to financial reporting matters.<br><br>§ Evaluated the outputs of Barclays internal control assessments and Sarbanes-Oxley s404 internal control process.<br><br>§ Assessed disclosure controls and procedures.<br><br>§ Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made. | Having evaluated all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of Barclays published financial statements, including the 2016 annual report and financial statements, were appropriate in ensuring that those statements were fair, balanced and understandable.<br><br>In assessing Barclays financial results statements over the course of 2016, the Committee specifically addressed and provided input to management on the disclosure and presentation of:<br><br>§ Barclays restated financial results, including the allocations to Barclays UK and Barclays International and the separation of the Cards business<br><br>§ the sell-down of Barclays holding in Barclays Africa and its classification as held for sale<br><br>§ guidance provided to the market on the costs of Structural Reform |

§ the Group Finance Director s presentations to analysts

§ alternative performance measures in view of new guidance from the European Securities & Markets Association

§ core performance and headcount

§ operational risk capital and guidance on capital levels

§ the level of segmental reporting.

The Committee recommended to the Board that the 2016 annual report and financial statements are fair, balanced and understandable.

**Other significant matters**

Apart from financial reporting matters the Committee has responsibility for oversight of the effectiveness of Barclays internal controls, the performance and effectiveness of BIA and the performance, objectivity and independence of the external auditor. The most significant matters considered during 2016 are described below:

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Internal control**<br><br>Read more about the Barclays internal control and risk management processes on pages 88 and 89. | The effectiveness of the overall control environment, including the status of any material control issues and the progress of specific remediation plans. | § Evaluated and tracked the status of the most material control issues identified by management via regular reports from the Head of Operational Risk and latterly from the Chief Controls Officer.<br><br>§ Evaluated the status of specific material control issues and associated remediation plans, including in particular those relating to Security of Secret and Confidential Data; Infrastructure Access Management; Group Resilience; IT Security; Data Governance; Model Risk Management; and Unsupported Infrastructure and Applications, | The Committee requested enhancements to reporting to make clear where operational risk was outside appetite and the actions being taken. The Committee welcomed the improvements made to the lessons-learned process and proposed that the new Group Controls Committee should play a role in setting standards for lessons-learned exercises and deciding when they should be conducted. The Committee endorsed the work being taken forward, under the leadership of the Chief Controls Officer, to address any feedback from regulators on Barclays control environment, noting that the |

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| | all of which remained open at the end of 2016.<br><br>§ Discussed lessons learned from specific control incidents and how these could be applied to Barclays business globally, via an enhanced lessons-learned process.<br><br>§ Debated any regulatory reports or other feedback received from regulators on Barclays overall control environment.<br><br>§ Assessed the status of the enhancements being made to Barclays risk and control self-assessment (RCSA) process to support disclosures in Barclays annual report. | Board would directly oversee the progress being made to address specific regulatory feedback. The Committee also challenged management to ensure that the RCSA process was sufficiently robust in light of some specific control issues that had emerged after certain RCSAs had been completed. |
| The effectiveness of the management control approach and control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans. | § Assessed individual reports from Barclays UK, Barclays International, the Cards business, Barclays Non-Core operations, Barclays International s US investment banking operations and Barclays Africa, including questioning directly the heads of those businesses on their management control approach/culture and control environment, including any specific control issues, resilience issues, the status and progress of any remediation plans or workstreams and plans to enhance the control environment. | The Committee welcomed the decision by Barclaycard to redirect strategic investment towards enhancing its control environment and to restrict growth in new business while certain control issues, such as fraud levels in the US, were addressed. To make clear the levels of personal accountability expected, the Committee asked for the control objectives for each member of the Group Executive Committee for 2016 to be made more specific, with an emphasis on prioritising control issues. |

§ Tracked plans for implementing revised control governance structures in each business to align with changes in Barclays organisational structure.

§ Provided feedback on the 2016 control objectives for each member of the Group Executive Committee.

What we did in 2016

**Board Audit Committee report**

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| | The effectiveness of the control environment in the Chief Operating Office (COO) and the status and remediation of any material control issues. | § Scrutinised on a regular basis the COO control environment, taking the opportunity to directly challenge and question functional leaders, including the Chief Operating Officer on the progress of remediation plans.<br>§ Debated the clarity of accountability and standards of consistency needed, given decentralisation of the business.<br>§ Addressed the issue of resilience and associated risk appetite, discussing in particular the impact of change on resilience initiatives.<br>§ Discussed the impact of the proposed sell-down of Barclays holding in Barclays | The Committee emphasised the need for clear ownership and accountability between the business and COO for technology control issues, which has been addressed via the implementation of the new organisational management structure. In view of the volume of technology and change remediation required, the Committee tasked the Chief Operating Officer with enhancing the processes for self-identification and logging of risk and control issues. The Committee also asked the new Chief Information Officer to conduct a deep dive into Technology control issues, the outputs of which were evaluated by the Committee in the fourth quarter of 2016. The Committee welcomed the improved clarity of the plans to enhance the COO control environment and will receive further regular updates throughout 2017. |

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| | Africa, including any ongoing support requirements on COO-related material control issues. | |
| The adequacy of the Group s arrangements to allow employees to raise concerns in confidence without fear of retaliation and the outcomes of any substantiated cases. | § Evaluated the results of benchmarking exercise to compare Barclays processes and case volumes to 40 peer companies.<br>§ Tracked the progress of the internal campaign to raise awareness among employees on raising concerns.<br>§ Monitored the trends in reported and substantiated whistleblowing cases, including any information on any instances of retaliation. | The Committee concluded that Barclays processes were appropriate and in line with peers. It noted that the successful internal campaign had generated an increase in the number of whistleblowing reports, all of which were investigated. Volumes of cases remain proportionate to Barclays size and footprint. The Committee asked management to provide additional detail in its future reports where any whistleblowing investigation was outstanding for more than six months. In future, as Barclays Whistleblowing Champion, the Chairman of the Committee will make an annual report to the Board on whistleblowing matters. |

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Internal audit** | The performance of BIA and delivery of the internal audit plan, including scope of work performed, the level of resources and the methodology and coverage of the internal audit plan. | § Scrutinised and agreed internal audit plans and deliverables for 2016, including agreeing the areas of focus, such as technology, data, change, execution risk, and the resources required.<br><br>§ Monitored delivery of the agreed audit plans, including assessing internal audit resources and attrition levels and any impacts on the plan.<br><br>§ Debated audit risk appetite and issue validation.<br><br>§ Tracked the levels of unsatisfactory audits, including discussing the time taken to issue audit reports and the reasons for | The Committee approved an increase in headcount to ensure appropriate audit coverage of technology and change and agreed an interim audit risk appetite level pending recruitment, subject to the delivery of mitigating actions assigned to the Chief Operating Officer. The Committee emphasised to management that it was not content with the number of unsatisfactory audits and considered setting a target for management. It also asked BIA to disclose in its reports the reasons for any delay in issuing audit reports, along with details of any audit work that was deferred or cancelled. In view of the additional expectations placed on BIA, the Committee requested details of internal audit vacancies, business areas and skills sets and encouraged the Chief Internal Auditor to consider internal transfers and |

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| | | any delays.<br><br>§ Discussed BIA s assessment of the management control approach and control environment in Barclays UK, Barclays International and the COO.<br><br>§ Debated with BIA the possibility of auditing culture.<br><br>§ Evaluated the outcomes from BIA s annual self-assessment.<br><br>§ Debated feedback received from the PRA on the performance of BIA and discussed the increased regulatory expectations of BIA and the impact on internal audit plans and resources. | other creative solutions to fill resourcing gaps. It agreed with BIA the action plan to address the recommendations arising from the PRA review of BIA s performance. The Committee confirmed that it was satisfied with the outcomes of the self-assessment of BIA performance, which evidenced that the function generally conforms to the standards set by the Institute of Internal Auditors. It further confirmed that it felt able to reply on the work of BIA in discharging its own responsibilities. |
| **External audit** | The work and performance of PwC, including the maintenance of audit quality during the period of transition to a new auditor. | § Met with key members of the PwC audit team to discuss the 2016 audit plan and agree areas of focus.<br><br>§ Assessed regular reports from PwC on the progress of the 2016 audit and any material issues identified, including debating with PwC whether any changes to the audit plan were needed following the UK s vote to leave the EU. | The Committee approved the audit plan and the main areas of focus.<br><br>**Read more about the Committee s role in assessing the performance, effectiveness and independence of the external auditor and the quality of the external audit on pages 66 to 67.** |

§ Discussed PwC s report on certain control areas and the control environment, including a specific report on controls over access to payment systems requested by the Committee.

§ Discussed the draft audit opinion ahead of 2016 year end.

What we did in 2016

## Board Audit Committee report

The Committee also covered the following matters:

- tracked the progress of specific work being done to enhance Barclays financial crime controls and the deployment of a revised financial crime operating model. The Committee also assessed the Group Money Laundering Officer s annual report and was briefed on any issues arising from the publication of the information known as the Panama Papers

- assessed the status of the programme in place to ensure Barclays compliance with client assets regulatory requirements, including approving the annual client assets audit report and discussing the potential impact of Structural Reform on client assets

- evaluated the outcomes of the assessment of the Committee s performance and any areas of Committee performance that needed to be enhanced

- reviewed and updated its terms of reference, recommending them to the Board for approval.

**External auditor**

PwC, and its predecessor firms, has been Barclays external auditor since 1896. An external audit tender was conducted in 2015, with a view to rotating the external audit firm for the 2017 audit onwards. PwC was not asked to tender. The tender process completed in summer 2015 and the Board announced in July 2015 that it had appointed KPMG as Barclays statutory auditor with effect from the 2017 financial year. Henry Daubeney of PwC has been Barclays senior statutory auditor with effect from the audit for the 2015 financial year. He will be succeeded by an audit partner from KPMG with effect from the audit for the 2017 financial year.

**Assessing external auditor effectiveness, auditor objectivity and independence and non-audit services**

The Committee is responsible for assessing the effectiveness, objectivity and independence of the Group s auditor, PwC. This responsibility was discharged throughout the year at formal Committee meetings, during private meetings with PwC and via discussions with key executive stakeholders. In addition to the matters noted above, during 2016 the Committee:

§ approved the terms of the audit engagement letter and associated fees, on behalf of the Board

§ discussed and agreed revisions to the *Group Policy on the Provision of Services by the Group Statutory Auditor* and regularly analysed reports from management on the non-audit services provided to Barclays. Read more about non-audit services below

§ evaluated and approved revisions to the *Group Policy on Employment of Employees or Workers from the Statutory Auditor* and ensured compliance with the policy by regularly assessing reports from management detailing any appointments made

§ assessed the draft report to the PRA prepared by PwC regarding its detailed audit work on specific topics

§ was briefed by PwC on critical accounting estimates, where significant judgement is needed

§ assessed any potential threats to its independence self-identified and reported by PwC

§ reviewed the report on PwC issued by the FRC s Audit Quality Review team.

PwC s performance, independence and objectivity during 2016 were formally assessed at the beginning of 2017 by way of a questionnaire completed by key stakeholders across the Group. The questionnaire was designed to evaluate PwC s audit process and addressed matters including the quality of planning and communication, technical knowledge, the level of scrutiny and challenge applied and PwC s understanding of the business. The Committee was particularly interested in assessing whether audit quality was being maintained throughout the period of transition to a new auditor and that the appropriate degree of challenge and scepticism was being maintained. The results of the evaluation confirmed that both PwC and the audit process were effective. In view of the external audit tender conducted in 2015 and the decision to appoint KPMG as Barclays external auditor with effect from the 2017 financial year, PwC will resign as the Group s statutory auditor at the conclusion of the 2016 audit and the Board will resolve to appoint KPMG to fill the vacancy. A resolution to appoint KPMG as auditor will be proposed at Barclays 2017 AGM. PwC will be available at the 2017 AGM to answer any questions.

**Non-audit services**

In order to safeguard the auditor s independence and objectivity, Barclays has in place a policy setting out the circumstances in which the auditor may be engaged to provide services other than those covered by the Group audit. *The Group Policy on the Provision of Services by the Group Statutory Auditor* (the Policy) applies to all Barclays subsidiaries and other material entities over which Barclays has significant influence. The core principle of the Policy is that non-audit services (other than those legally required to be carried out by the Group s auditor) should only be performed by the auditor in certain, controlled circumstances. The Policy sets out those types of services that are strictly prohibited and those that are allowable in principle. Any service types that do not fall within either list are considered by the Committee Chairman on a case by case basis, supported by a risk assessment provided by management. Since October 2015, the Committee has also required all new engagements of KPMG for non-audit services to be considered in light of the Policy and has maintained oversight of such services on the same basis as for PwC. In particular, KPMG was not permitted to provide any non-audit service that might have continued beyond mid-2016 if it had potential to cause independence issues.

During 2016, the Policy was revised to reflect the FRC s draft Ethical Standard for Auditors published in September 2015, which implemented the EU s revised Statutory Audit Directive. The new Ethical Standard is effective from financial years commencing on or after 17 June 2016, meaning that Barclays must comply with effect from 1 January 2017. However, the Committee decided to early adopt the requirements of the new Ethical Standard from 1 July 2016, to align with the point at which KPMG started its required period of independence. In order to comply with the new Ethical Standard, significant amendments were made to the list of services that are strictly prohibited by the Policy. A number of services being undertaken by PwC or KPMG were required to be exited following adoption of the new Policy, with any exceptions being approved by the Chairman and notified to the Committee.

Under the Policy, the Committee has pre-approved all allowable services up to £100,000, or £25,000 for tax advisory services, however, all proposed work, regardless of the fees, must be sponsored by a senior executive and recorded on a centralised online system, with a detailed explanation of the clear commercial benefit arising from engaging the auditor over other potential service providers. The audit firm engagement partner must also confirm that the engagement has been approved in accordance with the auditor s own internal ethical standards and does not pose any threat to the auditor s independence or objectivity. All requests to engage the auditor are assessed by independent management before work can commence. Requests for allowable service types in respect of which the fees are expected to meet or exceed the above thresholds must be approved by the Chairman of the Committee before work is permitted to begin. Services where the fees are expected to be £250,000 or higher must be approved by the Committee as a whole. All expenses and disbursements must be included in the fees calculation. The thresholds were not amended when the Policy was revised in 2016.

During 2016, all engagements where expected fees met or exceeded the above thresholds were evaluated by either the Committee Chairman or the Committee as a whole who, before confirming any approval, assured themselves that there was justifiable reason for engaging the auditor and that its independence and objectivity would not be threatened. No requests to use PwC were declined in 2016 (2015: two), with one request to use KPMG declined (2015: n/a). On a quarterly basis, the Committee scrutinised details of individually approved and pre-approved services undertaken by PwC and KPMG in order to satisfy itself that they posed no risk to independence, either in isolation or on an aggregated basis. For the purposes of the Policy, the Committee has determined that any pre-approved service of a value of under £50,000 is to be regarded as clearly trivial in terms of its impact on Barclays financial statements and has required the Group Financial Controller to specifically review and confirm to the Committee that any pre-approved service with a value of £50,000-£100,000 (or up to £25,000 for tax advisory services) may be regarded as clearly trivial. The Committee undertook a review of pre-approved services at its meeting in December 2016 and satisfied itself that such pre-approved services were clearly trivial in the context of their impact on the financial statements.

The fees paid to PwC for the year ended 31 December 2016 amounted to £49m (2015: £43m), of which £8m (2015: £9m) was payable in respect of non-audit services. Non-audit services

**Governance in Action**
**Statutory auditor transition**

A significant activity for the Committee during 2016 has been overseeing the transition of Barclays statutory auditor from PwC to KPMG. Following the audit tender that concluded in mid-2015, KPMG will become Barclays statutory auditor with effect from the 2017 financial year onwards. The Committee has undertaken activity to manage the transition period to facilitate a smooth handover of responsibilities.

The Committee has overseen the steps required to enable KPMG to achieve independence by 1 July 2016. This included:

§ assigning a dedicated transition team to support operational activities, including progressing a global master services agreement and local jurisdictional agreements

§ agreeing with KPMG the overall plan to achieve independence and assessing regular reports from KPMG on the progress being made represented 20.6% of the statutory audit fee (2015: 24.2%). A breakdown of the fees paid to the auditor for statutory audit and non-audit work can be found in Note 42 on page 362. Of the £8m of non-audit services provided by PwC during 2016, the significant categories of engagement, i.e. services where the fees amounted to more than £500,000, included:

§ audit-related services: additional work to facilitate the transition to KPMG as Barclays statutory auditor

§ transaction support: services provided in connection with the sell-down of Barclays holding in Barclays Africa, including acting as the reporting accountant on the circular issued to Barclays shareholders and providing comfort on associated documentation

§ quality assurance: services performed on behalf of Barclays Africa over work conducted by Barclays in connection with the separation arrangements from Barclays.

The fees paid to KPMG for non-audit work during 2016 were £17.3m (2015: £38m). Significant categories of engagement approved in 2016 included:

§ Audit-related services: services provided in connection with minimum regulatory requirements for audits of benchmark interest rate submissions.

**The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014**

§ monitoring the orderly termination of non-audit services being provided by KPMG to Barclays that would be prohibited when KPMG becomes statutory auditor

§ requiring KPMG to comply from 1 June 2016 with the provisions of the Group s policies relating to the statutory auditor, specifically, *The Group Policy on the Provision of Services by the Group Statutory Auditor* and the *Group Policy on Employment of Employees or Workers from the Statutory Auditor,* and requiring management to report to the Committee on any services or appointments undertaken in line with these policies

§ accepting a formal independence letter from KPMG. This included a list of ongoing non-audit services that are deemed permissible and which have been approved in accordance with Barclays policy and confirmation of KPMG s compliance with applicable ethics and independence rules.

Once independence was achieved, the Committee oversaw the handover plan and the transition to business as usual. This included:

§ inviting the lead audit partner of KPMG to attend Committee meetings as part of the process of shadowing PwC s 2016 audit

§ arranging for the lead audit partner of KPMG to attend meetings of the Board Reputation Committee and Board Risk Committee

§ receiving a briefing from KPMG on accounting developments, covering: Impairment and the impact of IFRS9 (Financial Instruments); Valuations; Negative interest rates; Structural Reform; IFRS15 (Revenue from contracts with customers) and

As described in this report, Barclays is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

IFRS16 (Leases)

§ discussing with KPMG accounting policy interpretations following KPMG s review of Barclays accounting policies

§ assessing regular reports from KPMG on the progress being made with key activities, including building the Barclays audit team and gaining an understanding of Barclays key processes, systems and controls

§ reviewing the report on KPMG issued by the FRC s Audit Quality Review team

§ scheduling a planning meeting between the Committee and KPMG for the second quarter of 2017 to discuss the audit strategy and provide input.

What we did in 2016

## Board Risk Committee report

**The Committee s focus during 2016 has been driven by a number of key challenges, including emerging economic and political risks, notably those associated with the EU Referendum and the subsequent vote by the UK to leave the EU.**

**Dear Fellow Shareholders**

The Committee s focus during 2016 has been driven by a number of key challenges. First, Barclays has been implementing its new strategy and executing its Structural Reform Programme, which has some particular implications in terms of capital and liquidity management across Barclays legal entities. Second, there was continued focus on any emerging risks arising in our key markets in the UK, US and South Africa as a consequence of any macroeconomic deterioration or disruption in financial market conditions. Finally, there were the challenges presented by emerging economic and political risks, notably those associated with the EU Referendum and the subsequent vote by the UK to leave the EU.

Considerations for risk appetite for 2016 and the Medium Term Plan (MTP) included credit cycle conditions; the impact of ongoing low commodity prices; a potential slowdown in China; and the likelihood of interest rate rises. Consequently, the recommendation of the risk line of defence for managing risk in their businesses, with the chief executives of each business attending Committee meetings to present directly to the Committee, with the support of their chief risk officers, on the risk profile of their business and how risk is being managed.

My own responsibilities as Chairman of the Committee were re-emphasised during 2016, with the introduction in March 2016 of the UK s Senior Managers Regime. Under this regulatory regime, I have specific prescribed responsibilities for safeguarding the independence of and overseeing the performance of the risk function, including the performance of the Chief Risk Officer, in line with regulatory requirements. In addition to my regular meetings with the Chief Risk Officer and members of his senior management, I have led the Committee in encouraging the risk function to develop a way of assessing risk management capability, which we have also agreed will be subject to a periodic, external review. The risk function has also been encouraged to develop a way of measuring risk culture across the Group.

During 2016, I continued to liaise closely with the Chairman of the Board Audit Committee, particularly with regard to operational risk issues, where there is some degree of overlap between the remit of the two committees. I also attended a meeting of the risk committee of Barclays US IHC to gain a first-hand insight into the risk issues being addressed by function, which was endorsed by the Committee, was that a conservative approach to growth should be maintained, with a focus on core products and markets. We expected continued volatility in external conditions and aimed to ensure that the Group was conservatively positioned. Headwinds developed during 2016 with the potential to have a significant first-order impact on Barclays businesses, including heightened economic risk in the UK post the EU Referendum; increased geo-political risk following the US presidential election; and the IAS19 position of Barclays pension scheme, which is vulnerable to market volatility. Other emerging risks with the potential to impact Barclays include interest rate and credit spread movements; UK property price stress; potential transmission impacts of any slowdown in China; and ongoing volatility in oil prices, which remain low. All of these potential risks continue to be actively managed and the risk profile and actions taken are subject to regular oversight by the Committee. In these circumstances, we were pleased with the capital and leverage performance for 2016, although impairment performance was adverse to plan, primarily as a result of one-off effects reflecting management s review of impairment modelling in the UK and US Cards businesses.

In early 2016, Barclays appointed a new Chief Risk Officer, C.S. Venkatakrishnan, an appointment that was recommended to the Board by the Committee. The Committee oversaw the transition, specifically requesting information from the outgoing Chief Risk Officer on the transition plans and handover arrangements and seeking assurance from the new Chief Risk Officer that he had been provided with all of the information needed to enable him to fulfil his responsibilities. The Committee has welcomed the opportunity to work closely with the new Chief Risk Officer during 2016. We have also seen greater emphasis emerge over 2016 on the responsibilities of the first

management in that entity. I continued my practice of meeting regularly with other members of senior management and continued to engage with Barclays regulators in the UK and US.

**Committee performance**

The Committee s performance during 2016 was assessed as part of the independently facilitated annual Board effectiveness review. I am pleased to report that the conclusion of my Board colleagues was that the Committee is regarded as thorough and effective and that the Board has a high degree of confidence in the diligence and coverage of the Committee. The main area identified for improvement was to ensure that the co-operation and collaboration between the Committee and the Board Audit and Board Reputation Committees continues to capture all significant risk issues effectively. I will be working even more closely with my fellow Board Committee chairmen on this over the coming year. You can read more about the outcomes of the Board effectiveness review on pages 81 to 83.

**Looking ahead**

2017 will be a key year for Barclays in delivering its strategy, as it completes its restructuring and makes significant steps in implementing the new legal entity structure required under Structural Reform. I expect the Committee to focus on strategic risk, with an emphasis on promoting even greater linkages between strategy formulation and risk management, and ensuring that there is appropriate global oversight of risk across the new Group structure.

**Tim Breedon**

Chairman, Board Risk Committee

22 February 2017

**Board Risk Committee allocation of time (%)**

| | | 2016 | 2015 |
|---|---|---|---|
| 1 | Risk profile/risk appetite (including capital and liquidity management) | **52** | 43 |
| 2 | Key risk issues | **26** | 31 |
| 3 | Internal control/risk policies | **8** | 11 |
| 4 | Other (including remuneration and governance issues) | **14** | 15 |

**Committee composition and meetings**

The Committee is comprised solely of independent non-executive

Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 51 to 52.

The Committee met eight times in 2016, with one of the meetings held at Barclays New York offices. A meeting was held specifically to consider the risk considerations arising from the outcome of the EU Referendum result, further details of which can be found on page 72. The chart above shows how the Committee allocated its time during 2016. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, Barclays Treasurer and General Counsel, as well as representatives from the businesses and other representatives from the risk function. Representatives from the current external auditor, PwC and, from 1 July 2016, representatives from the incoming external auditor, KPMG, also attended meetings.

| Member | Meetings attended/eligible to attend |
|---|---|
| Tim Breedon | 8/8 |
| Mike Ashley | 8/8 |
| Reuben Jeffery* | 7/8 |
| Diane Schueneman | 8/8 |
| Steve Thieke | 8/8 |

*Did not attend one meeting owing to a prior commitment

**Committee role and responsibilities**

The Committee s main responsibilities include:

§ recommending to the Board the total level of financial and operational risk the Group is prepared to take (risk appetite) to achieve the creation of long-term shareholder value

§ monitoring financial and operational risk appetite, including setting limits for individual types of risk, e.g., credit, market and funding risk

§ monitoring the Group s financial and operational risk profile

§ ensuring that financial and operational risk is taken into account during the due diligence phase of any strategic transaction

§ providing input from a financial and operational risk perspective into the deliberations of the Board Remuneration Committee.

The Committee s terms of reference are available at **home.barclays/corporategovernance**

**The Committee s work**

The significant matters addressed by the Committee during 2016 are described below:

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Risk appetite and stress testing**, i.e. the level of risk the Group chooses to take in pursuit of its business objectives, including testing whether the Group s financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress. | The risk context to MTP, the financial parameters and constraints and mandate and scale limits for specific business risk exposures; the Group s internal stress testing exercises, including scenario selection and financial constraints, stress testing themes and the results and implications of stress tests, including those run by the Bank of England (BoE). | § Assessed the risk context for the 2016 MTP, including general economic and financial conditions and how these had been reflected in planning assumptions.<br>§ Debated the assumptions, parameters and results of the internal stress test of the risk appetite of the 2016 MTP.<br>§ Discussed and agreed mandate and scale limits for | The Committee recommended the proposed risk appetite for 2016 to the Board for approval, although asked management to develop a contingency plan with identified triggers and actions that could be implemented if the stress occurred. It also emphasised to management that mandate and scale limits should be set at appropriate levels, reflecting the desire to focus on conservative growth in core products and markets. The Committee approved credit and market risk limits and requested that additional |

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| market and credit risk.<br><br>§ Approved the parameters for the European Banking Authority stress test.<br><br>§ Approved the parameters for BoE stress test scenario expansion.<br><br>§ Evaluated the BoE stress test results, including updates on stress testing governance and methodology and assessing potential contingency plan actions.<br><br>§ Debated regulatory and market reaction to the BoE stress test results.<br><br>§ Considered and approved internal stress test themes and the financial constraints and scenarios for stress testing risk appetite for the 2017 MTP.<br><br>§ Regularly monitored the progress of the US IHC in preparing for the Comprehensive Capital Analysis and Review (CCAR) stress test. | limits were set for market risk in order to enhance monitoring and control. It also asked management to review limits and guidelines and develop a revised framework for single name risk management, which it subsequently considered and approved. The Committee approved the stress test results for submission to the BoE. After evaluating feedback from the BoE on the stress test, the Committee encouraged management to engage with the BoE on specific points where additional clarity on regulatory expectations was desirable. |

What we did in 2016

## Board Risk Committee report

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Capital and funding,** i.e. having sufficient capital and financial resources to meet the Group s regulatory requirements and its obligations as they fall due, to maintain its credit rating, to support growth and strategic options. | The trajectory to achieving required regulatory and internal targets and capital and leverage ratios, including the potential impact of Structural Reform and legal entity requirements. | § Debated on a regular basis, capital performance against plan, tracking the capital trajectory, any challenges and opportunities and regulatory policy developments.<br>§ Assessed on a regular basis liquidity performance against both internal and regulatory requirements.<br>§ Regularly monitored capital and funding requirements on a legal entity basis, including evaluating proposed capital and liquidity processes for Barclays UK.<br>§ Debated with management proposed actions to be taken to restructure the Group s asset swaps and ESHLA portfolio in order to reduce the impact of market volatility on capital. | The Committee supported the forecast capital and funding trajectory and the actions identified by management to manage the Group s capital position, including the actions taken to restructure asset swaps and the ESHLA portfolio. The Committee approved the proposed capital and liquidity processes for Barclays UK for submission to the regulator. |

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| **Political and economic risk,**<br><br>i.e. the impact on the Group s risk profile of political and economic developments and macroeconomic conditions. | The potential impact on the Group s risk profile of political developments, such as the UK s EU Referendum and the US Presidential election, political and economic risk in South Africa, and weakening macroeconomic conditions, such as disruption and volatility in financial markets. | § Closely monitored the potential impact of the UK s EU Referendum on the Group s risk profile and risk management **see the case study on page 72 for further details**.<br><br>§ Requested an assessment of the potential impact of negative interest rates in the UK on Barclays and on UK banks generally, evaluating the potential impact on risk appetite, on customers and on Barclays models.<br><br>§ Continued to assess the economic and political situation in South Africa and the potential impact on the Group s risk profile, including assessing the potential risk of a sovereign credit rating downgrade and the action taken by management to position the business appropriately.<br><br>§ Continued to assess Chinese economic metrics and the potential for the global impact of any economic slowdown in China.<br><br>§ Discussed the impact of market volatility on Barclays pension scheme. | The Committee identified interest rate risk as a potential area of emerging risk and asked management for an assessment of Barclays sensitivity to changes in interest rates and inflation, which was presented to the Committee in the fourth quarter. The Committee suggested that the Board was briefed on this subject and a briefing session is planned for 2017.<br><br>The Committee satisfied itself that the actions taken to position Barclays business in South Africa were appropriate in the context of the identified economic and political risk. It continues to keep the potential impact of a Chinese slowdown under active review and will be updated by management in early 2017 with an assessment of the risk horizon. Given the political and economic uncertainty in Italy that re-emerged in late 2016, the Committee asked management to renew its focus on reducing any redenomination risk arising from Barclays operations in Italy. |

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| | | § Monitored Barclays exposures to certain European banks in view of potential specific stresses for individual banks and general economic and political conditions in the Eurozone. | |
| **Specific sector risk,** i.e. the Group s risk profile in sectors showing signs of stress, such as the oil sector. | The Group s exposures to the oil and commodities sectors in light of the ongoing price weakness and volatility in these sectors during 2016. | § Continued to regularly assess the Group s exposures to the oil sector, including how the portfolio was performing and whether this was in line with expectations given the actions that had been taken to manage or restructure Barclays exposures. | The Committee satisfied itself that the actions taken by management were appropriate. Given ongoing volatility in this sector it will continue to monitor the portfolio for any further signs of stress that may require additional action. |

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Credit risk,** i.e. the potential for financial loss if customers fail to fulfil their contractual obligations. | Conditions in the UK housing market, particularly in London and the South East and the Group s risk appetite for and management of sectors such as the buy-to-let sector, given changes in taxation; levels of UK consumer indebtedness, particularly in the context of the risk of rising interest rates; and the performance of the Cards business, particularly the US Cards business, including levels of impairment. | § Continued to assess conditions in the UK property market for any signs of stress.<br>§ Evaluated how management was tracking and responding to rising levels of consumer indebtedness.<br>§ Scrutinised the performance of the Cards business, including reviewing performance against risk appetite, evaluating the drivers of impairment in the UK and US businesses and assessing actions being taken to ensure that the performance of certain business segments remained within agreed risk appetite. | The Committee continued to encourage management to carry on with its conservative approach to UK mortgage lending, particularly in view of signs of slowdown the market post the EU Referendum. It also encouraged management to continue its close monitoring of overall levels of consumer indebtedness. The Committee challenged the credit performance of certain business segments in the US Cards business and encouraged management to complete the actions that had been identified to improve credit performance. It also emphasised to management the need to strengthen the linkages between business strategy and risk appetite. |

| | | | |
|---|---|---|---|
| **Operational risk,** i.e. costs arising from human factors, inadequate processes and systems or external events. | The Group s operational risk capital requirements and any material changes to the Group s operational risk profile and performance of specific operational risks against agreed risk appetite. | § Tracked operational risk key indicators via regular reports from the Head of Operational Risk.<br>§ Evaluated the potential impact of regulatory developments on operational risk capital requirements.<br>§ Debated specific areas of operational risk, including fraud; transaction operations; technology; payments; and cyber-risk, evaluating the extent of any losses, the overall threat landscape, risk trends and the controls in place, in order to assess the potential impact on operational risk capital requirements. | The Committee focused its attention on the financial and capital impacts of operational risk, with specific attention on key risks that were outside appetite. It encouraged management to implement greater links between the control environment in each business and the operational risk capital allocated to that business. It also emphasised to management that there should be greater co-ordination between the key risks highlighted to the Committee and the operational risk control issues escalated to the Board Audit Committee, which is being addressed via the new chief controls office. |
| **Risk framework and governance** | The frameworks, policies and talent and tools in place to support effective risk management and oversight. | § Evaluated model risk and plans in place to enhance Barclays models and modelling capabilities.<br>§ Tracked the progress of significant risk management projects, including the plans in place to achieve compliance with BCBS239 risk data aggregation principles.<br>§ Debated any risk management matters raised by Barclays regulators and the actions being taken by management to respond. | The Committee will continue to track the delivery of plans to enhance modelling and will focus on this during 2017 as part of its oversight of the model risk principal risk. The Committee encouraged management to continue to improve risk data quality, including embedding accountability for risk data quality with the business chief risk officers. The Committee will continue to track management s response to any risk management matters raised by the Group s regulators.<br>The Committee was satisfied |

| | | | |
|---|---|---|---|
| | | § Discussed and endorsed the revised Enterprise Risk Management Framework (ERMF) from the perspective of financial and operational risk.<br>§ Oversaw the transition and handover to a new Chief Risk Officer.<br>§ Encouraged management to find ways of assessing risk capability and risk management culture. | that the handover to the new Chief Risk Officer was appropriate. The Committee welcomed the development of a risk management capability scorecard and asked for risk management capability to be evaluated by an external third party on a periodic basis, with a view to starting in 2017. It also welcomed the proposal to measure risk culture and asked for this to be fed into the Board Reputation Committee s overall assessment of Barclays culture. |
| **Remuneration** | The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2016. | § Debated the Risk function s view of 2016 performance, making a recommendation to the Board Remuneration Committee on the financial and operational risk factors to be taken into account in remuneration decisions for 2016. | The Committee asked for capital and liquidity on a stressed basis to be taken into account when finalising the risk input to remuneration decisions. |

What we did in 2016

## Board Risk Committee report

In addition, the Committee also covered the following matters in 2016:

- assessed Barclays exposures to the leveraged finance market and general conditions in that market
- was briefed by PwC on any risk matters associated with the 2015 year-end audit, specifically impairment; the valuation of the ESHLA portfolio; and a valuation disparity with a third party
- evaluated the outcomes of the assessment of the Committee s performance and any areas of Committee performance that needed to be enhanced
- reviewed and updated its terms of reference, recommending them to the Board for approval.

### Governance in Action

### contingency planning for the UK s EU Referendum

A significant external risk event in 2016 was the UK s Referendum on its continued membership of the EU. The Board Risk Committee actively tracked this emerging risk throughout 2016, both before and after the vote.

Pre-EU Referendum activity by the Committee included:

§ debating the UK s potential exit from the EU, including evaluating an assessment of the potential impacts on Barclays of a leave vote and discussing the key messages for policymakers and prudential authorities on the risks

§ evaluating Barclays potential exposures if there were to be a vote to leave the EU, including assessing the steps taken by management to mitigate any risk (such as reducing any currency mismatches) in order to position Barclays defensively to manage the impact of any volatility on market and funding risk

§ assessing the likelihood of any operational risk issues that might arise if there was a period of market volatility following a leave vote

§ conducting an overall review of the appropriateness of Barclays preparations for any market dislocation

§ reporting to the Board on the Committee s deliberations.

In addition to the activities undertaken by the Committee, Board members, including certain non-executive Directors, participated in a Group crisis management planning exercise based on the UK voting to leave the EU. The exercise focused on Barclays response and communications planning in the event of a vote to leave; articulating some of the high level impact scenarios following a vote to leave;

Post-EU Referendum activity by the Committee included:

§ convening a special meeting to discuss and evaluate the effectiveness of Barclays preparations, concluding that the plans developed had been executed satisfactorily

§ assessing the performance of the actions taken to manage the impact of volatility on market and funding risk

§ evaluating a revised stressed outlook, based on revised economic assumptions, and its impact on Barclays risk profile, deliberating the effect of the revised outlook on forecast impairment and on capital and funding, market risk and credit risk

§ considering Barclays exposures to European banks in anticipation of potential market disruption in the Eurozone and the actions that had been taken to limit such exposures

§ discussing with management the actions that had been taken to reduce risk appetite and limits on exposures to residential property development, high loan-to-value mortgages and buy to-let lending and other actions that had been implemented to manage risk in higher risk retail segments and corporate portfolios

§ encouraging management to consider the strategic implications of the leave vote

§ emphasising to management the need to fully and openly engage on matters of mutual concern with the UK government and regulators given the new political and economic environment and determining the decisions and ensuing direction required from Barclays Crisis Leadership Team.

§ continuing to track the potential impact of the leave vote and the actions being taken by management to deal with any emerging signs of stress in Barclays portfolios

§ reporting to the Board on the Committee s deliberations.

The full Board also met in the aftermath of the vote result to be briefed on how Barclays had performed during the period of volatility immediately following the result, including discussing Barclays capital and liquidity position; market conditions; communications with employees and with customers and clients; contact with regulators and the UK government; the outlook for the UK economy; share price performance and potential strategic impacts.

Read more about Barclays risk management on pages 145 to 162 and in our Pillar 3 report, which is available online at **barclays.com/annualreport**

What we did in 2016

## Board Reputation Committee report

**Achieving and sustaining a culture where all of our people demonstrate consistent behaviours and conduct underpinned by the Barclays values is key to delivering high performance for all our stakeholders and, therefore, to our long-term success.**

**Dear Fellow Shareholders**

One of the key areas of focus for the Committee during 2016 was encouraging management to develop a way of better understanding and measuring intangible areas such as behaviour and culture. Barclays has a strong and resonant purpose, Helping people achieve their ambitions in the right way , and a well understood set of values, Respect, Integrity, Service, Excellence and Stewardship . This culture is firmly endorsed from the top: achieving and sustaining a culture where all of our people demonstrate consistent behaviours and conduct, underpinned by Barclays values, is key to delivering high performance for all our stakeholders and, therefore, to our long-term success.

Our challenge has been how to co-ordinate the efforts to build culture across the Group and obtain assurance that progress is being made. Significant focus was given during 2016 to developing consistent measurement and reporting of culture and you can read about the Committee s role in this important initiative in the case study on page 76. A

This is my first report as Chairman of the Board Reputation Committee and I wish to record my thanks to Sir Michael Rake, who I succeeded as Chairman on 1 January 2016, and to Wendy Lucas-Bull and Frits van Paasschen, who both stepped down from the Committee on their retirement from the Barclays Board during 2016. Mike Ashley and Mary Francis subsequently joined the Committee to ensure we have the right balance of skills and experience and appropriate cross-membership with other Board Committees.

The report on pages 74 to 76 sets out details of the material matters considered by the Committee during 2016.

**Committee performance**

The Committee s performance during 2016 was assessed as part of the independently facilitated annual Board effectiveness review. I can report that my fellow Board members considered that the Committee has made progress in defining its role and is performing well. The main area identified for improvement was around ensuring that Board members have greater awareness of the Committee s mandate and core agenda. You can read more about the outcomes of the Board effectiveness review on pages 81 to 83.

similar approach has been taken to developing a set of indicators to allow us to measure progress across the Committee s other areas of responsibility: conduct, complaints and citizenship.

During 2016, the Committee continued to track the exposure of Barclays, and the financial sector in general, to reputational risks. It also placed a renewed focus on the initiatives under way to build and manage Barclays reputation with its key stakeholders. We also continued to exercise oversight of the Barclays Compliance function, including approving its annual business plan, budget and resources.

Under the UK s Senior Manager Regime, which was introduced in March 2016, I have specific responsibilities with regard to safeguarding the independence and integrity of Barclays Compliance function and for overseeing its performance, including that of the Head of Compliance. To this end, I regularly meet with the Head of Compliance to receive briefings on the work of Compliance and provide support when necessary. I also meet regularly with other members of senior management, including those in the Corporate Relations, Citizenship and Reputation Risk teams.

**Looking ahead**

Cultural transformation remains firmly on the Committee s agenda and we will continue to track key indicators and measure the progress being made. This will be increasingly important as Barclays implements its Structural Reform Programme and begins to establish separate legal entities within the Group. My key objective in 2016 was to put the Committee at the centre of Barclays drive to be a leader in conduct, culture and reputation - matters at which we have not always excelled in the past. There is still lots to do, but I believe that the leadership and processes that we have now put in place give us a great foundation on which to build.

**Sir Gerry Grimstone**

Chairman, Board Reputation Committee

22 February 2017

What we did in 2016

## Board Reputation Committee report

### Board Reputation Committee allocation of time (%)

| | | 2016 | 2015 |
|---|---|---|---|
| 1 | Citizenship | **8** | 6 |
| 2 | Reputational issues | **27** | 13 |
| 3 | Culture, conduct and compliance | **57** | 57 |
| 4 | Operational risk* | **0** | 19 |
| 5 | Other | **8** | 6 |

*Oversight of operational risk now falls within the remit of the Board Risk Committee

**Committee composition and meetings**

The Committee comprises independent non-executive Directors. During 2016 there were a number of changes to the membership of the Committee, which are set out in the table opposite.

The Committee met five times during 2016 with one of the meetings held at Barclays New York offices. The chart above shows how it allocated its time. Committee meetings were attended by representatives from management, including the Group Chief Executive, Chief Internal Auditor, Chief Risk Officer, General Counsel, Group Corporate Relations Director and Heads of Compliance, Conduct Risk and Operational Risk, as well as representatives from the businesses and other functions. Representatives from the FCA also attended a meeting during 2016.

| Member | Meetings attended/eligible to attend |
|---|---|
| Sir Gerry Grimstone (from 1 January 2016) | 5/5 |
| Mike Ashley (from 1 May 2016) | 4/4 |
| Mary Francis (from 1 November 2016) | 2/2 |
| Wendy Lucas-Bull (to 1 March 2016) | 0/0* |
| Dambisa Moyo | 5/5 |
| Diane de Saint Victor | 5/5 |

| | |
|---|---|
| Frits van Paasschen (to 28 April 2016) | 1/1 |

* There were no Committee meetings held prior to 1 March 2016, when Wendy Lucas-Bull left the Committee

**Committee role and responsibilities**

The principal purpose of the Committee is to:

§ support the Board in promoting its collective vision of Barclays purpose, values, culture and behaviours

§ ensure, on behalf of the Board, the efficiency of the processes for identification and management of conduct and reputational risk

§ oversee Barclays conduct in relation to its corporate and societal obligations, including setting the guidance, direction and policies for Barclays approach to customer and regulatory matters and Barclays Citizenship Strategy, including the management of Barclays economic, social and environmental contribution.

The Committee s terms of reference are available at

**home.barclays/corporategovernance**

**The Committee s work**

The significant matters addressed by the Committee during 2016 are described below:

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Conduct risk** | The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. | § Discussed updates from management on conduct risk and requested the development of a dashboard report of conduct indicators to be presented to each meeting.<br>§ Monitored on a regular basis performance against agreed conduct risk indicators. | The Committee requested further focus on product propositions and suitability and updates on product development and controls. In 2017, it will receive a quarterly report on new products. It provided input on the development of the dashboard, including requesting that it incorporates reports from BIA and draws on external data points where available. The Committee reiterated to management the |

§ Debated the indicators that had been developed to measure material conduct risks and issues, including providing feedback on indicators for policy breaches.

§ Discussed with BIA its view of the management of conduct risk across the Group, with particular emphasis on maintaining focus on conduct risk through periods of change.

§ Provided input, via the Committee Chairman, to the scope of BIA s review of the conduct risk programme.

§ Discussed directly with the senior management of Barclays International and Barclays UK their view of conduct and cultural issues in those businesses and the status of any initiatives in place to strengthen conduct and culture.

§ Confirmed with management that reviews had been undertaken to learn lessons from issues that had arisen at other banks and financial institutions, e.g. sales-based incentive schemes.

§ Tracked the levels of attestation by colleagues

importance of ensuring that the focus on conduct is maintained in those businesses or jurisdictions that Barclays is exiting or where it is reducing its presence. The Committee encouraged management to bring contingent workers into the scope of *The Barclays Way* training and arrangements are being made for all Committee members to complete the training themselves.

| | | |
|---|---|---|
| | globally to *The Barclays Way*, the Group s code of conduct. | |
| The scope of any conduct risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2016. | § Considered the proposed adjustments to be made to the incentive pool from a conduct risk perspective. | The Committee endorsed the methodology used and the resulting adjustments proposed. |

| Area of focus | Matter addressed | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Cultural change** | The progress being made on embedding of cultural change. | § Debated reports on the progress being made to effect cultural change across Barclays globally, discussing the measures being taken to define the desired culture and how it would be measured. | **Read more about the development of the culture measurement framework in the case study on page 76.** |
| | | § Requested that a single report of cultural indicators was developed for reporting to each meeting and monitored on a regular basis performance against the agreed indicators. | |
| | | § Discussed the status of the actions arising from the Banking Standards Board s (BSB) 2015 assessment of Barclays, the progress of the 2016 assessment and the resulting 2016 assessment report, asking management for greater co-ordination between the BSB s work and internal employee surveys. | |
| **Complaints** | Ensuring fair outcomes for customers by monitoring volumes of complaints received | § Requested the development of a dashboard report of complaints indicators to be | The Committee encouraged management to develop a way of defining and reporting on |

| | | | |
|---|---|---|---|
| | and the standard and quality of complaints handling processes. | presented to each meeting.<br>§ Monitored on a regular basis performance against agreed complaints indicators.<br>§ Discussed the way in which complaints are handled and the focus on resolving complaints at first point of contact.<br>§ Debated imminent industry-wide changes in the way in which reportable complaints are recorded and the potential for reputation risk. | complaints in the Barclays International s investment bank and a standard on complaint handling in that business will be issued in the first quarter of 2017. The Committee requested that additional information on the top root causes of complaints was included in future reports. |
| **Citizenship** | The status of Barclays Citizenship Plan 2016-2018, the *Shared Growth Ambition*. | § Debated the targets to be set for the Shared Growth initiatives.<br>§ Agreed with the proposal to focus activity around the themes of access to employment, to financial and digital empowerment and to financing.<br>§ Assessed status updates on the progress of the *Shared Growth Ambition*.<br>§ Requested the development of a dashboard report of citizenship indicators to be | The Committee provided feedback on how the *Shared Growth Ambition* was articulated and requested additional information on the focus areas and metrics and how progress would be measured and reported. Its feedback was incorporated into the plan, which was launched in June 2016.<br>**Read more about Barclays approach to citizenship on pages 23 to 24.** |

| | | | |
|---|---|---|---|
| | | presented to each meeting and monitored on a regular basis performance against agreed indicators. | |
| | | § Considered and recommended to the Board for approval Barclays statement under the UK s Modern Slavery Act, which can be found on Barclays website. | |
| **Reputation risk** | Ensuring that Barclays anticipates, identifies and manages reputational issues that may impact it or the industry now or in the future. | § Monitored current reputation risk issues, including Barclays involvement in sensitive sectors such as defence or energy and fossil fuels.<br>§ Assessed emerging reputational issues, such as climate change and the relaxation of certain sanctions against Iran.<br>§ Evaluated the measures being taken to proactively build and manage Barclays reputation with stakeholders.<br>§ Assessed external opinion survey results, the trends in indicators and factors influencing the survey results, including the potential impact of the EU Referendum and government leadership changes in the UK and US. | The Committee provided feedback on the form and content of the reputation risk reports and how Barclays-specific and systemic risks might be monitored. It approved changes to Barclays Sanctions Policy with regard to sanctions with Iran. The Committee requested a regular report setting out a rolling 12-month view of Barclays communications campaigns. It also requested and received an update on Barclays crisis management plans. It requested and received further information on Barclays business in low tax jurisdictions. It asked for and receives regular reports from the Tax Management Oversight Committee on the transactions it has reviewed. |

§ Discussed the reputational risks associated with tax and how this was being managed across the Group, including the effectiveness of Barclays Tax Principles and Code of Conduct.

What we did in 2016

## Board Reputation Committee report

The Committee also covered the following matters:

- § discussed the progress of plans to develop the Barclays brand
- § endorsed the 2017 priorities for Barclays Corporate Relations team
- § assessed the revised ERMF from a conduct and reputation risk perspective and recommended it to the Board for approval
- § approved the 2016 Compliance business plan and tracked progress, including updates on resourcing and attrition levels
- § received a report on management s annual review of the effectiveness of compliance with the Volcker Rule (restrictions on proprietary trading and certain fund investments by banks operating in the US)
- § assessed and discussed a report on the Committee s performance during 2015
- § approved revisions to its terms of reference and recommended them to the Board for approval.

Read more about Barclays risk management on pages 145 to 162 and in our Pillar 3 report, which is available online at **barclays.com/annualreport**

### Governance in Action

**measuring cultural progress**

A primary area of focus for the Committee in 2016 was providing challenge and support to management in its delivery of cultural change. The Group Executive Committee confirmed conduct, culture and values as one of its execution priorities for 2016, with the aim of monitoring cultural change and bringing together different cultural indicators to form a coherent and consolidated view of culture across Barclays.

Senior representatives from Compliance, Risk, HR and BIA presented to the Committee in early 2016 on the progress of implementing cultural change and proposals for developing a set of key indicators, along with clear governance structures and accountability for monitoring and sustaining cultural progress. The Committee debated and endorsed the following objectives:

§ identify the desired culture end-state and how to measure progress towards achieving it

§ develop a cultural measurement tool that provides simple and consistent reporting relevant to all stakeholders

§ use the insights obtained to drive actions and further embed and sustain the desired values-based culture.

Ten cultural outcomes were identified, firmly linked to Barclays values:

| Value | Cultural outcomes |
| --- | --- |

For each desired cultural outcome, a set of internal qualitative and quantitative indicators was identified, along with external perception indicators. The indicators proposed were drawn from existing indicators used in the Group, such as the results from Your View (the employee opinion survey), external opinion survey results, BIA reports, performance reviews and indicators relating to risk management and compliance. Assessing these indicators will ensure that ongoing efforts are focused on priority issues and challenges that may impede cultural transformation.

In debating and endorsing the proposed cultural outcomes and indicators, the Committee provided feedback to management. It discussed in particular:

§ how to embed the desired culture across middle-management and whether a targeted action plan was needed for this population

§ how structuring incentives in the right way, based on personal accountability, could help drive the right culture and behaviours

§ whether a more holistic approach was needed to performance reviews, with even more focus on rewarding how things were done, rather than what was achieved

§ that indicators based around the how assessments from performance reviews might be incorporated as a measure of success

§ that existing indicators on audit issues and regulatory actions could be incorporated as a

| | | |
|---|---|---|
| Respect | Inclusion | Collaboration |
| Integrity | Speaking up | Personal accountability |
| Service | Customer/client centricity | Balanced short and long-term needs |
| Excellence | Simplicity and efficiency | High performance |
| Stewardship | Continuous improvement | Strong reputation |

measure of success.

Feedback from the Committee was subsequently incorporated into the measurement tool. The Committee also requested the development of a culture dashboard, setting out quarterly performance against the agreed indicators. The first such report was made in September 2016, with a further report in December 2016, allowing the Committee to debate the results and trends and the areas identified for potential deep dive reviews or targeted action. During 2017, the Committee will continue to assess the quarterly indicators, the potential themes emerging and any specific challenges identified at a business and functional level.

What we did in 2016

## Board Nominations Committee report

**It is a key part of our role to be satisfied that there are proper processes in place for executive succession.**

**Dear Fellow Shareholders**

Following his appointment as Group Chief Executive at the end of 2015, Jes Staley has been building his Group Executive Committee. Board level consideration is required for appointments to the Group Executive Committee and throughout 2016 the Board Nominations Committee continued to embed its oversight of Group Executive Committee succession planning. The Committee was updated on Barclays talent and succession strategy and presented with role profiles and outputs from reviews of internal successors to Group Executive Committee roles. It is a key part of our role to be satisfied that there are proper processes in place for executive succession and at our regular meetings we discussed how potential successors are being provided with wider, relevant experience as part of their development.

Another ongoing area of focus for the Committee in 2016 was the composition of our subsidiary boards in light of the legal, regulatory and governance requirements of Structural Reform. A great deal of consideration has been given to ensuring the independence of the board and board committees of Barclays strategically significant subsidiaries, while allowing for collaboration between those boards and the Barclays Board. We have deliberated at

When considering Board and Board Committee composition and succession plans, diversity remains at the front of our minds. We continued to receive regular updates on diversity and inclusion during 2016 and were pleased to hear that the number of women in senior leadership positions had increased for the third successive year. As a Board we met our target of 25% female representation by 2015 and are progressing towards the target we set ourselves last year of 33% female representation by 2020. Diversity is not just about gender, however, and we are always mindful of diversity in all of its forms, even where we have not set specific targets.

Certain responsibilities for me as Chairman of the Committee have been prescribed by the Senior Managers Regime that was introduced in the UK in March 2016. Under that regime, I am responsible for ensuring that the Committee remains independent and that it performs effectively, fulfilling the responsibilities expected of it by our regulators in terms of overseeing decisions around the structure, size, composition, diversity and performance of the Board. The report that follows describes how these responsibilities have been fulfilled. I would like to take this opportunity to thank my fellow Committee members for their continued support during 2016.

**Committee performance**

The performance of the Committee was assessed as part of the annual Board effectiveness review and I am pleased to report that is was assessed to be performing effectively. An area identified for length on the structure of the subsidiary boards and how they will report into and interact with our Group Board, which must continue to have appropriate oversight to ensure the effective operation of the Group and the protection of shareholder interests. During 2016, we finalised and recommended to the Board a set of Governance Guiding Principles, which document the high level expectations of the relationship that will exist between Barclays and its strategically significant subsidiaries.

The Committee regularly considered the balance of skills, experience and diversity needed on the Board during 2016. We refreshed the Board skills matrix to reflect the future strategy of the Group, identifying the attributes required to further strengthen and enhance the Board s effectiveness. We conducted searches for new non-executive Directors, approving the appointment of Mary Francis as non-executive Director: Mary brings both financial services experience and significant non-executive directorship experience to the Board. We also considered subsidiary board composition at each of our Committee meetings, with a particular focus on populating the strategically significant subsidiary boards as we continue to embed Structural Reform. It is fair to say that attracting candidates with the skills, experience and qualities we need remains a considerable task: serving on a bank board is not an undertaking that anyone considers lightly and our success in securing the right candidates has been necessarily limited by the challenges they perceive.

improvement was around ensuring that there are more regular reports to the Board on the status of recruitment of new non-executive Directors, which I will address. The report on the Board effectiveness review contains more information and can be found on pages 81 to 83.

**Looking ahead**

In 2017 we will continue to support the implementation of the new Group structure, ensuring that we have the right people in place to take Barclays forward. As appropriate, we will continue to make recommendations to the Board to ensure that we remain at the forefront of best practice corporate governance standards.

**John McFarlane**

Chairman, Board Nominations Committee

22 February 2017

What we did in 2016

## Board Nominations Committee report

**Board Nominations Committee allocation of time (%)**

| | | 2016 | 2015 |
|---|---|---|---|
| 1 | Corporate governance matters | **20** | 17 |
| 2 | Board and Committee composition | **36** | 24 |
| 3 | Succession planning and talent | **31** | 47 |
| 4 | Board effectiveness | **8** | 6 |
| 5 | Other | **5** | 6 |

**Committee composition and meetings**

The Committee is composed solely of independent non-executive Directors. John McFarlane, as Chairman of the Board, is also Chairman of the Committee. Mike Ashley, Tim Breedon, Crawford Gillies, and Sir Gerry Grimstone, being the Chairmen of each of the other Board Committees, and Reuben Jeffery, are also members of the Committee. Details of the skills and experience of the Committee members can be found in their biographies on pages 51 and 52.

During 2016 there were seven meetings of the Committee, including one joint meeting with the Board Remuneration Committee. Three of these meetings were held at short notice to deal with specific matters. Attendance by members at Committee meetings is shown opposite and the chart above shows how the Committee allocated its time. Committee meetings were attended by the Group Chief Executive, with the Group HR Director, the Head of Talent, and the Global Head of Diversity and Inclusion attending as appropriate.

| Member | Meetings attended/eligible to attend |
|---|---|
| John McFarlane | 7/7 |
| Mike Ashley | 7/7 |
| Tim Breedon* | 4/7 |
| Crawford Gillies | 7/7 |
| Sir Gerry Grimstone* | 6/7 |
| Reuben Jeffery* | 6/7 |

*Did not attend certain meetings arranged and held at short notice owing to prior commitments
Note

The Chairman and the Group Chief Executive excuse themselves from meetings when the Committee focuses on the matter of succession to their roles.

**Committee role and responsibilities**

The principal purpose of the Committee is to:

§ support and advise the Board in ensuring that the composition of the Board and its Committees is appropriate and enables them to function effectively

§ examine the skills, experience and diversity on the Board and plan succession for key Board appointments, planning ahead to deal with upcoming retirements and to fill any expected skills gaps

§ provide Board level oversight of the Group s talent management programme and diversity and inclusion initiatives

§ agree the annual Board effectiveness review process and monitor the progress of any actions arising.

You can find the Committee s terms of reference at **home.barclays/corporategovernance**

**The Committee s work**

The significant matters addressed by the Committee during 2016 are described below:

| Area of focus | Matter considered | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Board and Board Committee composition** | The membership of the Board and the current and future composition of the Board and its Committees. | § Debated a forward-looking plan of the expected skills and experience needed on the Board in the context of future strategic direction.<br>§ Evaluated the revised Board skills matrix and, in | The Committee approved the revised skills matrix and agreed to conduct a search for new non-executive Directors in line with the requirements identified. It recommended the appointment of Mary Francis to the Board as non-executive Director and she subsequently joined the |

consideration of known and expected changes to the Board, conducted a search for non-executive Directors.

§ Reviewed the membership of Board Committees.

§ Considered and provided input to Board Committee Chairman succession plans.

Board with effect from 1 October 2016. The Committee concluded that additional accounting and auditing experience was needed in order to provide further options for succession to the Board Audit Committee chairmanship over time and a search for potential candidates continues.

**Please refer to page 80 for more details of the Board s approach to the recruitment of new Directors.**

| Area of focus | Matter considered | Role of the Committee | Conclusion/action taken |
|---|---|---|---|
| **Executive succession planning and talent management** | Group Executive Committee composition and succession following the appointment of the new Group Chief Executive in 2015.<br><br>Oversight of Group Chief Executive succession and appointments to key positions. | § Discussed updates from the Group HR Director on Group Executive Committee succession plans, including assessing emergency cover and the existing talent pipeline.<br><br>§ Considered external assessments and benchmarking of internal talent.<br><br>§ Debated approval requirements for appointments to the Group Executive Committee and other key positions across the Group. | The Committee requested a presentation of key outputs from the Group Executive Committee offsite meeting on talent. It also asked to receive reports of the executive assessments carried out by an external facilitator. The Committee agreed the approval requirements for key positions, and subsequently approved the appointment of Tim Throsby as President of Barclays International in accordance with those requirements. |
| **Governance implications of Structural Reform and strategically significant subsidiary board composition** | The board and board committee composition of strategically significant subsidiaries, including board size, structure and proposed interactions.<br><br>The governance principles for the relationship between Barclays and its strategically | § Finalised Governance Guiding Principles for the Group post-Structural Reform, which set out ultimate decision-making powers, while respecting the rights and responsibilities of the boards of the strategically significant subsidiaries. | The Committee endorsed and recommended the Governance Guiding Principles to the Board for approval. It agreed the structure of the strategically significant subsidiary boards and commenced a search for non-executive directors, including for the position of chairman of Barclays UK, and |

| | | | |
|---|---|---|---|
| | significant subsidiaries. | § Debated the required structure and composition of the strategically significant subsidiary boards and board committees in light of regulatory requirements and feedback.<br>§ Scrutinised the proposed board skills matrix for Barclays UK.<br>§ Considered candidates for the positions of chairman of Barclays UK and Barclays International.<br>§ Considered appointments to the board of, and the associated fees for, the US IHC board.<br>§ Considered appointments to the Barclays Africa board. | agreed the process for the appointment of the chairman of Barclays International. The Committee approved the appointment of Directors to the US IHC board, including agreeing the fees to be paid to them. It also approved appointments to the Barclays Africa board. |
| **Board effectiveness** | The progress made against the actions identified in the 2015 Board effectiveness review.<br>The 2016 effectiveness review of the Board and its Committees. | § Discussed and agreed the proposed actions to be taken in response to the findings of the 2015 review.<br>§ Reassessed the status of the actions throughout the year and tracked the progress of the action plan.<br>§ Confirmed the process to be followed for the 2016 | The Committee recommended the proposed action plan and 2016 Board objectives to the Board for approval. The Committee agreed and recommended the process for the 2016 effectiveness review, which proceeded as recommended. |

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| | | review. | |
| **Governance** | Changes to the Board s corporate governance framework following the implementation of the Senior Managers Regime in March 2016. | § Reviewed updates to *Corporate Governance in Barclays* and the *Charter of Expectations* following the implementation of the Senior Managers Regime in order to integrate the requirements into the existing corporate governance framework, applying particular focus to the updated individual role profiles. | Approved and recommended to the Board for approval the updated corporate governance documents and role profiles for key positions on the Board. |

What we did in 2016

## Board Nominations Committee report

In addition the Committee covered the following matters:

§ received a presentation from the PRA on its annual review of Barclays

§ proposals for the 2016 Corporate Governance Report

§ review of the Committee s effectiveness and its terms of reference.

**Appointment and re-election of Directors**

Board and Board Committee composition is a standing item for consideration at each Committee meeting. This includes the consideration of potential new non-executive Director appointments, both in respect of planned succession for known retirements and as a result of the ongoing review of the skills and experience needed on the Board in order for it to continue to operate effectively.

The Committee frequently considers a skills matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Group effectively. Each attribute identified in the skills matrix has a target weighting attached to it and these are regularly updated over time to reflect the needs of the Group. The Committee reviews the skills matrix when considering a new appointment to the Board, as well as reviewing the current and expected Board and Board Committee composition. This helps to determine a timeline for proposed appointments to the Board.

When recruiting a new non-executive Director the specific skills that are needed are identified, for example, an individual with international experience, or recent history serving on a particular board committee. The *Charter of Expectations* contains the key competencies and skills expected of non-executive Directors, and these, in addition to other details such as expected time commitment, will be included in an individual specification. The Committee as a whole then considers curriculum vitae and references for potential candidates. Any candidates who are shortlisted will be interviewed by members of the Committee and, if applicable, key shareholders and Barclays regulators may be asked to provide feedback on the proposed appointment. The Board is updated on the progress of the recruitment and interview process, and any feedback from the interviews is provided to the Board alongside a recommendation for appointment.

Executive search firms Egon Zehnder, JCA Group and MWM Consulting were instructed to assist with the search for non-executive Directors during 2016. None of these firms has any other connection to Barclays, other than to provide recruitment services. Open advertising for Board positions was not used in 2016, as the Committee believes that targeted recruitment is the optimal way of recruiting for Board positions. All of the firms used for non-executive Director recruitment have signed up to the voluntary code of conduct for executive search firms, which include measures designed to improve gender diversity on boards.

In 2016, Barclays announced the appointment of Mary Francis as non-executive Director and she joined the Board with effect from 1 October 2016. As previously reported, Mary has extensive board level experience across a range of industries. Wendy Lucas-Bull stood down from the Board in March 2016 following the announcement of Barclays intention to reduce its shareholding in Barclays Africa Group Limited, and Frits van Paasschen did not stand for re-election at the 2016 AGM.

The Directors in office at the end of 2016 were subject to an effectiveness review, as described on page 81. Based on the results of the review the Board accepted the view of the Committee that each Director proposed for re-election continues to be effective and that they each demonstrated the level of commitment required in connection with their role on the Board and the needs of the business. Diane de Saint Victor and Steve Thieke have each signalled their intention to retire from the Board at the 2017 AGM.

**Diversity statement**

The Board has had regard to two important publications that were issued in 2016: the *Hampton-Alexander Review* recommendations to improve gender balance in FTSE leadership teams and the *Parker Review* recommendations on the ethnic diversity of UK boards. The Committee reported last year that the Board had exceeded its target of 25% female Directors by the end of 2015 and had set a new target of 33% gender Board representation by 2020. This target has been formally reflected in the Board Diversity Policy, which can be found online at home.barclays/corporategovernance. Below Board level the Group met its 2016 target of 24% female senior leaders. The Committee is mindful that the Group Executive Committee does not currently include any women, but is satisfied with the level of diversity across that Committee and with the percentage of women amongst the direct reports of Group Executive Committee members (25% at the end of 2016). To broaden the scope of the perspectives and contributions made to Group Executive Committee meetings an initiative was implemented by the Group Chief Executive during 2016 to create one ex-officio position on the Committee, with each appointee serving for a four-month rotation. The first appointee was Kathryn McLeland, Head of Investor Relations. With regard to ethnic diversity, the Board considers that Barclays is currently well-positioned in terms of representation at Board level and also at Group Executive Committee level when taking into account the Parker Review definition (being individuals of Black, East Asian, Latin American, Middle Eastern or South Asian ethno-cultural backgrounds).

During 2016, the Committee received regular updates from the Global Head of Diversity and Inclusion covering the full spectrum of Barclays diversity and inclusion agenda. For 2017, the Committee has requested additional information regarding social inclusion.

The Committee recognises the importance of ensuring that there is diversity of gender, ethnicity, geography and business experience on the Board, while continuing to recommend all appointments based on merit in the context of the skills and experience required. The Barclays Board female diversity target is noted in the Board skills matrix, which identifies the core competencies and skills needed for an effective Board. When executive search firms are engaged to assist with the recruitment of a new Director diversity is identified as a key factor. In addition, the external Board evaluation considered diversity when assessing the effectiveness of the Board.

More details on Barclays diversity and inclusion strategy can be found on page 96

**Review of Board and Board Committee effectiveness**

Each year the Board conducts an externally facilitated self-assessment of the effectiveness of the Board, the Board Committees and the individual Directors. Independent Board Evaluation facilitated the effectiveness review for 2015 and was engaged to conduct the 2016 review, which built on the findings of the 2015 review, including assessing the progress of the actions that had been identified. Independent Board Evaluation is an independent external consultancy with no other connection to Barclays. In order to ensure that high quality feedback was received, Ffion Hague, the consultant, based the review on face-to-face interviews with the Directors. The Directors received an agenda prior to their interview, which focused on areas for improvement identified in the 2015 effectiveness review as well as any new issues that had emerged since that review was conducted. In addition to the interviews, Ffion Hague attended Board and Board Committee meetings as an observer, met with members of the Group Executive Committee, the Company Secretary and other members of senior management, along with seeking feedback from external stakeholders.

In December 2016, Independent Board Evaluation presented a report to the Board on the findings of the effectiveness review. In addition, the Chairman was provided with a report and feedback on the performance of each of the Directors, and the Senior Independent Director received a report on the Chairman. Board Committee chairmen received individual reports on the performance of the Board Committees.

Following consideration of the findings of the 2016 effectiveness review the Directors remain satisfied that the Board and each of the Board Committees are operating effectively. Progress relative to 2015 was good and the Board remains committed to making further progress to ensure that it is considered to be at the top of the range of effectiveness for a FTSE100 company. Following the conclusion of the review the Board Nominations Committee, with support from the Company Secretary, prepared a detailed action planning document. An overview of actions that were identified to help the Board to maintain and improve its effectiveness have been disclosed on the following pages 82 and 83, as well as an update on the actions taken following the 2015 effectiveness review.

What we did in 2016

## Board Nominations Committee report

### Review of Board and Board Committee Effectiveness

| Board priorities | Leveraging Board experience in support of executives | Greater awareness of Board Committee work |
|---|---|---|
| **2015 findings** | **2015 findings** | **2015 findings** |
| To ensure that the Board agenda is optimised, including time for blue-sky discussion of major risks. | To continue to ensure that all non-executive Directors have the opportunity to contribute to strategic debate. | To continue to raise awareness across all Board members of the significant issues considered by Board Committees and to continue to refine the remit and scope of the Board Reputation Committee. |
| **Actions taken in 2016** | **Actions taken in 2016** | **Actions taken in 2016** |
| In early 2016, a set of Board objectives was agreed in order to track progress against the Board s priorities. | John McFarlane and Sir Gerry Grimstone took responsibility for ensuring that all non-executive Directors were involved in strategic decision making. | All Directors have access to Board Committee meeting papers and minutes, and are reminded that they may attend Board Committee meetings whether or not they are members. Some Directors made use of this option during 2016. Board Committee Chairmen have continued to report to the Board on specific matters discussed at Board Committee meetings. |
| Board agendas were updated to allow more time for discussion of strategic options. This was also a key focus for the 2016 Board | In the course of the year, it was decided that partnering non-executive Directors with | |

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| Strategy Offsite.<br><br>Board dinners were used for more free-ranging discussions, with suggested topics notified to the Directors in advance. No decisions were taken or required as part of these discussions, which were used to inform the broader debate at subsequent Board meetings. | members of the Group Executive Committee would not be taken forward. However, the experience of non-executive Directors has been leveraged as appropriate, e.g. the appointments of Steve Thieke and Diane Schueneman to the board of Barclays US IHC. Non-executive Directors continue to make a valuable contribution to the Board and its Committees. | During 2016, Sir Gerry Grimstone, chairman of the Board Reputation Committee, took action to define and focus its role and scope more clearly, including implementing new reporting initiatives such as the development of dashboard reports. |
| **2016 findings**<br><br>Create regular broad-based risk oversight sessions for the Board to allow Directors to look across the risk spectrum.<br><br>Schedule a debate on the role of the Board and non-executive Directors and link the conclusions to revised Board objectives to help focus the Board s agenda over the coming year. | **2016 findings**<br><br>The Board effectiveness review reported on positive and constructive relations between the Board and the new management team. | **2016 findings**<br><br>Continue to optimise the information flow between Directors in the run-up to Structural Reform in 2018.<br><br>Consider agreeing common values for the Group and the banking subsidiary boards in the new structure.<br><br>For 2017 this finding will be renamed as *Optimise communication and collaboration between directors, boards and committees.* |
| **Actions to be taken in 2017**<br><br>We will continue to identify opportunities for more free-ranging discussion of risk, including as part of the annual Board strategy session.<br><br>The role of the Group Board and Group non-executive Directors will be reviewed in the context of Structural Reform. | **Actions to be taken in 2017**<br><br>The Board will continue to support and challenge executive management, with particular focus on execution of strategy. | **Actions to be taken in 2017**<br><br>The Chairman will continue to use his meetings with non-executive Directors ahead of Board meetings to ensure that all non-executive Directors are briefed on current issues.<br><br>Opportunities for the Board (and, in due course, the banking subsidiary boards) to spend more |

time together around Board meetings will be identified.

Once the subsidiary boards are established, a common set of values will be agreed to supplement the Governance Guiding Principles that are already in place.

**Improvements to the Board appointment process**

**Director induction**

**Dealing more strategically with global regulation**

**2015 findings**

To continue to assess the skills and experience needed on the Board and to ensure that Board composition is balanced between UK and international members.

To enhance Board succession planning, particularly in respect of key roles.

**Actions taken in 2016**

During 2016, a revised Board succession plan and updated skills matrix were presented to the Board Nominations Committee. The plan addresses immediate needs as well

**2015 findings**

To enhance the Board training and induction programme, with particular focus on the training needs of Board members from outside the financial services sector.

**Actions taken in 2016**

The Board training programme for 2016 included specific sessions aimed primarily at non-executive Directors without a financial services background. Details of the

**2015 findings**

To continue to provide opportunities for Board members to provide early input to thinking on major issues and decisions.

**Actions taken in 2016**

The Board s agenda during 2016 focused more on strategic issues, including the capital and liquidity impacts of Structural Reform. For a description of the Board s activity

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| as longer-term requirements to take account of the tenure of non-executive Directors.<br><br>The succession plan included succession to key roles and considered the optimum size of the Board. The future composition of the Board post-Structural Reform has also been considered.<br><br>In addition, the Board received updates on executive talent management and succession planning during 2016. | training programme offered during 2016 can be found on page 87. | in 2016, including the input provided to management on the formulation of Group strategy and other significant decisions, see pages 56 to 57. |
| **2016 findings**<br><br>Continue to refine the Board skills matrix to ensure it aligns with the Group s strategy and informs the succession plan for key Board roles. Implement more regular reporting to the Board on potential non-executive Directors under consideration. | **2016 findings**<br><br>Continue to enhance the Director induction with a focus on providing broader governance training to anyone who has not previously served on a UK plc board. | **2016 findings**<br><br>Review reporting arrangements on strategy implementation and review the KPIs or dashboard reports for key initiatives.<br><br>For 2017 this finding will be renamed as *Optimise reporting to the Board on strategy and execution priorities.* |
| **Actions to be taken in 2017**<br><br>The Board skills matrix will be kept under review, with separate skills matrices to be agreed with the respective chairmen of the banking subsidiaries. The Group Board succession plan will continue to be reviewed on a regular basis by the Board Nominations Committee and the Chairman will keep current | **Actions to be taken in 2017**<br><br>The Director induction programme will be reviewed and refreshed to factor in tailored governance training for new Directors. This is also being extended to directors of the new banking subsidiaries. | **Actions to be taken in 2017**<br><br>The form and content of reporting to the Board will be reviewed and refreshed by management to ensure that the Board is provided with appropriate management information on strategy and execution priorities. Specific topics that the Board indicated that it wished to review have been |

| | | |
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| Board members regularly updated on recruitment plans and potential candidates. | | factored into the 2017 Board agenda. |

## How we comply

**UK Corporate Governance Code (the Code)**

As Barclays is listed on the London Stock Exchange we apply the main principles of the Code and comply with the Code s provisions. A revised Code came into effect in 2016, applying to financial years beginning on or after 17 June 2016 and will apply to Barclays from 1 January 2017. Copies of the 2014 and 2016 Codes can be found at www.frc.org.uk. *Corporate Governance in Barclays* contains a full description of our corporate governance practices and is available online at home.barclays/ corporategovernance. For the year ended 31 December 2016, and at the date of this report, we complied with the 2014 Code except as disclosed below:

§ Provision E.2.3 of the Code requires that the Chairman should arrange for all Directors to attend the AGM. While such arrangements were made, Steve Thieke was unable to attend the 2016 AGM owing to other commitments in the US, where he is based. The Chairman and all Board Committee Chairmen were available at the AGM to answer questions.

The changes made in the 2016 Code were concerned with the relevance of the experience of the audit committee and with audit re-tendering, both of which are covered in this report.

**Disclosure Guidance and Transparency Rules**

By virtue of the information included in this Governance section of the Annual Report we comply with the corporate governance statement requirements of the FCA s Disclosure Guidance and Transparency Rules. Certain additional information that is required to be disclosed pursuant to DTR7.2.6 can be found on pages 91 to 94.

**New York Stock Exchange (NYSE)**

Barclays is permitted by NYSE rules to follow UK corporate governance practices instead of those applied in the US. However, any significant variations must be explained in Barclays 20-F filing, which can be accessed from the Securities and Exchange Commission s EDGAR database or via our website, home.barclays.

**Leadership**

**The Role of the Board**

The Board of Directors is responsible for promoting the highest standards of corporate governance in Barclays. We act in a way that we consider promotes the success of Barclays for the benefit of shareholders as a whole, and are accountable to the shareholders for creating and delivering sustainable value. It is our responsibility as the Board to ensure that management not only delivers on short-term objectives, but promotes the long-term growth of Barclays. The existing corporate governance framework embeds the right culture, values and behaviours throughout the Group and supports our role in determining strategic objectives and policies.

In addition to setting strategy and overseeing its implementation, we are also responsible for ensuring that management maintains an effective system of internal control. An effective system of internal control should provide assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In meeting this responsibility we consider what is appropriate for the Group s business and reputation, the materiality of financial and other risks and the relevant costs and benefits of implementing controls.

The Board is the decision-making body for matters that, owing to their strategic, financial or reputational implications or consequences, are considered significant to the Group. A formal schedule of powers reserved to the Board ensures that our control of these key decisions is maintained. A summary of the matters reserved to the Board can be found at home.barclays/corporategovernance. It includes the approval of appointments to the Board, Barclays strategy, financial statements, capital expenditure and any major acquisitions, mergers or disposals.

**Board Governance framework**

The main Board Committees are the Board Audit Committee, the Board Nominations Committee, the Board Remuneration Committee, the Board Reputation Committee and the Board Risk Committee. Under the authority of our Articles of Association, each Board Committee has had specific responsibilities delegated to it by the Board. Further information on the role and activities of each of the Board Committees can be found in this report and in their individual terms of reference, which have been approved by the Board and are available at home.barclays/corporategovernance.

In addition, the Regulatory Investigations Committee was formed in 2012 and focuses on providing Board-level oversight of regulatory investigations. In 2016 the Committee met five times. John McFarlane is the Committee Chairman and the other Committee members are Mike Ashley, Sir Gerry Grimstone, Diane de Saint Victor and Jes Staley.

## Board Governance framework

### Roles on the Board

Executive and non-executive Directors share the same duties and are subject to the same constraints but, in line with the principles of the Code, a clear division of responsibilities has been established. It is the responsibility of the Chairman to lead and manage the work of the Board, while responsibility for the day-to-day management of Barclays has been delegated to the Group Chief Executive. The Group Chief Executive is supported in this role by the Group Executive Committee. Further information on membership of the Group Executive Committee can be found on page 53.

As a Board we have set out our expectations of each Director in Barclays *Charter of Expectations.* This includes role profiles and the behaviours and competencies required for each role on the Board, namely the Chairman, Deputy Chairman, Senior Independent Director, non-executive Directors, executive Directors and Committee Chairmen. The Board Nominations Committee reviews the *Charter of Expectations* annually to ensure it remains relevant and up-to-date. It is published on home.barclays/corporategovernance to ensure that there is complete transparency of the standards we set for ourselves.

## How we comply

### Attendance

As members of the Board of Directors we are expected to attend each Board meeting and in 2016 we attended both scheduled and additional Board meetings, as disclosed in the table below. The Chairman met privately with the non-executive Directors ahead of each scheduled Board meeting, and if, owing to exceptional circumstances, a Director was not able to attend a Board meeting they ensured that their views were made known to the Chairman in advance of the meeting.

| Board attendance | Independent | Scheduled meetings eligible to attend | Scheduled meetings attended | % attendance | Additional meetings eligible to attend | Additional meetings attended | % attendance |
|---|---|---|---|---|---|---|---|
| **Group Chairman** | | | | | | | |
| John McFarlane | On appointment | 8 | 8 | 100 | 2 | 2 | 100 |
| **Executive Directors** | | | | | | | |
| Tushar Morzaria | Executive Director | 8 | 8 | 100 | 2 | 2 | 100 |
| Jes Staley | Executive Director | 8 | 8 | 100 | 2 | 2 | 100 |
| **Non-executive Directors** | | | | | | | |
| Mike Ashley | Independent | 8 | 8 | 100 | 2 | 1 | 50 |
| Tim Breedon | Independent | 8 | 8 | 100 | 2 | 2 | 100 |
| Mary Francis | Independent | 2 | 2 | 100 | 0 | 0 | n/a |
| Crawford Gillies | Independent | 8 | 8 | 100 | 2 | 2 | 100 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sir Gerry Grimstone | Senior Independent Director | 8 | 8 | 100 | 2 | 2 | 100 |
| Reuben Jeffery III | Independent | 8 | 7 | 88 | 2 | 1 | 50 |
| Dambisa Moyo | Independent | 8 | 8 | 100 | 2 | 2 | 100 |
| Diane de Saint Victor | Independent | 8 | 7 | 88 | 2 | 2 | 100 |
| Diane Schueneman | Independent | 8 | 8 | 100 | 2 | 2 | 100 |
| Steve Thieke | Independent | 8 | 8 | 100 | 2 | 2 | 100 |
| **Former Directors** | | | | | | | |
| Wendy Lucas-Bull | Non-independent | 1 | 1 | 100 | 1 | 1 | 100 |
| Frits van Paasschen | Independent | 3 | 3 | 100 | 1 | 1 | 100 |
| **Secretary** | | | | | | | |
| Claire Davies | | 1 | 1 | 100 | 0 | 0 | n/a |
| **Former Secretary** | | | | | | | |
| Lawrence Dickinson | | 7 | 7 | 100 | 2 | 2 | 100 |

Unable to attend one scheduled meeting owing to prior commitments.

**Board Committee cross-membership**

| | Board Audit Committee | Board Nominations Committee | Board Remunerations Committee | Board Reputation Committee |
|---|---|---|---|---|
| **Board Risk Committee** | 3 | 3 | 1 | 1 |
| | 1 | 2 | 2 | |

| | | | | |
|---|---|---|---|---|
| **Board Reputation Committee** | | | | |
| **Board Remuneration Committee** | 2 | 2 | | |
| **Board Nominations Committee** | 3 | | | |

**Effectiveness**

**Composition of the Board**

In line with the requirements of the Code a majority of the Board are independent non-executive Directors. The Board currently comprises a Chairman, who was independent on appointment, two executive Directors and ten non-executive Directors. We consider the independence of our non-executive Directors annually, using the independence criteria set out in the Code and by reviewing performance against behaviours that we have identified as essential in order to be considered independent. The independence criteria can be found in *Corporate Governance in Barclays* at home.barclays/ corporategovernance.

The Board Nominations Committee considers Board succession planning and regularly reviews the composition of the Board and the Board Committees to ensure that there is an appropriate balance and diversity of skills, experience, independence and knowledge. The size of the Board is not fixed and may be revised from time to time to reflect the changing needs of the business and the Board Nominations Committee will consider the balance of skills and experience of current Directors when considering a proposed appointment.

Each year we carry out an effectiveness review in order to evaluate our performance as a Board, as well as the performance of each of the Board Committees and individual Directors. This annual review assesses whether each of us continues to discharge our respective duties and responsibilities effectively and is considered when deciding whether individual Directors will offer themselves for election or re-election at the AGM. More information on the 2016 Board effectiveness review can be found on page 81.

Our biographies containing our relevant skills and experience, Board Committee membership and other principal appointments can be found on pages 51 and 52. Details of changes to the Board in 2016 and year to date are disclosed on page 91.

The service contracts for the executive Directors and the letters of appointment for the Chairman and non-executive Directors are available for inspection at our registered office.

**Time commitment**

It is expected that in order to discharge our responsibilities effectively we will each allocate sufficient time to our role on the Board. We are expected to attend, and to be well prepared for, all Board and Board Committee meetings, as well as making time to understand the business, meet with executives and regulators, and complete ongoing training. As stated in our *Charter of Expectations,* time commitment is agreed with each non-executive Director on an individual basis. Disclosed below is the average expected time commitment for the role of non-executive Director and the other non-executive positions on the Board. For these additional positions there is an expectation that, in order to effectively fulfil extra responsibilities, additional time commitment is required.

| Role | Expected time commitment |
|---|---|
| **Chairman** | 80% of a full time position |
| **Deputy Chairman** | At least 0.5 days a week |
| **Senior Independent Director** | As required to fulfil the role |
| **Non-executive Director** | 30 days a year (membership of one Board Committee included, increasing to 40 days a year if a member of two Board Committees) |
| **Committee Chairmen** | At least 60 days a year (including non-executive Director time commitment) |

The Chairman must commit to expend whatever time is necessary to fulfil his duties and, while this is expected to be equivalent to 80% of a full time position, his Chairmanship of the Group and leadership of the Board has priority over other business commitments. In exceptional circumstances we are all expected to commit significantly more time to our work on the Board.

**Induction**

On appointment to the Board all Directors receive a comprehensive induction which is tailored to the new Director s individual requirements. The induction schedule is designed to quickly provide the new Director with an understanding of how the Group works and the key issues that it faces. The Company Secretary consults the Chairman when designing an induction schedule, giving consideration to the particular needs of the new Director. When a Director is joining a Board Committee the schedule includes an induction to the operation of that committee.

On completion of the induction programme the Director should have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing Barclays, to enable them to effectively contribute to strategic discussions and oversight of the Group.

In 2016, Sir Gerry Grimstone and Mary Francis both received induction programmes on joining the Board. In line with normal practice, they met with the Company Secretary, the current non-executive Directors and members of the Group Executive Committee and the Senior Leadership Group. In addition, Sir Gerry Grimstone met with Sir Michael Rake, the outgoing Deputy Chairman and Senior Independent Director, and former Chairman of the Board Reputation Committee.

**Training and development**

In order to continue to contribute effectively to Board and Board Committee meetings we are regularly provided with the opportunity to take part in ongoing training and development. As part of our annual performance review with the Chairman we discuss any particular development needs that can be met through either formal training or meeting with a particular senior executive.

The Company Secretary organises a formal training schedule for the year, covering both Board and Board Committee training requirements, to ensure that our insight into the Group s business and awareness of the external environment in which we operate continues after our formal induction schedules have been completed.

During 2016, we attended briefings on the following subjects:

§ capital and liquidity (including regulatory targets and constraints)

§ the Federal Reserve s CCAR exercise

§ Group Resilience

§ cyber-risk

§ a presentation from Compliance and Regulatory Relations on the regulatory expectations of Directors and the PRA s threshold conditions

§ a briefing from Finance and Risk on the impact of IFRS9

§ an accounting update presented by KPMG

§ an update on the implementation of the Senior Managers Regime

§ strategic planning and crisis management plans ahead of the EU Referendum

§ internal briefings on Structural Reform.

These briefing sessions were supplemented by written material, such as a briefing note on the implementation of the Market Abuse Regulation in the UK.

In addition, site visits were arranged to Barclays UK and Cards US operations, as well as the regular business visits and engagements that we may undertake. This included the attendance of our Board Audit Committee Chairman and Board Risk Committee Chairman at US IHC board committee meetings at Barclays offices in New York.

**Conflicts of interest**

In accordance with the Companies Act 2006 and the Articles of Association the Board has the authority to authorise conflicts of interest. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Group. The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period but are reviewed annually by the Board Nominations Committee. The Board retains the power to vary or terminate the authorisation at any time.

How we comply

**Information provided to the Board**

The Role Profile for the Chairman, as set out in our *Charter of Expectations,* confirms his responsibility for ensuring that members of the Board receive accurate, timely and high-quality information. In particular, we require information about Barclays performance to enable us to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good governance and consults Directors to ensure that good information flows exist and that the Board receives the information it requires in order to be effective.

Throughout the year both the executive Directors and senior executives keep the Board informed of key developments in the business through regular reports and updates. These are in addition to the presentations that the Board and Board Committees receive as part of their formal meetings. Directors are able to seek independent and professional advice at Barclays expense, if required, to enable Directors to fulfil their obligations as members of the Board.

**Accountability**

**Risk management and internal control**

The Directors are responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Barclays is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. Barclays has an overarching framework that sets out the Group s approach to internal governance, *The Barclays Guide,* which establishes the mechanisms and processes by which the Board directs the organisation, through setting the tone and expectations from the top, delegating its authority and assessing compliance.

A key component of *The Barclays Guide* is the *Enterprise Risk Management Framework* (ERMF). The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to achieving the Group s strategic objectives and to provide reasonable assurance that internal controls are effective. The key elements of the Group s system of internal control, which is aligned to the recommendations of *The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control Integrated Framework* (2013 COSO), are set out in the risk control frameworks relating to each of the Group s Principal and Key Risks. As well as incorporating our internal requirements, these reflect material Group-wide legal and regulatory requirements relating to internal control and assurance.

**Effectiveness of internal controls**

Key controls are assessed on a regular basis for both design and operating effectiveness. Issues arising out of business risk and control assessments and other internal and external sources are examined to identify pervasive themes. Where appropriate, control issues are reported to the Board Audit Committee (BAC). In addition, regular reports are made to the BAC by management, BIA and the Finance, Compliance and Legal functions covering, in particular, financial controls, compliance and other operational controls.

**Risk management and internal control framework**

The ERMF is the Group s Internal Control Framework. It is refreshed annually and has been substantially revised during 2016. The BAC receives quarterly reports relating to the effectiveness of the Control Environment covering all risks and controls including financial, operational and compliance risk.

The BAC formally reviews the system of internal control and risk management annually. Throughout the year ended 31 December 2016 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* published by the Financial Reporting Council.

The review of the effectiveness of the system of risk management and internal control is achieved through a four-step approach which is centred on reviewing the effectiveness of *The Barclays Guide* and its component parts:

1. Governance Risk & Control meetings of the Business and Functional Executive Committees monitor, review and challenge the effective operation of key risk management and control processes, including the results of audits and reviews undertaken by BIA (which include assessments of the Control Environment and Management Control Approach) and examinations and assessments undertaken by our primary regulators, on an ongoing basis as part of the system of risk management and internal control. The remediation of issues identified within the Control Environment is regularly monitored by management and the BAC.

2. Testing of the Governance Risk and Control meetings held within the Executive Committees provides assurance that the committees are effectively overseeing the Control Environment and associated risk management and internal control processes.

3. The owners of the key governance processes which comprise *The Barclays Guide* undertake a review to confirm that processes have been implemented.

4. The annual review of the system of risk management and internal control brings together the results of the activities completed in steps 1 to 3 to ensure that each of the key processes has been effectively reviewed.

Regular reports are made to the Board covering risks of Group level significance. The Board Risk Committee and the Board Reputation Committee examine reports covering the Principal Risks (Credit Risk, Market risk, Capital Risk, Liquidity Risk, Operational Risk and Conduct Risk) as well as reports on risk measurement methodologies and risk appetite. Further details of risk management procedures and potential risk factors are given in the Risk review and risk management sections on pages 136 to 162.

**Controls over financial reporting**

A framework of disclosure controls and procedures is in place to support the approval of the Group s financial statements. The Legal and Technical Review Committee is responsible for examining the Group s financial reports and disclosures to ensure that they have been subject to adequate verification and comply with applicable standards and legislation. The Committee reports its conclusions to the Disclosure Committee. The Disclosure Committee examines the content and accuracy of the disclosures and reports its conclusions to the Board Audit Committee which debates its conclusions and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Annual Report, and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the Group s financial statements and other significant disclosures before they are made public.

**Management s report on internal control over financial reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed internal control over financial reporting as of 31 December 2016. In making its assessment, management has utilised the criteria set forth by the 2013 COSO framework. Management concluded that, based on its assessment, the internal control over financial reporting was effective as of 31 December 2016. Our independent registered public accounting firm has issued a report on the Group s internal control over financial reporting, which is set out on page 276.

The system of internal financial and operational controls is also subject to regulatory oversight in the UK and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk review section on pages 229 to 236.

**Changes in internal control over financial reporting**

There have been no changes in the Group s internal control over financial reporting that occurred during the period covered by this report which have materially affected or are reasonably likely to materially affect the Group s internal control over financial reporting.

**Remuneration**

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, executive Directors, other senior executives and certain Group employees to the Board Remuneration Committee. The Board as a whole, with the non-executive Directors abstaining, considers annually the fees paid to non-executive Directors. Information on the activities of the Board Remuneration Committee in 2016 can be found on pages 99 to 133 of the Directors remuneration report, which forms part of the corporate governance statement.

**Stakeholder engagement**

**Investor engagement**

The Board is committed to promoting effective channels of communication with our shareholders and upholding good corporate governance as a means of building stronger and more engaged relationships with them. Our comprehensive Investor Relations engagement with the market helps us to understand investor views about Barclays, which are communicated regularly to the Board. Our shareholder communication guidelines, which underpin all investor engagement, are available on our website at home.barclays/ investorrelations.

**Institutional investors**

In 2016, our Investor Relations engagement with institutional investors took place throughout the year, both following our quarterly results as well as outside of the reporting cycle. This allowed the opportunity for existing and potential new investors to engage with Barclays regularly, promoting dialogue on longer-term strategic developments as well as on the recent financial performance of the Group.

The Directors, in conjunction with the senior executive team and Investor Relations, participated in varied forms of engagement, including investor meetings, seminars and conferences across many geographic locations, reflecting the diverse nature of our equity and debt institutional ownership. Divisional management also presented extensively to investors, promoting greater awareness and understanding of our operational businesses.

During 2016, discussions with investors were focused on the continued execution of our strategy, following the appointment of Jes Staley as Group Chief Executive, and the strategic update announced on 1 March 2016.

Investor meetings focused on corporate governance also took place throughout the year, with the Chairman, Senior Independent Director, other Board representatives and the Company Secretary.

We held conference calls/webcasts for our quarterly results briefings and an in-person presentation for our 2015 full year results in March 2016, all hosted by the Group Chief Executive and Group Finance Director. In addition, the Group Finance Director held a quarterly breakfast briefing for sellside analysts, with a transcript of the discussions uploaded to our website. For fixed income investors we held conference calls at our full year and half year results, hosted by our Group Finance Director and Group Treasurer.

The Investor Relations section of our website is an important communication channel that enables the effective distribution of information to the market in a clear and consistent manner. Executive management presentations, speeches and, where possible, webcast replays are uploaded to our website on a timely basis. In 2016, we also created an improved About Barclays factsheet, allowing investors the opportunity to understand Barclays strategy and key financial metrics at a glance. We also continued to provide short videos summarising the key messages in our results from our Group Chief Executive and Group Finance Director.

How we comply

**Private shareholders**

During 2016, we continued to communicate with our private shareholders through our shareholder mailings. Shareholders can also choose to sign up to Shareview so that they receive information about Barclays and their shareholding directly by email. On a practical level, over 60,000 shareholders did not cash their Shares Not Taken Up (SNTU) cheque following the Rights Issue in September 2013. In 2016, we continued the tracing process to reunite these shareholders with their SNTU monies and any unclaimed dividends. By the end of 2016, we had returned over £1.65m to our shareholders in addition to the £2.2m returned in 2015. We also launched a Special Share Dealing Service in November 2016 aimed at shareholders with relatively small shareholdings for whom it might otherwise be uneconomical to deal. One option open to shareholders was to donate their sale proceeds to ShareGift. As a result of this initiative, more than £100,000 was donated.

**Our AGM**

The Board and the senior executive team continue to consider our AGM as a key date in the diary. The AGM provides us with our main opportunity to engage with shareholders, particularly our private shareholders, on the key issues facing the Group and any questions they may have. A number of Directors, including the Chairman, were available for informal discussion either before or after the meeting. All resolutions proposed at the 2016 AGM, which were considered on a poll, were passed with votes for ranging from 86% to 99.9% of the total votes cast.

The 2017 AGM will be held on Wednesday 10 May 2017 at the Royal Festival Hall in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the AGM and also made available at home.barclays/agm. Voting on the resolutions will again be by poll and the results will be announced via the Regulatory News Service and made available on our website on the same day. We encourage any shareholders who are unable to attend on the day to vote in advance of the meeting via home.barclays/ investorrelations/vote or through Shareview (www.shareview.co.uk).

**Engagement timeline**

## Other statutory information

**The Directors present their report together with the audited accounts for the year ended 31 December 2016.**

Other information that is relevant to the Directors report, and which is incorporated by reference into this report, can be located as follows:



Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages:



Section 414A of the Companies Act 2006 requires the Directors to present a Strategic report in the Annual Report and Financial Statements. The information can be found on pages 1 to 48.

The Company has chosen, in accordance with section 414 C(11) of the Companies Act 2006, and as noted in this Directors report, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors report.

An indication of likely future developments may be found in the Strategic report.

The particulars of important events affecting the Company since the financial year end can be found in the Strategic report and Note 29, Legal, competition and regulatory matters.

**Profit and dividends**

Statutory profit after tax for 2016 was £2,828m (2015: £623m). The final dividend for 2016 of 2.0p per share will be paid on 5 April 2017 to shareholders whose names are on the Register of Members at the close of business on 3 March 2017. With the interim dividend totalling 1.0p per ordinary share, paid in September 2016, the total distribution for 2016 is 3.0p (2015: 6.5p) per ordinary share. The interim and final dividends for 2016 amounted to £757m (2016: £1,081m).

As at 31 December 2016, the distributable reserves of Barclays PLC (the Parent Company) were £6,831m. As at 31 December 2016, the distributable reserves of Barclays Bank PLC were £25,834m.

The nominee companies of certain Barclays   employee benefit trusts holding shares in Barclays in connection with the operation of the Company  s share plans have lodged evergreen dividend waivers on shares held by them that have not been allocated to employees. The total amount of dividends waived during the year ended 31 December 2016 was £2.6m (2015: £6.4m).

Shareholders may have their dividends reinvested in Barclays by joining the Barclays PLC Scrip Dividend Programme (the Programme). At the Barclays 2013 AGM, shareholders approved the introduction of the Programme to replace the Barclays Dividend Reinvestment Plan. The Programme enables shareholders, if they wish, to receive new fully-paid ordinary shares in Barclays PLC instead of a cash dividend, without incurring dealing costs or stamp duty.

**Board of Directors**

The names of the current Directors of Barclays PLC, along with their biographical details, are set out on pages 51 and 52 and are incorporated into this report by reference. Changes to Directors during the year are set out below.

| Name | Role | Effective date of appointment/ resignation |
|---|---|---|
| Sir Gerald (Gerry) Grimstone | Non-executive Director | Appointed 1 January 2016 |
| Mary Francis | Non-executive Director | Appointed 1 October 2016 |
| Wendy Lucas-Bull | Non-executive Director | Retired 1 March 2016 |
| Frits van Paasschen | Non-executive Director | Retired 28 April 2016 |

**Appointment and retirement of Directors**

The appointment and retirement of Directors is governed by the Company  s Articles of Association (the Articles), the UK Corporate Governance Code (the Code), the Companies Act 2006 and related legislation.

The Articles may only be amended by a special resolution of the shareholders. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any such Director holds office only until the next AGM and may offer himself/herself for re-election. The Code recommends that all directors of FTSE 350 companies should be subject to annual re-election and all Directors will stand for election or re-election at the 2017 AGM with the exception of Diane de Saint Victor and Steve Thieke.

## Other statutory information

**Directors indemnities**

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2016 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. In addition, the Company maintains Directors & Officers Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2016 for the benefit of the then Directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the company s activities as Trustee of the Barclays Bank UK Retirement Fund.

Similarly, qualifying pension scheme indemnities were in force during 2016 for the benefit of directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Limited Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The directors of the Trustee are indemnified against liability incurred in connection with the company s activities as Trustee of the schemes above.

**Political donations**

The Group did not give any money for political purposes in the UK, the rest of the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

In accordance with the US Federal Election Campaign Act, Barclays provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by Barclays and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising employees eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during the calendar year 2016 totalled $12,500 (2015: $79,500).

**Environment**

Barclays focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. We focus on managing our own carbon footprint and reducing our absolute carbon emissions; developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large. We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our Credit Risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk.

We have disclosed global greenhouse gas emissions that we are responsible for as set out by The Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 . We provide fuller disclosure on (i) financing solutions for the lower carbon economy, (ii) environmental risk management and (iii) management of our carbon and environmental footprint in the Barclays Environmental, Social and Governance (ESG) Supplement available on our website at home.barclays.com/citizenship.

| | **Current reporting year[a]** | Previous reporting year[b] | Previous reporting year[c] | Comparison year[d] |
|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 |
| **Global GHG emissions** | | | | |
| Total $CO_2e$ (tonnes)[e] | 678,412 | 712,916 | 830,668 | 968,781 |
| Scope 1 $CO_2e$ emissions (tonnes)[f] | 46,571 | 56,642 | 49,994 | 58,176 |
| Scope 2 $CO_2e$ emissions (tonnes)[g] | 538,783 | 520,098 | 655,426 | 723,993 |
| Scope 3 $CO_2e$ emissions (tonnes)[h] | 93,059 | 136,176 | 125,248 | 186,612 |
| **Intensity ratio[i]** | | | | |
| Total full time employees (FTE) | 119,300 | 129,400 | 132,300 | 139,600 |
| Total $CO_2e$ per FTE (tonnes) | 5.69 | 5.51 | 6.28 | 6.94 |
| Scope 2 market based emissions (tonnes)[j] | 596,198 | | | |

Notes

a 2016 Reporting Year covers Q4 2015 and Q1, 2, 3 of 2016. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors report.

b 2015 Reporting Year covers Q4 2014 and Q1, 2, 3 of 2015.

c 2014 Reporting Year covers Q4 2013 and Q1, 2, 3 of 2014.

d 2013 Reporting Year covers Q4 2012 and Q1, 2, 3 of 2013.

e The methodology used to calculate our CO2e emissions is the operational control approach on reporting boundaries as defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Where properties are covered by Barclays consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the Group GHG calculations. We also capture consumption from properties which are yet to be consolidated by Barclays and as such Barclays still is responsible for the utility cost.

f Scope 1 covers direct combustion of fuels and company owned vehicles (from UK and South Africa only, which is the most material contributors). Fugitive emissions reported in Scope 1 for 2013 2016 cover emissions from Americas, Asia Pacific and South Africa. Scope 1 fugitive emissions excludes the UK while we amend our governance procedures in the UK. Business travel is reported in Scope 1.

g Scope 2 covers emissions from electricity and steam purchased for own use. Scope 2 emissions are using location based emission factors. Please see note j below for Scope 2 Market Based emissions.

h Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK and South Africa). From 2014 onwards car hire data covers the USA and India. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available.

i Intensity ratio calculations have been calculated using location based emission factors only.

j Scope 2 Market Based emissions have been reported for 2016 only.

**Research and development**

In the ordinary course of business the Group develops new products and services in each of its business divisions.

## Share capital

### Share capital structure

The Company has ordinary shares in issue. The Company s Articles also allow for the issuance of sterling, US dollar, euro and yen preference shares (preference shares). No preference shares have been issued as at 20 February 2017 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2016 and as at 20 February 2017 (the latest practicable date for inclusion in this report). Details of the movement in ordinary share capital during the year can be found in Note 31 on page 342.

### Voting

Every member who is present in person or represented at any general meeting of the Company, and who is entitled to vote, has one vote on a show of hands. Every proxy present has one vote. The proxy will have one vote for and one vote against a resolution if he/she has been instructed to vote for or against the resolution by different members or in one direction by a member while another member has permitted the proxy discretion as to how to vote. On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his proxy may be counted. If any sum payable remains unpaid in relation to a member s shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Company unless the Board otherwise determine. If any member, or any other person appearing to be interested in any of the Company s ordinary shares, is served with a notice under section 793 of the Companies Act 2006 and does not supply the Company with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Company. The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified excepted transfers ). A direction ceases to have effect seven days after the Company has received the information requested, or when the Company is notified that an excepted transfer of all of the relevant shares to a third party has occurred, or as the Board otherwise determines.

### Transfers

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Secretary and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall be made in accordance with the Companies Act 2006 and CREST Regulations.

The Board is not bound to register a transfer of partly-paid ordinary shares or fully-paid shares in exceptional circumstances approved by the FCA. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of a single transferee or not more than four joint transferees (except in the case of executors or trustees of a member).

In accordance with the provisions of Section 84 of the Small Business, Enterprise and Employment Act 2015, preference shares may only be issued in registered form. Preference shares shall be transferred in writing in any usual or other form approved by the Secretary and executed by or on behalf of the transferor. The Company s registrar shall register such transfers of preference shares by making the appropriate entries in the register of preference shares. Each preference share shall confer, in the event of a winding up or any return of capital by reduction of capital (other than, unless otherwise provided by their terms of issue, a redemption or purchase by the Company of any of its issued shares, or a reduction of share capital), the right to receive out of the surplus assets of the Company available for distribution amongst the members and in priority to the holders of the ordinary shares and any other shares in the Company ranking junior to the relevant series of preference shares

and pari passu with any other class of preference shares (other than any class of shares then in issue ranking in priority to the relevant series of preference shares), repayment of the amount paid up or treated as paid up in respect of the nominal value of the preference share together with any premium which was paid or treated as paid when the preference share was issued in addition to an amount equal to accrued and unpaid dividends.

### Variation of rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them or subsequent to them.

### Limitations on foreign shareholders

There are no restrictions imposed by the Articles of Association or (subject to the effect of any economic sanctions that may be in force from time to time) by current UK laws which relate only to non-residents of the UK and which limit the rights of such non-residents to hold or (when entitled to do so) vote the ordinary shares.

### Exercisability of rights under an employee share scheme

Employee Benefit Trusts (EBTs) operate in connection with certain of the Group s Employee Share Plans (Plans). The trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustees of the EBTs have informed the Company that their normal policy is to abstain from voting in respect of the Barclays shares held in trust. The trustees of the Global Sharepurchase EBT and UK Sharepurchase EBTs may vote in respect of Barclays shares held in the EBTs, but only as instructed by participants in those Plans in respect of their partnership shares and (when vested) matching and dividend shares. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBTs.

### Special rights

There are no persons holding securities that carry special rights with regard to the control of the Company.

## Major shareholders

Major shareholders do not have different voting rights from those of other shareholders. Information provided to the Company by substantial shareholders pursuant to the FCA s Disclosure Guidance and Transparency Rules are published via a Regulatory Information Service and is available on the Company s website. As at 31 December 2016, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its shares.

| Person interested | Number of Barclays shares | % of total voting rights attaching to issued share capital[a] |
|---|---|---|
| The Capital Group Companies Inc[b] | 1,172,090,125 | 6.98 |
| Qatar Holding LLC[c] | 1,017,455,690 | 5.99 |
| BlackRock, Inc.[d] | 922,509,972 | 5.45 |
| Norges Bank | 512,348,359 | 3.03 |

Notes

a The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.
b The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts.
c Qatar Holding LLC is wholly-owned by Qatar Investment Authority.
d Total shown includes 3,860,531 contracts for difference to which voting rights are attached. Part of the holding is held as American Depositary Receipts. On 19 January 2017, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 1,054,988,420 ordinary shares of the Company as of 31 December 2016, representing 6.2% of that class of shares.

## Other Statutory Information

Between 31 December 2016 and 20 February 2017 (the latest practicable date for inclusion in this report) the Company was notified that Norges Bank now holds 508,175,594 Barclays shares, representing 2.996% of the total voting rights attached to issued share capital.

**Powers of Directors to issue or buy back the Company s shares**

The powers of the Directors are determined by the Companies Act 2006 and the Company s Articles. The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2016 AGM. It will be proposed at the 2017 AGM that the Directors be granted new authorities to allot and buy back shares.

**Repurchase of shares**

The Company did not repurchase any of its ordinary shares during 2016 (2015: none). As at 20 February 2017 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,681m ordinary shares.

**Change of control**

There are no significant agreements to which the Company is a party that are affected by a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

**Going concern**

The Group s business activities, financial position, capital, factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed are discussed in the Strategic report and Risk review and Risk management sections.

The Directors considered it appropriate to prepare the financial statements on a going concern basis.

**Disclosure of information to the auditor**

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company s auditors are unaware and that each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company s auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

**Directors responsibilities**

The following statement, which should be read in conjunction with the Auditors report set out on page 269 to 275, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared Group and individual accounts in accordance with IFRS as adopted by the EU. The accounts are required by law and IFRS to present fairly the financial position and performance of the Company and the Group for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 267 to 374, and the additional information contained on pages 134 to 236, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company s position and performance, business model and strategy.

**Directors responsibility statement**

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, whose names and functions are set out on pages 51 and 52, confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the management report, which is incorporated in the Directors Report on pages 49 to 94, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Claire Davies**

Company Secretary

22 February 2017

Barclays PLC

Registered in England.

Company No. 48839

**Culture and Values**

We are four years into a cultural change journey at Barclays. Over this period we have defined a common set of values and embedded them across the organisation, ensuring they are recognised and understood by our employees. We recognise that fostering the right culture at Barclays is critical to our success and we have placed continued focus on the importance of a values based culture to the organisation. Early in 2016 conduct, culture and values was established as one of the strategic priorities for the year, and within that we have developed a culture measurement framework to manage and measure progress in embedding a values based culture across Barclays. This framework is anchored in our values and through quarterly indicators and insights we are able to assess what we are doing well and where we might need to focus attention and prioritise management action across our businesses and functions. The quarterly indicators and insights are presented to the Board Reputation Committee and the Group Executive Committee and shared with our senior leadership teams with a view to becoming an integral part of our regular management reporting so that we can ensure our priorities and decisions are focused in the right areas. The insights from the indicators and metrics within the culture measurement framework this year support the view that our ongoing efforts are having a positive impact in continuing to create a culture that will help us build the Barclays of the future.

**Your View**

Engagement of our employees is one of the key indicators of cultural health and we recognise the importance of listening to our colleagues and maintaining an open, two-way dialogue. The views of our colleagues shape the decisions we make, helping us create an environment in which colleagues want to work, and which in turn we believe will drive high performance. To ensure that we constantly review and reappraise to see what is working, in 2016, the annual Your View survey, our employee opinion survey, became a quarterly pulse survey excluding Africa, providing colleagues the opportunity on a more regular basis to say how it feels to work at Barclays. In the third quarter of the year, we surveyed 50% of all colleagues and the remaining 50% were surveyed in the fourth quarter. Starting from 2017, each quarter 25% of colleagues excluding Africa will be invited to take part in Your View.

The Your View results have continued to measure Sustainable Engagement and this year we have been provided with more regular snapshots. The quarterly results were then aggregated at the end of the year into an overall annual picture of engagement. At the end of 2016 Sustainable Engagement of our colleagues has remained stable year on year at 75%. Areas of particular strength from the annual results include: colleagues feeling safe to speak up (81% favourable, up 6% points on 2015); colleagues feeling proud of the contribution Barclays makes to the community and society (88% favourable, up 3% points on 2015) and employees feeling respected regardless of their job (83% favourable, up 4% points on 2015). In addition, the commitment and discretionary effort of employees continues to be very high with 94% saying they believe they work beyond what is required of them to help Barclays succeed. Along with the insights from the quarterly indicators within the culture measurement framework, these results evidence that we continue to make strong progress in embedding a values based culture across the bank.

**Leadership and Learning**

Our leadership and learning solutions are underpinned by our values and are focused on supporting our colleagues to develop critical skills and capabilities. Both the Barclays Academy and our Global Curriculum provide colleagues with development resources, through a variety of formats and content. In 2016 our employees spent an average of 40 hours each on training through formal programmes, in addition to having access to many other informal learning opportunities that are not captured through our learning management system. We continue to assess candidate alignment to our Values and Behaviours through our recruitment and promotion processes and we also ensure new joiners attend the Being Barclays Global Induction programme, which provides an in-depth experience of the Values. All colleagues are required to attest and demonstrate their understanding of expected behaviours through the Global Code of Conduct (The Barclays Way).

This year a new event was launched, sponsored by the Group CEO, to begin to develop the next generation of enterprise leaders who actively contribute towards rebuilding the profession of banking through their own leadership and their influence of others. By bringing together high potential senior leaders from across our businesses and functions we seek to strengthen collaboration and an enterprise wide perspective amongst our senior leaders to deliver improved solutions and products for our customers and clients.

We have continued to launch and refresh learning and leadership initiatives with particular focus on supporting the development of line managers. Examples include our Manager Excellence Programme, the iLead programme for high potential Directors, and the Senior Leadership Development programme in the Banking business. All our leadership development activities follow a common principle of leaders teaching leaders, creating opportunities for knowledge sharing across different parts of Barclays.

**Early careers and apprenticeships**

Barclays is committed to helping people achieve their ambitions when they enter the world of work whether they are a young person entering the workplace for the first time or an experienced professional seeking to develop new skills. Barclays Early Careers proposition includes graduate, internship and apprenticeship programmes and in 2016 we hired over 750 interns and 700 graduates. Since 2012 we have created over 3,000 apprenticeships. We provide pathways for progression from apprentice to graduate supported by recognised qualifications and, in doing so, help to create an internal talent pipeline.

The ambition in 2016 for our apprenticeship programmes was to widen accessibility and ensure our programmes are fully inclusive. We expanded our Bolder Apprenticeship Programme, targeting long-term unemployed adults over the age of 24, and we also piloted our Able to Enable Programme targeting the long-term unemployed who have a disability. These programmes along with our place on the UK Government s Apprenticeship Delivery Board reflect our commitment to tackling societal issues and attracting diverse talent. Throughout 2016 we have continued to receive external recognition for our apprenticeship programmes.

We have transformed the way we recruit for our EMEA Internship and Graduate programmes to deliver an improved candidate experience and to ensure that we are assessing candidates against the right skills and qualities. This recruitment process helps to drive diversity and inclusion as students are able to demonstrate ability and potential throughout the process so that recruitment outcomes are based on performance and not on the basis of academic grades, universities attended and previous work experience. This year in the Americas we rolled out our first Sophomore Springboard programme aimed at preparing a diverse range of students for an internship in their junior year. This was the first phase of a two year strategy to identify diverse talent early on.

**Industrial relations**

Barclays has a long-standing partnership approach to industrial relations and we value the relationships we have with over 30 trade unions, works councils and staff associations around the world. Within the UK we have a formal partnership with Unite which has been in place for over 15 years and is one of the longest standing partnerships in the UK. Throughout 2016, we have continued to have regular, constructive dialogue with employee representatives on a wide range of topics that impact our employees in order to seek their feedback prior to implementation. Regional consultation forums have also provided a platform for bringing together and engaging employee representatives on a wide range of topics that affect the interests of our employees.

**Managing change**

Where restructuring is necessary to support our strategy, we have consulted on proposals with our recognised trade unions or employee forums and impacted employees, prior to implementation. In line with our Values and to ensure we treat all colleagues with respect, we seek to avoid compulsory redundancies wherever possible and we try to find ways in which we can achieve this during consultation. We continue to place significant emphasis on both voluntary redundancy programmes as well as internal redeployment through our Internals First programme.

Internals First supports colleagues who have been impacted by change and provides individual support to ensure that we retain talent within Barclays. In 2016, over 1,000 colleagues registered for Internals First support and we redeployed 32% of them within Barclays. Throughout 2016, colleagues have attended Internals First careers and networking events and opted for outplacement support services. When an employee does leave Barclays as a consequence of restructuring, our commitment is to ensure that they are given the best support for the next stage in their career. To achieve this, Barclays provides a global career transition service which offers personalised advice and support for employees placed at risk of redundancy. We also hope to keep in touch with former colleagues through the Barclays Global Alumni Programme which provides a platform for current and former employees to connect with Barclays and one another through global networking events, monthly e-newsletters and access to career opportunities.

**Internal Mobility**

During 2016 internal mobility has been a key focus. Being able to attract and retain talented individuals, as well as provide them with the opportunity to take control of their career and development at Barclays is one of our most important ambitions. Our aim is that by supporting internal mobility across Barclays and making it simple and easy for colleagues to move internally, we are successfully retaining and developing our internal talent. To promote this and provide colleagues with opportunities to broaden their experience, the Group CEO launched Apply Within, our internal mobility programme, early in 2016. We have developed multiple tools and resources for colleagues to find new internal career opportunities and for managers to find and assess suitable internal candidates. Global careers fairs, the Barclays Mentoring Tool and enhancements to the My Career online portal, which was launched in 2015, are part of the campaign. Thousands of colleagues have visited the My Career portal this year to update career profiles, upload CVs and import LinkedIn profiles and our Resourcing teams have sought to match vacant roles to colleagues skills and aspirations. We have increased our internal recruitment percentage to 48% firm wide (excluding Africa).

**Wellbeing**

By actively supporting employees to be healthy and happy, we will deliver better outcomes for colleagues, for Barclays and for society. Our global wellbeing programme Be Well launched in 2015 and has focused on health education, a Global Speaker Series, health risk identification, prevention and management as well as new leadership and management programmes to help line managers support colleagues. The insights developed this year through our wellbeing programme help to identify themes and areas to focus on in 2017.

**Performance Management**

Barclays approach to performance management is key to enabling the delivery of our strategy and to continue to embed a values-based culture. Colleagues align their objectives ( what they will deliver) to business and team goals to support the delivery of our strategy and good customer outcomes. Behavioural expectations ( how they will achieve their objectives) are set in the context of our Values. This year we have enhanced the focus on balancing the what and the how through the launch of our Let s talk about how campaign to remind colleagues that how they achieve their objectives is just as important as what they achieve. Both the campaign and the Values in Action framework provide tools and resources for colleagues to bring to life the behaviours that underpin our Values and to enhance the quality of performance reviews.

Our global recognition programme provides colleagues the opportunity to recognise the outstanding achievements of those who have demonstrated our Values. We continue to see a year on year increase in the number of colleagues receiving a Values Thank You message from a fellow colleague, with over 250,000 sent in 2016.

Colleagues are also encouraged to be involved with the company s performance by participating in our all-employee share plans, which have been running successfully for over 10 years. Further details of our approach to remuneration are included in the Remuneration Report pages 105 and 106.

Barclays regularly updates employees regarding the financial and economic factors affecting the company s performance throughout the year, using a variety of communications channels. These include CEO and senior leader communications, line manager briefing packs, video interviews and talking points which are distributed to employees every quarter to coincide with Barclays financial reporting calendar. They are all designed to build awareness and understanding of Barclays results and the broader macroeconomic environment, and to drive dialogue. We also hold a variety of events for employees to hear directly from the CEO and the Group Executive Committee and to ask them questions.

We have also recently introduced an Ask the Experts communication which gives perspectives from across the bank on what Barclays results mean and how they are received by different stakeholders. Flagship campaigns are released to all employees each quarter, covering topics such as wellbeing, recognition and dynamic working to raise awareness of the tools being introduced to help them develop their careers at Barclays and to provide them with the opportunity to understand and engage in employee initiatives. Colleagues are also kept informed through regular intranet and email updates about the progress Barclays is making across activity such as Diversity and Inclusion and Performance Management.

Employees are invited to share their opinion on what it is like to work at Barclays through regular interactive events with senior leaders. These events provide employees with the opportunity to discuss their perspective on a range of areas to help senior management understand what is working well and where we need to improve. Any changes that are implemented as a result of colleague feedback are communicated through leadership briefings and engagement initiatives across each business and function.

**Diversity and Inclusion**

Barclays global Diversity and Inclusion (D&I) strategy establishes objectives, initiatives and plans across each of five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational. As an organisation we remain focussed on increasing the diversity of our employees and by continuing to foster an inclusive culture we seek to ensure that employees of all backgrounds are treated equally and have the opportunity to be successful.

In recognition of this in 2016 we have continued to develop opportunities to attract and retain a diverse pipeline of talented employees across the bank. This year we have launched new initiatives including our Encore! Returnship Programme which offers leadership development and training opportunities to professionals who have taken a career break and are looking to re-enter the workforce. Also launched in 2016 is our Able to Enable apprenticeship initiative which targets the long-term unemployed who have a disability. Working with Remploy and by providing a bespoke, supportive selection process, which includes a 13 week development experience, we hope to provide opportunities for this population.

In June we announced enhancements to our US Leave of Absence policies for Childcare and Military Leave, supporting our commitment to creating a diverse and inclusive environment through policies that help employees successfully integrate their profession and personal lives.

Providing leadership development to ensure we are continuing to build an inclusive work environment is paramount to our diversity strategy and in 2016 our Unconscious Bias Training, previously delivered to over 8,000 senior leaders, was deployed to our junior populations with over 1,900 attending workshops to date.

We always have more to do, but are pleased when our progress towards greater inclusion is recognised. During 2016, we continued to receive national and international recognition from respected organisations such as the Business Disability Forum in the UK, Human Rights Campaign in the US and Community Business for our achievements, citing our D&I work as innovative, robust and sustainable.

**Gender**

Sustaining progress towards increasing female representation at all levels across Barclays remains a core focus of our talent management and leadership succession processes. Across our organisation and the financial services industry we hope to see more females in senior roles and we are determined to enable women to fulfil their career aspirations. As referenced in the Board Nominations Committee section on page 80 we revised our Board Diversity Policy in 2015 to reflect our new target of minimum 33% female representation on our Board by 2020. Our Board membership currently has 31% female representation, reflecting that we are on track to meet our 2020 target.

As a founding signatory of the HM Treasury Women in Leadership Charter and supporter of the Hampton-Alexander Review we proactively set gender targets and at the end of 2016 female representation across the senior leadership population stood at 24% representing the third consecutive year-on-year increase and progress towards our 2018 Women in Leadership goal of 26%. In line with the recommendations from the Hampton-Alexander Review, from 2017, we will publish the combined number of women on the Group Executive Committee and in the direct reports to the Executive Committee. At the end of 2016 female representation across this population stood at 25%. We will also use the review output to inform the update of our Women in Leadership targets.

At all levels our gender pipeline has continued to strengthen thanks to extensive programmes which focus on building capability and capacity, such as our Global Women in Leadership conference with over 5,000 colleagues participating, the Encore! Returnship Programme and the number of female graduate hires we have made increasing from 31% in 2014 to 39% in 2016. The Barclays Women s Initiatives Network (WiN) also provides targeted development and networking opportunities such as group mentoring, careers fairs, and events helping to connect both junior and senior colleagues from across the organisation.

Recognising our efforts, we were invited to be a corporate IMPACT champion by the United Nations in their HeForShe campaign on gender equality. Internally we have asked colleagues to show their support by pledging a specific commitment that will contribute to gender parity. Since launching HeForShe, 60% of new members are male and many are now taking a more visible role as mentors and sponsors, helping to contribute towards gender diversity and greater inclusion. Staying at the vanguard of good practice requires sustained commitment and we value independent assessment that allows us to calibrate our approach. For the ninth year running, we were pleased to be included in The Times Top 50 Workplaces for Women in the UK, and for the fourth successive year to be named in Working Mother 100 Best Companies in the US.

**Female representation**

Above shows the positive change in female representation within Barclays from 2015 (H2) to 2016 (H2)

**LGBT**

An inclusive culture is vital for colleagues to have the freedom and choice to bring their whole selves to work. Enabling that culture, are our Spectrum Allies - colleagues who are committed to inclusion and equality. By educating others and visibly supporting equality, allies help to make LGBT colleagues, friends and family feel safer and more comfortable in leading their lives. The Spectrum Allies campaign has identified over 7,000 colleagues globally as LGBT allies in 2016.

#nofilter was the theme of Pride in London 2016, which we were proud to be the headline sponsor of for the third consecutive year. More than 1,100 colleagues, leaders, friends and family came together for Pride in London and hundreds of colleagues marched at the head of the parade in June. Events for our colleagues, customers and clients took place throughout June to celebrate Pride month, and a partnership between the Barclays UK Marketing Team and Thomson Reuters resulted in a successful social media campaign, including over 10,000 downloads of the Pride in London smartphone application, in which Barclays nofilter advert was highlighted.

Barclays ATM messaging conveyed our advocacy for IDAHOBIT (International Day Against Homophobia, Biphobia and Transphobia) and for World Aids Day, £ for £ matching augmented colleague fundraising for organisations leading on the treatment and prevention of HIV and Aids.

Independent recognition reflects the sustained impact of our global work. Stonewall continue to name us as one of just eight Star Performer organisations seen as leaders globally. Role-model colleagues were this year recognised in the Financial Times OUTstanding list of 100 LGBT business leaders, and in the Pride Power List. Awards simply serve to motivate us to continue to shape our culture so that colleagues really can bring their whole selves to work. Through the Your View survey we provide colleagues with the opportunity to identify as being LGBT, with 3% of colleagues identifying as being LGBT in 2016.

**Disability**

Our aspiration to become the most accessible bank remains firm. Progressing our aim, this year in partnership with the Lord Mayor of the City we expanded our internal campaign, This Is Me , into the City of London to encourage other organisations to join in eliminating the stigma associated with mental health issues. Over 70 organisations have already signed up for This is Me in The City . Through our corporate accessibility portal, we have now made our learning on accessibility and inclusion available for any organisation.

We give continued to give full and fair consideration to applications from candidates who may have a disability. Our people processes ensure all colleagues can progress their careers, with comprehensive training and development including our Disability Confident eLearning, and through tailored and needs-based workplace adjustments where relevant. This year we reviewed our Workplace Adjustment process to make it simpler and easier for colleagues and our Adjustment Passport outlines colleagues reasonable adjustments to eliminate the need for colleagues to inform new line managers and to increase the ease of internal mobility. Employees who become disabled during their employment with us can access a full range of services and support ensuring we retain their talent.

Our efforts were recognised when Barclays achieved 98% in the Business Disability Forum s world-renown Disability Standard the highest ever score awarded to any organisation since the introduction of the Disability Standard in 2004.

**Multigenerational**

Above shows the different generations working at Barclays and the percentage change over 2015 (H2) and 2016 (H2)

We benefit from the diverse perspectives of employees from five generations and need to ensure our workplace is inclusive for all. Dynamic Working, our signature campaign relevant to colleagues every life stage with the strapline of how do your work your life , is encouraging the integration of personal and professional responsibilities through smarter work patterns.

As an example of our commitment to colleagues in different life stages, we are one of the eight founding members in the Equality and Human Rights Commissions (EHRC) Working Forward campaign that aims to make British workplaces the best they can be for pregnant women and working mothers. Our Working Families network is supporting the campaign by running integration workshops for returners from parental and adoption leave.

The Emerge network supports colleagues early in their career or new to financial services and the multigenerational composition of our workforce. This year a global reverse mentoring programme was launched with over 200 successful reverse mentoring partnerships established. Our Bolder Apprentice Programme continues to grow and our Returnship programmes, both in the UK and US, are proving to be successful.

Changing careers is also important, which is why our Armed Forces Transitioning, Employment and Rehabilitation (AFTER) programme continued to see ex-military talent join our company, or be supported to gain relevant work-ready skills. Since the programme began in 2010 AFTER has assisted over 4,000 veterans in employment transition, we have hired nearly 400 ex-military talent and over £4m has been donated to military charities to assist wounded and injured personnel in employment transition. Meanwhile, our LifeSkills programmes continue to prepare young people for their first steps into the world of work.

Working Families UK recognised Barclays for best embedded workplace flexibility through our Dynamic Working Campaign. In Singapore, we won the Most Empowering Company for Mums award by the National Trades Union Congress, while in the US we were included in the 100 Best Companies for Working Mothers . In the UK, our approach to talent attraction was recognised by Working Mums as well as by Business In the Community.

## Multicultural

Above shows the percentage of underrepresented populations that make up our global and regional populations. Note that underrepresented populations are defined regionally to ensure inclusion with all groups in the workplace

a UK includes Asian, Mixed, Black, Other and Non-disclosed.
b US includes Hispanic/Latino, Asian, Mixed, Black, Other and Non-disclosed.
c South Africa includes African, Indian, Coloured, Other, and Non-disclosed.

Barclays global footprint makes multicultural inclusion imperative. Fostering cross-cultural connections is enabled by Embrace our multicultural network. Through the year Embrace has partnered with leaders and engaged colleagues across our global community to host discussions to gain insight and ideas on how we can better serve our multicultural customers and clients. Embrace also helped us mark important cultural and religious calendar dates throughout 2016 such as Diwali and Eid, creating communications and events to bring to life the rich multicultural diversity of our people. Day to day, this diversity is enabled by, for example, dedicated quiet rooms in many of our larger sites for prayer and reflection, and by serving halal and kosher food in our canteens.

Barclays Apprenticeship Programme reflects our commitment to recruit a diverse workforce. Since the programme launched in 2012, we have recruited over 3,000 apprentices who are considered NEET (Not in Education, Employment or Training). 30% identify as Black, Asian and Minority Ethnic, which is 19% higher than the national apprenticeship average of 11%. In addition, 43% of our apprentices are from a disadvantaged area, as defined by the Department of Education. Through this scheme we are making a positive impact on both youth unemployment and social mobility.

Ensuring Black, Asian and Minority Ethnic (BAME) female entrepreneurs can sustain and develop their businesses has been a shared focus via our partnership with the UK Women s Business Council, and in 2016 we also supported the Black British Business Awards to celebrate the achievements of BAME leaders in the UK. The multicultural profile of the organisation was acknowledged externally with senior leader role models recognised in the top 100 inaugural UPstanding Executive Power List of BAME leaders in the UK and US and in the Powerlist an annual publication of Britain s most influential people of African and African Caribbean heritage.

**Permanent Employees by region**

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| UK | **46,400** | 49,000 | 48,600 |
| Continental Europe | **4,700** | 7,400 | 9,900 |
| Americas | **9,700** | 10,600 | 10,900 |
| Africa and Middle East | **42,800** | 43,600 | 44,700 |
| Asia Pacific | **15,700** | 18,800 | 18,200 |
| Total | **119,300** | 129,400 | 132,300 |

Governance: Remuneration report

## Annual statement from the Chairman of the Board Remuneration Committee

**We remain focused on aligning our pay to performance and setting pay at a level which allows us to attract, retain and motivate, but is no more than necessary to ensure that we accelerate the delivery of shareholder value. The inherent tension between these important considerations continues to be a key component of the Committee s deliberations.**

### Remuneration Committee members

**Chairman**

Crawford Gillies

**Members**

Tim Breedon

Mary Francis (from November 2016)

Dambisa Moyo

Steve Thieke (until March 2016)

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Annual statement



The tables marked audited in the report have been audited by PricewaterhouseCoopers LLP

**Dear Fellow Shareholders**

As Chairman of the Board Remuneration Committee, I am pleased to introduce the Remuneration report for 2016. I set out below the business context which influenced the major decisions taken by the Committee for the year. This year s report also includes a new Directors remuneration policy, which has been updated for regulatory changes, and simplified where possible.

**Performance and pay**

We remain focused on aligning our pay to performance and setting pay at a level which allows us to attract, retain and motivate, but is no more than necessary to ensure that we accelerate the delivery of shareholder value. The inherent tension between these important considerations continues to be a key component of the Committee s deliberations.

2016 represented a year of strong progress against our strategy. We have moved a step closer towards completing the restructuring of Barclays a restructuring that will create a simplified bank focused on delivering long-term sustainable value for all our stakeholders. Our Core businesses are performing well, the rundown of Non-Core businesses has accelerated and Barclays continues to explore opportunities to reduce its shareholding in BAGL to a level that would permit regulatory deconsolidation. The result will be the creation of a high performing transatlantic consumer, corporate and investment bank.

Our Core businesses delivered profit before tax up materially, 60% up compared to 2015. Excluding notable items this increase was 4%, and 10% excluding the impact of changes to our deferral arrangements (further detail overleaf). Core costs of £13.4bn exceeded guidance due to changes to the deferral arrangements. Return on Tangible Equity (RoTE) in our Core businesses has increased to 8.4% in 2016 (2015: 4.8%). Excluding notable items, Core RoTE was 9.4% (2015: 11.2%).

Non-Core has executed well against strategy, accelerating the rundown while preserving capital, delivering a £22bn reduction in Risk Weighted Assets.

Group profit before tax for 2016 is 182% up from 2015, at £3,230m, in part driven by a material reduction in costs associated with risk and conduct events in 2016. The Group s capital position continues to strengthen with a 2016 year end CRD IV fully loaded Common Equity Tier 1 (CET1) ratio of 12.4% (2015: 11.4%).

The Committee s deliberations on the 2016 incentive pool reflected Group performance and strategic delivery in both the Core and Non-Core businesses. We reached the decision that an overall Group incentive pool of £1,533m, down slightly from £1,544m in 2015, is appropriate notwithstanding strong 2016 delivery. This level of incentive pool also absorbs the material adverse impact of foreign exchange movements through the year, which more than offset the impact of reductions in staff numbers in the year.

The Core compensation to net income (excluding notable items) ratio decreased from 34.0% in 2015 to 32.7% in 2016 excluding the impact of the deferral changes, increasing slightly to 34.7% including the impact of these changes. At a Group level, the ratio increased to 40.2% (2015: 37.7%) driven by Non-Core as it continues to be run down.

**Risk and conduct**

The Committee takes risk and conduct issues very seriously and ensures that appropriate adjustments are made at both the individual level and to the incentive pool.

Individual performance management reviews assess individuals alignment with Barclays Values, which in turn impacts individual incentive decisions. Employees who exhibit Barclays Values, resulting in positive risk and conduct outcomes, are rewarded accordingly while those who are directly or indirectly accountable for risk and conduct issues have their remuneration adjusted downwards. This includes reductions in current year bonus and, where appropriate, reductions through the application of malus and, going forward, clawback.

Annual statement from the Chairman of the Board Remuneration Committee

Collective adjustments have also been made to the Group incentive pool for specific material risk and conduct events, and to take account of an overall assessment of a wide range of future risks including conduct, non-financial factors that can support the delivery of a strong risk management and conduct culture and other factors including reputation, impact on customers, markets and other stakeholders.

**Changes to deferral arrangements**

Under existing incentive deferral arrangements, there is a limited relationship between in-year performance costs booked and changes in the incentive pool. This is a result of high overall levels of deferral, as well as the way that the costs of those deferrals have been recognised in our accounts. The effect of this is that if we chose for example to reduce the incentive pool in a given year due to underperformance, there would be limited impact on costs for the year in question. This lack of in-year flexibility on such an important cost line is not ideal. From 2016, a change in the recognition timing of deferral costs, together with a harmonisation of deferral levels across the Group, will result in improvements to the Group s operational flexibility going into 2017 and beyond.

These changes are described in further detail on page 104.

**New remuneration policy for 2017**

We will be seeking shareholder approval for a new Directors remuneration policy (DRP) at the 2017 AGM. The new policy adopts, where possible, a more simplified and transparent approach to remuneration and is more closely aligned to Barclays remuneration philosophy. Changes in the policy also address recent regulatory developments, in particular the requirement to defer bonuses and Long Term Incentive Plan (LTIP) awards for a period of up to seven years. We have also introduced a new requirement for executive Directors to hold shares for two years post-termination.

The Committee was supportive of an even more simplified approach than that proposed, but the Committee concluded that while this alternative was attractive, there was not yet sufficient clarity on major shareholders expectations for us to propose such a change at the present time. The proposed changes to the DRP have been discussed with a number of our larger shareholders and institutional shareholder bodies, and overall they are broadly supportive of the changes. An at a glance summary of the new policy can be found on pages 101 and 102 of this report and the full policy is set out on pages 108 to 120.

**Key remuneration decisions for executive Directors**

Based on the performance of our executive Directors against the performance measures set at the beginning of the year, the Committee approved a 2016 bonus award of £1,318,000 (60% of maximum) for Jes Staley and £854,000 (61% of maximum) for Tushar Morzaria. Further details of the Committee s 2016 decisions for the executive Directors are set out on pages 121 and 122. 70% of Jes Staley s annual bonus and 60% of Tushar Morzaria s annual bonus have been deferred in shares. The period over which variable remuneration has been deferred has increased to seven years. Unvested variable remuneration is subject to malus during the vesting period. All variable remuneration awarded to the executive Directors is also subject to clawback for a period of up to 10 years.

The Committee has agreed that Jes Staley s Fixed Pay will be unchanged for 2017 at £2,350,000 (2016: salary £1,200,000 and Role Based Pay (RBP) £1,150,000). The Committee has agreed that Tushar Morzaria s Fixed Pay will be increased to £1,650,000 for 2017 (2016: salary £800,000 and RBP £750,000). In considering the appropriate level of Tushar Morzaria s Total fixed pay (Fixed Pay plus Pension), the Committee took account of the time he has been in role without any increase (over three years), his strong performance and importance to the organisation, and industry market rates for the role. The Committee concluded that an increase of 5.7%, being less than the cumulative increase paid to UK employees over the same period, was warranted but agreed that the executive Directors would not be eligible for any further increase in the next three years (i.e. during the new policy period).

From 2017, Barclays is evolving from the existing Balanced Scorecard approach to one which better reflects progress towards our strategic goals. While many of the performance measures remain consistent with the Balanced Scorecard, the new Performance Measurement Framework allows for a more holistic assessment and broadens our approach to strategic non-financial measures while retaining a balance of key financial performance measures. The framework has been incorporated into the measures for the 2017 annual bonus and LTIP with effect from the 2017 award. Financial measures will guide 60% of the maximum opportunity for the 2017 annual bonus, and 70% of the maximum opportunity for the 2017 LTIP award.

**Agenda for 2017**

The Committee will continue to focus on ensuring that remuneration is aligned to the delivery of our strategy and sustainable shareholder returns. The Committee will also continue to monitor the competitiveness of our remuneration in the light of recent regulatory changes by the PRA, FCA and EBA. These changes have compounded the competitive disadvantage for UK based global firms attributable to the lack of a global level regulatory playing field .

We will also continue to progress further our agenda to address pay inequality, further details on page 106, which is in line with the proposals in the Government s Green Paper on Corporate Governance Reform. The Committee welcomes this Green Paper and supports its intent to strengthen accountability over executive pay. We have provided our views on the proposals via an industry response and will monitor developments over the coming months.

**Our Remuneration report**

The report has been prepared in accordance with the remuneration disclosures required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. We are seeking shareholder approval at the 2017 AGM for our new DRP, the Remuneration report (other than the part containing the DRP) and revisions to the Barclays LTIP in response to changes in regulatory requirements. Further details can be found in the 2017 AGM Notice of Meeting.

I am grateful for the feedback received from our larger shareholders on our remuneration proposals and value the insight the discussions provide. I hope you will support these resolutions at the 2017 AGM.

**Crawford Gillies**

Chairman, Board Remuneration Committee

22 February 2017

## New Directors remuneration policy at a glance

**Introduction**

Barclays new DRP is subject to shareholder approval at the 2017 AGM on 10 May 2017 and, if approved, is intended to apply immediately, for three years to the date of the 2020 AGM.

**What were the key factors taken into account when determining the new DRP?**

The Committee considered the Barclays remuneration philosophy (adopted in 2015), regulatory developments and its experience of operating the prior DRP when designing the new DRP.

| Inputs | Outcomes |
|---|---|
| Alignment with Barclays remuneration philosophy | § Attract and retain talent needed to deliver Barclays strategy<br>§ Align pay with investor interests<br>§ Reward sustainable performance<br>§ Support Barclays Values and culture<br>§ Align with risk appetite, risk exposure and conduct expectations<br>§ Be clear, transparent and as simple as possible |

| | |
|---|---|
| Regulatory developments | § Longer deferral periods:<br><br>7 yeapro-rata, from year 3 for PRA Senior Managers (including executive Directors)<br><br>Extension of clawback periods from 7 to 10 years for PRA Senior Managers (including executive Directors)<br><br>§ Applies for first time for 2017 performance year:<br><br>Prohibition on dividend equivalents on deferred shares<br><br>Increase to one year (from 6 months) holding period for awards delivered in shares<br><br>Requirement that LTIP grants are based on performance over prior year as well as forward-looking performance period |

**What are the key changes to the DRP?**

| **Key changes** | |
|---|---|
| Fixed pay | § Fixed Pay introduced, replacing salary and RBP<br><br>§ Fixed Pay delivered 50% in cash and 50% in shares<br><br>(subject to 5 year holding period lifting pro-rata)<br><br>§ Fixed Pay will not change during the policy period for either of the current executive Directors |

| | |
|---|---|
| | § Pension allowance retained at current levels, but limited to 10% of Fixed Pay for new hires |
| Variable pay | § Bonus and LTIP combined for regulatory deferral purposes |
| Performance measures | § Bonus: Financial measures ³ 60%<br>§ LTIP: Financial measures ³ 70% |
| Delivery | § Any bonus deferral vests in equal tranches between the third and seventh anniversary of award<br>§ LTIP performance is tested at end of 3 year performance period and vests in equal tranches between the third and seventh anniversary of award |
| Shareholding requirement | § Requirement increased to 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within 5 years from their respective date of appointment (from 400% of salary to equivalent of 457% of salary for CEO)<br>§ New requirement to hold shares worth 100% of Total fixed pay (or pro-rata thereof) for 2 years post-termination |
| Employment contracts | § For new hires, asymmetry for notice periods removed i.e. 6 months from the Company and 6 months from the Director (from 12 months from the Company and 6 months from the Director) |

Full details of the changes to the DRP can be found on page 113.

The full DRP is set out on pages 108 to 120.

## New Directors remuneration policy at a glance

**How will the new DRP be implemented?**

The following charts illustrate how the vesting profiles of maximum total compensation for the Group CEO would change from the current policy to the new policy. All share awards are subject to additional holding periods following vesting, during which shares may not be sold or transferred.

**Current policy pre-regulatory change (for current CEO)**

**Proposed policy post-regulatory change (for current CEO)**

Subject to shareholder approval of the new DRP, the proposed DRP will apply from the 2017 performance year.

**How will the executive Directors remuneration be structured in 2017?**

### Total fixed pay

| | Fixed Pay £000 | Pension £000 |
|---|---|---|
| Jes Staley | 2,350 | 396 |
| Tushar Morzaria | 1,650 | 200 |

### Annual bonus

Maximum 80% of Total fixed pay

**2017 Performance measures and weighting:**

| | |
|---|---|
| Profit before tax excluding notable items | 22.5% |
| | 22.5% |

### LTIP

Maximum 120% of Total fixed pay

**2017-2019 cycle performance measures and weighting:**

| | |
|---|---|
| RoTE excluding notable items | 25% |
| | 25% |

| | | | |
|---|---|---|---|
| CET1 ratio | | CET1 ratio as at 31.12.19 | |
| Cost:Income ratio excluding notable items | 15.0% | Cost:Income ratio excluding notable items | 20% |
| Strategic/non-financial | 20.0% | Strategic/non-financial | 15% |
| Personal objectives | 20.0% | Risk Scorecard | 15% |

## 2016 incentives

This section provides details of how the 2016 total incentive award decisions were made.

**2016 pay and performance headlines**

The key performance considerations which the Committee took into account in making its remuneration decisions for 2016 are highlighted below:

§ Group profit before tax was up 182% at £3,230m (2015: £1,146m)

§ Group CET1 ratio was up to 12.4% (2015: 11.4%)

§ Core profit before tax was up 60% from 2015 at £6,016m. Excluding notable items Core profit before tax was up 4% to £6,436m (2015: £6,191m), and up 10% excluding the impact of deferral changes made in 2016

§ RoTE in our Core businesses increased to 8.4% in 2016 (2015: 4.8%). Excluding notable items, Core RoTE was 9.4% (2015: 11.2%)

§ strong execution of the rundown of Non-Core resulting in a reduction in Risk Weighted Assets of £22bn.

The pay outcomes and decisions can be summarised as follows:

§ total compensation costs increased 2% to £7,445m (2015: £7,301m) including the impact of the deferral changes. Excluding this impact compensation costs were down 3%

§ total incentive awards granted were slightly down at £1,533m (2015: £1,544m)

§ the level of incentive pool absorbs the material adverse impact of foreign exchange movements through the year which more than offset the impact of reductions in staff numbers in the year

§ the Core compensation to net income ratio (excluding notable items) improved to 32.7% (2015: 34.0%) excluding the impact of deferral changes, increasing slightly to 34.7% including the impact of these changes

§ Group compensation to net income ratio (excluding notable items) was 40.2% (2015: 37.7%) driven by Non-Core income reduction as it runs down

§ Corporate and Investment Bank (CIB) front office incentive awards were also slightly down at £875m (2015: £884m). Excluding the impact of deferral changes made in 2016, CIB compensation to net income ratio (excluding notable items) was 39.2% (2015: 40.3%)

§ there has been continued strong differentiation on the basis of individual performance to allow the Group to more effectively manage compensation costs.

**2016 total incentive award decisions**

The Committee s 2016 incentives decisions took full consideration of financial and non-financial performance and also the material repositioning of incentives undertaken since 2010. Since 2010, the Group incentive pool has declined steadily, from £3,484m in 2010 to £1,533m in 2016 a decrease of 56% over six years.

Notes

a Part of the reduction in incentive pools in 2014 was due to the introduction of RBP.

b The 2015 Group incentive pool has been restated from £1,669m to reflect the treatment of Africa Banking as a discontinued operation. The 2010 2014 Group incentive pools have not been restated.

## 2016 incentives

**Total incentive awards granted current year**

| | Barclays Group | | |
|---|---|---|---|
| | **Year ended 31.12.16 £m** | Year ended 31.12.15 £m | % change |
| **Incentive awards granted** | | | |
| Bonus pool | 1,459 | 1,453 | 0 |
| Commissions and other incentives[a] | 74 | 91 | 19 |
| **Total incentive awards granted** | **1,533** | 1,544 | 1 |
| **Reconciliation of incentive awards granted to income statement charge:** | | | |
| Less: deferred bonuses granted but not charged in current year | (300) | (665) | 55 |
| Add: current year charges for deferred bonuses from previous years | 690 | 856 | 19 |
| Other[b] | (26) | 26 | |
| **Income statement charge for performance costs[c]** | **1,897** | 1,761 | (8) |
| **Total compensation costs[d,e]** | **7,445** | 7,301 | (2) |
| **Total compensation costs before the impact of deferral changes[d,e]** | **7,050** | 7,301 | 3 |
| Proportion of bonus pool that is deferred % | 30 | 46 | |

Notes

a Awards included in 2015 as commitments are now reflected in Bonus pool for consistency with 2016.
b Difference between incentive awards granted and Income Statement charge for commissions and other incentives.
c Includes the £395m impact of changes to deferral arrangements.
d 2015 total compensation costs have been adjusted to exclude the impact of a £429m gain on valuation of a component of the defined benefit liability.
e In addition £212m of Group compensation (2015: £236m) was capitalised as internally generated software.

**Changes to deferral arrangements**

From 2016 onwards, costs in relation to deferred bonuses are expensed from the performance year in respect of which they are granted. Approximately 33% of deferred bonus costs will be taken in the year of performance, being the year prior to granting (previously 0%). This acceleration of future cost immediately improves the link between in-year performance costs and the size of the incentive pool.

The relationship between in-year performance costs and changes in the incentive pool will be further improved through a change to harmonise the deferral approach for all staff across the Group, creating internal consistency. Historically, we have applied deferral levels significantly higher than those required by our regulators for bonus payments made specifically to senior staff in our Investment Bank, making them defer 100% of incentive awards over at least three years, with nothing paid at all in the year in which the performance is delivered. This meant that any change to the Investment Bank pool in incentive awards to those staff had limited impact on the in-year performance costs recognised in our accounts. This approach also put us out of step with peer practice where deferral levels are typically lower. Our new Group deferral approach ensures that all staff will defer at least what is required by our regulators, while all of our highest paid staff will continue to defer more than is required to preserve the strong alignment to future Group performance. This change means that any change in incentive awards will now have a direct and immediate impact on performance costs for the year when the charge is made.

The alignment of deferral levels across the Group also helps from a global competitive perspective given the differences in approach being adopted by the different regulatory regimes. The differences have widened given the recent changes in the UK e.g. the increase in deferral duration to seven years for PRA Senior Managers and to five years for many other MRTs (from three years previously). Harmonising our deferral approach makes the delivery less uncompetitive outside the UK while importantly maintaining our responsibilities to all our stakeholders.

**Impact of deferral changes**

| | Barclays Group | |
|---|---|---|
| | **Year ended 31.12.16** | Year ended 31.12.15 |
| **Barclays Group** | **%** | % |
| Compensation costs as a % of net income (excluding notable items) | | |
| Before impact of deferral changes | 38.1 | 37.7 |
| After impact of deferral changes | 40.2 | 37.7 |
| **Barclays Core** | **%** | % |
| Compensation costs as a % of net income (excluding notable items) | | |
| Before impact of deferral changes | 32.7 | 34.0 |
| After impact of deferral changes | 34.7 | 34.0 |

## Remuneration policy for all employees

This section sets out Barclays remuneration policy for all employees, explaining the philosophy underlying the structure of remuneration packages, and how this links remuneration to the achievement of sustained high performance and long-term value creation.

**Remuneration philosophy**

In October 2015, the Committee formally adopted a revised, simplified remuneration philosophy which articulates Barclays overarching remuneration approach and is set out below.

**Barclays remuneration philosophy**

| | |
|---|---|
| Attract and retain talent needed to deliver Barclays strategy | Long-term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent |
| Align pay with investor interests | Ensure employees interests are aligned with those of investors (equity and debt holders), both in structure and the appropriate balance of returns |
| Reward sustainable performance | Sustainable performance means making a positive contribution to stakeholders, in both the short and longer term, playing a valuable role in society |

| | |
|---|---|
| Support Barclays Values and culture | Results must be achieved in a manner consistent with our Values. Our Values and culture should drive the way that business is conducted |
| Align with Risk Appetite, risk exposure and conduct expectations | Designed to reward employees for achieving results in line with the Bank s risk appetite and conduct expectations |
| Be clear, transparent and as simple as possible | All employees and stakeholders should understand how we reward our employees. Remuneration structures should be as simple as possible so that everyone can understand how they work and the behaviours they reward |

**Culture and remuneration**

Barclays remuneration philosophy links remuneration to achieving sustained high performance and creating long-term value. Our remuneration philosophy applies to all employees globally across Barclays and aims to reinforce our belief that effective performance management is critical to enabling the delivery of our business strategy in line with our Values. Employees who adhere to the Barclays Values and contribute to Barclays success are rewarded accordingly.

This is achieved by basing performance assessment on clear standards of delivery and behaviour, and starts with employees aligning their objectives ( what they will deliver) to business and team goals in order to support the delivery of the business strategy and good customer outcomes. Behavioural expectations ( how people will achieve their objectives) are set in the context of our Values.

Individual performance 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.

Through our performance management approach we emphasise the equal importance of both what an individual has delivered as well as how they have achieved this, encouraging balanced consideration of each dimension. Both of these elements are assessed and rated independently of each other. In 2016 we eliminated the requirement to have an overall rating which should allow for more robust and reflective conversations between managers and team members on the individual components of performance.

A key part of the performance management philosophy promotes ongoing quality dialogue throughout the year. This helps manage performance messages effectively and allows for more timely recognition as well as appropriate coaching and support where needed.

By linking individual performance assessment to Barclays strategy and our Values and, in turn, to remuneration decisions, a clear alignment between what we are striving to achieve, how we go about this, and ultimately, how we recognise this in individual financial terms is achieved.

**Risk, conduct and remuneration**

Another key feature of our remuneration philosophy is the alignment of remuneration with our risk appetite and with the conduct expectations of Barclays, our regulators and stakeholders. The Committee takes risk and conduct events very seriously and ensures that there are appropriate adjustments to individual remuneration and, where necessary, the incentive pool.

The Remuneration Review Panel, which reports to the Committee, supports the Committee in this process. The Panel is chaired by the Chief Risk Officer and includes senior representatives from the key control functions of Risk, Compliance, Internal Audit, Legal and HR as well as the CEOs of Barclays UK and Barclays International. It sets the policy and processes for assessing compensation adjustments for risk and conduct events.

We have robust processes for considering risk and conduct as part of individual performance management processes with outcomes reflected in individual remuneration decisions. Line managers have primary accountability for ensuring the risk and conduct issues are considered when assessing performance and making remuneration decisions. In addition, there is a secondary review by the control functions for individuals involved in significant failures of risk management, conduct issues, regulatory actions or other major incidents which impact either the Group or business to ensure these issues are also considered. When considering individual responsibility, a variety of factors are taken into account such as whether an individual was directly responsible or whether the individual, by virtue of seniority, could be deemed indirectly responsible, including staff who drive the Group s culture and set its strategy.

## Remuneration policy for all employees

### Actions which may be taken where risk management and conduct falls below required standards include:

| | |
|---|---|
| **Adjustment** | Current year annual bonuses are adjusted downwards where individuals are found to be responsible (either directly or indirectly) in a risk or misconduct event. |
| **Malus** | Deferred unvested bonuses from prior years are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) at its discretion. Events which may lead the Committee to do this include, but are not limited to, employee misconduct or a material failure of risk management. |
| **Clawback** | Clawback applies to any variable remuneration awarded to a PRA Material Risk Taker (MRT) on or after 1 January 2015 in respect of years for which they are a MRT. Barclays may apply clawback if, at any time during the seven year period from the date on which variable remuneration is awarded to a MRT: (i) there is reasonable evidence of employee misbehaviour or material error, and/or (ii) the firm or the business unit suffers a material failure of risk management, taking account of the individual s proximity to and responsibility for that incident. |
| | Clawback may be extended to 10 years for PRA Senior Managers where there are outstanding internal or regulatory investigations at the end of the 7 year clawback period. |

Where possible, an adjustment will be made to current year annual bonus, before the application of malus and then clawback.

In addition to reductions to individuals bonuses, the Committee considers and makes collective adjustments to the incentive pool for specific material risk and conduct events. In 2016, the impact of these collective adjustments, resulting from both the direct financial impact on performance and the additional adjustments applied by the Committee, is a reduction of £150m.

We have also adjusted the incentive pool to take account of an assessment of a wide range of future risks including conduct, non-financial factors that can support the delivery of a strong risk management, control and conduct culture and other factors including reputation, impact on customers, markets and other stakeholders.

**Remuneration levels**

Barclays is a long-standing supporter of the Living Wage. As an accredited Living Wage employer, Barclays commits to ensure that all permanent UK employees and those UK employees of third party contractors who provide services to us at our sites, are paid at least the current London or UK Living Wage. This is a commitment which we have also extended to all our UK employed apprentices.

Barclays is also fully committed to addressing pay inequality. Barclays work in this area is illustrated by recent union pay deals and the repositioning of the incentive pools over recent years. Over the past few years, we have consciously redirected the bonus pool funding, providing proportionally more to junior employees.

For UK employees, average Total Compensation (fixed pay plus bonus) for Managing Directors has reduced materially since 2010 (broadly in line with the reduction in the incentive pool). Over the same period, junior populations have been protected and have seen small increases in Total Compensation despite a challenging business environment. Similarly, salaries have been consciously increased for those within lower corporate grades within the UK. The UK pay deal which was in place for the 2014-2016 period provided non-management populations (primarily outside of the Investment Bank) with a 7.5% merit increase over the three-year period. A new three-year pay deal with Unite was reached in January 2017 which commits for the non-management population to a 7.5% merit increase over the 2017-2019 period and also commits to a minimum increase of 10% for the most junior graded employees.

**Remuneration structure**

The remuneration structure for employees is closely aligned with that for executive Directors, set out in detail in the DRP which is at pages 108 to 120 of this report and for which shareholder approval is being sought at the 2017 AGM. The primary exception being that the executive Directors participate in the Barclays LTIP.

Employees receive salary, pension and other benefits and are eligible to be considered for an annual bonus. Employees in some customer-facing businesses participate in formulaic incentive plans including plans which have good customer outcomes as the primary performance measure. The plans also recognise how results have been achieved in line with Barclays Values. Some senior employees also receive RBP. For executive Directors, under the new DRP, salary and RBP are replaced by Fixed Pay. Remuneration of MRTs is subject to the 2:1 maximum ratio of variable to total fixed pay. A total of 1,561 (2015: 1,523) individuals were MRTs in 2016. Capital requirements regulation (CRR) quantitative disclosures on MRTs are set out on pages 176 and 177 of Barclays PLC 2016 Pillar 3 Report.

The remuneration of employees engaged in control functions is determined independently from the business they support and within the parameters of the incentive pool allocated to them by the Committee.

### Fixed remuneration

| | |
|---|---|
| **Salary** | Salaries reflect individuals skills and experience and are reviewed annually in the context of annual performance assessment. They are increased where justified by role change, increased responsibility or a change in the appropriate market rate. |
| | Salaries may also be increased in line with local statutory requirements and in line with union and works council commitments. |
| **Role Based Pay (RBP)** | A small number of senior employees receive a class of fixed pay called RBP to recognise the seniority, breadth and depth of their role. |
| **Pension and benefits** | The provision of a competitive package of benefits is important to attracting and retaining the talented staff needed to deliver Barclays strategy. Employees have access to a range of country-specific company-funded benefits, including pension schemes, healthcare, life assurance and Barclays share plans as well as other voluntary employee funded benefits. The cost of providing these benefits is defined and controlled. |

### Variable remuneration

| | |
|---|---|
| **Annual bonus** | Annual bonuses incentivise and reward the achievement of Group, business and individual objectives, and reward employees for demonstrating individual behaviours in line with Barclays Values. |

The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive and mobile market for talent in the financial services sector. The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals.

From 2016, the typical deferral structures are:

| For MRTs: | | For non-MRTs: | |
|---|---|---|---|
| **Incentive award** | **Amount deferred** | **Incentive award** | **Amount deferred** |
| < £500,000 | 40% of total award | Up to £65,000 | 0% |
| £500,000 to £1,000,000 | 60% of total award | > £65,000 | Graduated level of deferral |
| $^{3}$ £1,000,000 | 60% up to £1,000,000<br>100% above £1,000,000 | | |

Deferred bonuses are generally delivered in equal portions as deferred cash and deferred shares subject to the rules of the deferred cash and share plans (as amended from time to time) and continued service. From 2016, deferred bonuses are subject to either a 3, 5 or 7 year deferral period in line with regulatory requirements.

**Share plans**

Alignment of senior employees with shareholders is achieved through deferral of incentive pay. We also encourage wider employee shareholding through the all-employee share plans. 82% of the global employee population (excluding Africa) is eligible to participate.

## Directors remuneration policy

This section sets out the proposed new Barclays forward-looking remuneration policy for Directors, which has evolved from the existing policy and explains each element of remuneration and how it operates. The policy described in this section is intended to apply for three years beginning on the date of the 2017 AGM, subject to shareholder approval.

The existing policy can be found on pages 100 to 110 of the 2013 Annual Report or at home.barclays/annualreport.

**Remuneration policy for executive Directors**

| Element and purpose | Operation | Maximum value and performance measures |
|---|---|---|
| **A. Fixed pay** | | |
| **Fixed Pay**<br><br>To reward skills and experience appropriate for the breadth and depth of the role and to provide the basis for a competitive remuneration package | Fixed Pay is determined with reference to market practice and historical market data (on which the Committee receives independent advice), and reflects the individual s experience and role.<br><br>Executive Directors total compensation is benchmarked against comparable roles in the following banks: Bank of America, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, HSBC, JP Morgan Chase & Co, Lloyds, Morgan Stanley, Standard Chartered and UBS. The Committee may amend the list of comparator companies to ensure it remains relevant to Barclays or if circumstances make this necessary (for example, as a result of takeovers or mergers). | Fixed Pay for executive Directors is set within the benchmark range determined by the Committee taking into account their experience and performance.<br><br>The maximum Fixed Pay is £2,350,000 for Jes Staley (Group Chief Executive) and £1,650,000 for Tushar Morzaria (Group Finance Director). |

| | | |
|---|---|---|
| | 50% of Fixed Pay is delivered in cash (paid monthly), and 50% is delivered in shares. The shares are delivered quarterly and are subject to a holding period with restrictions lifting over five years (20% each year). As the executive Directors beneficially own the shares, they will be entitled to any dividends paid on those shares.<br><br>Malus and clawback provisions do not apply to Fixed Pay. | These amounts are fixed and will not change during the policy period for these individuals.<br><br>There are no performance measures. |
| **Pension**<br><br>To enable executive Directors to build long-term retirement savings | Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement. | The maximum annual cash allowance is £396,000 for Jes Staley (Group Chief Executive) and £200,000 for Tushar Morzaria (Group Finance Director).<br><br>These amounts are fixed and will not change during the policy period for these individuals. |
| **Benefits**<br><br>To provide a competitive and cost effective benefits package appropriate to the role and location | Executive Directors benefits provision includes, but is not restricted to, private medical cover, annual health check, life and ill health income protection, car cash allowance, and use of a Company vehicle and driver when required for business purposes.<br><br>In addition to the above, if an executive Director were to relocate, additional support would be provided for a defined and limited period of time in line with Barclays general employee mobility policy including, but not restricted to, the provision of temporary accommodation, tax advice, home leave related costs, payment of removal costs and relocation flights for the executive Director, spouse and children. Barclays will pay the executive Director s tax on the relocation | The maximum value of the benefit is determined by the nature of the benefit itself and costs of provision may depend on external factors, e.g. insurance costs. |

costs but will not tax equalise and will also not pay the tax on any other employment income.

**Remuneration policy for executive Directors** continued

| Element and purpose | Operation | Maximum value and performance measures |
|---|---|---|
| **B. Variable pay** | | |
| **Annual bonus**<br><br>To reward delivery of short-term financial targets set each year, the individual performance of the executive Directors in achieving those targets, and their contribution to delivering Barclays strategic objectives<br><br>Delivery in part in shares with a holding period increases alignment with shareholders. Deferred bonuses encourage longer term focus and retention | **Determination of annual bonus**<br><br>Individual bonuses are discretionary and decisions are based on the Committee s judgement of executive Directors performance in the year, measured against Group and personal objectives.<br><br>**Delivery structure**<br><br>Annual bonuses are delivered as a combination of cash and shares, a proportion of which may be deferred and/or subject to a holding period.<br><br>Deferral proportions and vesting profiles will be structured so that, in combination with any LTIP award, the proportion of variable pay that is deferred is no less than that required by regulations. | The maximum annual bonus opportunity is 80% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.<br><br>The performance measures by which any executive Director s bonus is assessed include financial and non-financial measures which also include risk-related measures and personal objectives. In making its assessment of any bonus, the Committee will consider financial factors to guide at least 60% of the bonus opportunity. Any bonus is discretionary and any amount may be awarded from zero to the maximum value. |

Deferred bonuses are granted by the Committee (or an authorised sub-committee) at its discretion, subject to the relevant plan rules as amended from time to time.

Dividend equivalents, in the form of additional shares, are payable on the vested deferred bonus shares, equal to the dividends paid or payable between the award date and the relevant release date. If dividend equivalents are not permissible under regulations, the number of deferred bonus shares to be awarded will be based on a share price discounted by reference to an expected dividend yield over the vesting period. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption.

A notional discount may be applied to the deferred bonus awards for the purposes of calculating the 2:1 cap to the extent this is permitted by regulations (currently a discount is permitted on up to 25% of variable pay where the conditions for applying such a discount are met).

**Operation of risk and conduct adjustment, malus and clawback**

Any bonus awarded will reflect appropriate consideration in relation to Group risk and conduct events. Individual bonus decisions may also reflect appropriate reductions in relation to specific risk and conduct events. Any bonus is also subject to malus and clawback provisions.

The malus provisions enable the Committee to reduce the amount of unvested bonus (including to nil) prior to the unvested bonus vesting in specified circumstances, including, but not limited to:

§ a participant deliberately misleading Barclays, the market and/or shareholders in relation to the financial

The Committee has the discretion to vary the measures and their respective weightings within each category. The measures and weightings will be disclosed annually as part of the Annual report on Directors remuneration.

performance of the Barclays Group

§ a participant causing harm to Barclays reputation or where his/her actions have amounted to misconduct, incompetence or negligence

§ a material restatement of the financial statements of the Barclays Group or any subsidiary, or the Group or any business unit suffering a material downturn in its financial performance

§ a material failure of risk management in the Barclays Group

§ a significant deterioration in the financial health of the Barclays Group.

**Remuneration policy for executive Directors** continued

| Element and purpose | Operation | Maximum value and performance measures |
|---|---|---|
| **B. Variable pay continued** | | |
| | The clawback provisions enable amounts to be recovered after they have vested (for a period of seven years from grant/10 years in specified circumstances e.g. where a relevant investigation is ongoing at the end of the initial seven year period) in circumstances where (i) a participant s actions or omissions have amounted to misbehaviour or material error and/or (ii) Barclays or the relevant business unit has suffered a material failure of risk management.<br><br>**Timing of receipt**<br><br>Non-deferred cash components of any bonus are paid following the performance year to which they relate, normally in March. Non-deferred share bonuses are also awarded normally in March and are subject to a holding period (after the payment of tax) in line with regulations and with release no faster than permitted by regulations (currently minimum of six months, increasing to one year for the 2017 performance year). | |

Deferred share bonuses are structured so that no deferred shares vest faster than permitted by regulations (currently in five equal tranches with the first vesting on or around the third anniversary of grant and the last tranche vesting on or around the seventh anniversary of grant). Vesting is also subject to the provisions of the plan rules including employment and the malus and clawback provisions (as explained above). Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations and with release no faster than permitted by regulations (currently minimum of six months, increasing to one year for the 2017 performance year).

**Remuneration policy for executive Directors** continued

| Element and purpose | Operation | Maximum value and performance measures |
|---|---|---|
| **B. Variable pay continued** | | |
| **Long Term Incentive Plan (LTIP) award**<br><br>To reward execution of Barclays strategy over a multi-year period<br><br>Long-term performance measurement, deferral and holding periods encourage a long-term view and align executive Directors interests with those of shareholders. Malus and clawback provisions discourage excessive risk-taking and inappropriate behaviours | **Determination of LTIP award**<br><br>LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Group Chief Executive s LTIP award) and by the Group Chief Executive (for other executive Directors LTIP awards) based on satisfactory performance over the prior year.<br><br>**Delivery structure**<br><br>LTIP awards are granted subject to the plan rules and are satisfied in Barclays shares (although they may be satisfied in other instruments as may be required by regulation). | The maximum annual LTIP award is 120% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.<br><br>Vesting is dependent on performance measures and service.<br><br>Forward-looking performance measures will be based on financial performance and other long-term strategic measures. The Committee has discretion to change the weightings but financial measures will be at least 70% of the total opportunity. Measures and weightings will be set in advance of each grant. The threshold and maximum level of performance for each financial performance measure will be disclosed annually as part of the Annual report on Directors remuneration. |

LTIP awards are structured so that when combined with the annual bonus the proportion of variable pay that is deferred is no less than that required by regulations.

Straight-line vesting applies between threshold and maximum for the financial measures and weightings with no more than 25% vesting at threshold performance.

For each award, forward-looking performance measures are set at grant and there is no retesting allowed of those conditions. The Committee has, within the parameters set out opposite, the flexibility to vary the weighting of performance measures and calibration for each award prior to its grant.

The Committee has discretion, and in line with the plan rules approved by shareholders, in exceptional circumstances to amend targets, measures, or the number of awards if an event happens (for example, a major transaction) that, in the opinion of the Committee, causes the original targets or measures to be no longer appropriate or such adjustment to be reasonable. The Committee also has the discretion to reduce the vesting of any award, including to nil, if it deems that the outcome is not consistent with performance delivered.

Dividend equivalents, in the form of additional shares, are payable on the vested deferred shares, equal to the dividends paid or payable between the award date and the relevant release date. If dividend equivalents are not permissible under regulations, the number of shares to be awarded will be based on a share price discounted by reference to an expected dividend yield over the vesting period. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption.

A notional discount may be applied to LTIP awards for the purposes of calculating the 2:1 cap to the extent this is permitted by regulations (currently a discount is permitted on up to 25% of variable pay where the conditions for applying such a discount are met).

**Operation of malus and clawback**

The achievement of performance measures determines the extent to which LTIP awards will vest. Awards are also subject to malus during the vesting period and clawback for a period of seven years (10 years in specific circumstances) from the date of award which enables the Committee to reduce the vesting level of awards (including to nil). This is explained further in the annual bonus paragraphs above.

**Timing of receipt**

Barclays LTIP awards are structured so that no award vests before the third anniversary of grant and an award vests no faster than permitted by regulations (currently in five equal tranches with the first tranche vesting on or around the third anniversary of grant and the last tranche vesting on or around the seventh anniversary of the grant date). Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations, with restrictions lifting no faster than permitted by regulations (currently minimum of six months, increasing to one year for the 2017 performance year).

**Remuneration policy for executive Directors** continued

| Element and purpose | Operation | Maximum value and performance measures |
|---|---|---|
| **C. Other** | | |
| **All employee share plans**<br><br>To provide an opportunity for executive Directors to voluntarily invest in the Company through UK HMRC employee tax advantaged share schemes | Executive Directors are entitled to participate in:<br><br>(i) Barclays Sharesave under which they can make monthly savings over a period of three or five years linked to the grant of an option over Barclays shares which can be at a discount of up to 20% on the share price set at the start.<br><br>(ii) Barclays Sharepurchase under which they can make contributions (monthly or lump sum) out of pre-tax pay (if based in the UK) which are used to acquire Barclays shares. | (i) Savings between £5 and the maximum set by Barclays (which will be no more than the HMRC maximum) per month. There are no performance measures.<br><br>(ii) Contributions of between £10 and the maximum set by Barclays (which will be no more than the HMRC maximum) per tax year which Barclays may match up to HMRC maximum (current match is £600). There are no performance measures. |
| **Previous legacy awards**<br><br>To honour existing awards and payments | Awards granted and/or payments agreed at a time where a previous policy, approved by shareholders, was in place, may be released and/or paid in accordance with such previous policy | In line with existing arrangements. |

| | | |
|---|---|---|
| | notwithstanding that such awards and/or payments may not be in line with the new policy described above. | |
| **Shareholding requirement**<br><br>To further enhance the alignment of shareholders and executive Directors interests in long-term value creation | Executive Directors must build up a shareholding of 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within five years from the date of appointment as executive Director. They have a reasonable period to build up to this requirement again if it is not met because of a significant share price depreciation.<br><br>Executive Directors must also continue to hold a shareholding for two years post-termination as follows:<br><br>(i) if the executive Director has been employed for more than five years: 100% of Total fixed pay; or<br><br>(ii) if the executive Director has been employed for less than five years: either<br><br>(a) grow their holding to the pro-rated requirement if the pro-rated requirement has not been met. Directors would only be allowed to sell shares to pay for tax liabilities which crystallise when deferred awards vest on or after termination; or<br><br>(b) if the pro-rated requirement has been exceeded, executive Directors would be allowed to sell shares above this requirement and also sell shares to pay for tax liabilities which crystallise when deferred awards vest on or after termination.<br><br>Shares that count towards the requirement are beneficially owned shares including any vested | Barclays shares worth a minimum of 200% of Total fixed pay must be held within five years plus a shareholding of 100% of Total fixed pay (or pro-rata thereof) for two years post termination. |

| | | |
|---|---|---|
| | share awards subject only to holding periods (including vested LTIPs, vested deferred share bonuses, Fixed Pay shares, and RBP shares). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement. | |
| **Outside appointments**<br><br>To encourage self-development and allow for the introduction of external insight and practice | Executive Directors may accept one non-executive Director board appointment in another listed company.<br><br>The Chairman s approval must be sought before accepting an appointment. Fees may be retained by the executive Director. Neither of the executive Directors currently hold an outside appointment. | Not applicable. |

**Notes to the table on pages 108 to 112**

## Performance measures and targets

The Committee selects financial performance measures which are fundamental to delivery against the Bank s strategy and are considered to be the most important financial measures used by the executive Directors to oversee the direction of the business. The non-financial performance measures and sources of data are chosen to represent key indicators of sustainable performance that are robustly monitored and reported on to management. The measures are determined in consultation with major shareholders.

Financial targets are set to be stretching but achievable and are aligned to enhancing shareholder value. In respect of the LTIP, the financial measures, weightings and targets will be disclosed at the start of the relevant performance period. In respect of the annual bonus, the financial measures and weightings will be disclosed at the start of the relevant performance year. The Committee is of the opinion that the financial targets for the annual bonus are commercially sensitive in respect of the Company and that it would be detrimental to disclose details at the start of the relevant performance year. Performance against the targets will be disclosed at the end of the relevant performance year in that year s remuneration report, subject to commercial sensitivity no longer remaining.

The existing Balanced Scorecard has evolved into a Performance Measurement framework which better reflects progress towards our strategic and non-financial goals. Enhancements to the available sources of management information and reporting, ranging from internal dashboards to external third party measures, allows for a more holistic view of sustainable business performance, rather than focusing on a few narrowly defined targets. The evaluation will focus on key performance measures (many continuing from the Balanced Scorecard), with a detailed retrospective disclosure on progress throughout the period against each category, together with supporting rationale for payments.

## Changes in remuneration policy for 2017

The following table provides a summary of the changes to the DRP for 2017:

| Element | Change | Rationale for change |
|---|---|---|
| **Fixed Pay** | § Consolidate salary and RBP into a single Fixed Pay element (delivered 50% in cash and 50% in shares subject to a 5 year holding period lifting pro-rata).<br>§ | § Simplicity, transparency. |

| | | |
|---|---|---|
| | Fixed Pay will not change during the policy period for either of the current executive Directors.<br>§ | |
| **Pension** | Continue pension allowance as a separate allowance:<br>for existing executive Directors, amount unchanged but fixed for the duration of this policy<br>for new hires, pension allowance limited to 10% of Fixed Pay. | § Supports simplified approach to Fixed Pay |
| **Variable pay** | § Combine annual bonus and LTIP for deferral purposes, while retaining maximum variable at 200% of Total fixed pay and 60:40 split between maximum LTIP and annual bonus. | § Mitigates the global competitive impact of longer deferral periods and holding periods under the PRA Remuneration Rules and the EBA Guidelines on sound remuneration policies. |
| | § Performance measures<br>Bonus: financial performance measures at least 60%.<br>LTIP: financial performance measures at least 70%. | § Simplicity, transparency. |
| | § Dividends<br>Where regulatory constraints prevent dividend alignment, use discounted share price to calculate number of shares under award.<br>Committee has discretion to reduce the number of shares that vest if actual dividends paid are materially lower than original dividend assumption. | § Recreates shareholder alignment lost through regulatory dividend prohibition. |
| **Shareholding requirement** | § Increase requirement to 200% of Total fixed pay (i.e. Fixed Pay plus Pension) from 400% of salary.<br>§ Introduce shareholding requirement of 2 years post termination of 100% of Total fixed pay (or pro-rata thereof). | § Longer and stronger shareholder alignment (equivalent to 457% of salary for CEO). |

| | | |
|---|---|---|
| **Employment contracts** | § For new hires, 6 months notice from the Company and 6 months notice from the executive Director. | § Remove asymmetry for notice periods.<br>§ Alignment between the employee and the Company. |
| **Leavers** | § Apply eligible leaver treatment to deferred bonus and LTIP awards from 5 years (except for termination for gross misconduct). Ability to apply malus for the full vesting period maintained. | § Partially mitigates the global competitive impact of longer deferral periods (increasing from 3 years to 7 years) and holding periods under the PRA Remuneration Rules and the EBA Guidelines respectively. |
| | § Pro-ration of LTIP for eligible leavers retained but based on 4 year<br>§ performance period, i.e. includes assessment period prior to grant. | § Alignment to the EBA Guidelines for performance assessment prior to award. |
| | Clawback extended to 10 years in specific circumstances. | |

## Differences between the remuneration policy of the executive Directors and the policy for all employees of the Barclays Group

The structure of remuneration packages for executive Directors is closely aligned with that for the broader employee population. Employees receive salary, pension and benefits and are eligible to be considered for a bonus and to participate in all-employee share plans. The broader employee population typically does not have a contractual limit on the quantum of remuneration and does not receive RBP which is paid only to some, but not all, MRTs and other senior employees. Under the new DRP, executive Directors do not receive RBP.

As with executive Directors, variable pay for the broader employee population is performance based. Variable pay for executive Directors and the broader employee population is subject to deferral requirements. Executive Directors and other MRTs are subject to deferral at a minimum rate of 40% (for variable pay of less than £500,000) or 60% (for variable pay between £500,000 and £1,000,000) or 60% up to £1,000,000 and 100% above £1,000,000 (for variable pay of more than £1,000,000). For non-MRTs, bonuses in excess of £65,000 are currently subject to a graduated level of deferral. The terms of deferred bonus awards for executive Directors and the wider employee population are broadly the same, in particular the vesting of all deferred bonuses (subject to service and malus conditions).

The broader employee population does not currently participate in the Barclays LTIP.

**How shareholder views and broader employee pay are taken into account by the Committee in setting policy and making remuneration decisions**

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is critical that we listen to and take into account their views. Accordingly, a series of meetings are held each year with major shareholders and shareholder representative groups. The Committee Chairman attends these meetings, accompanied by senior Barclays employees (including the Group Reward and Performance Director and the Company Secretary). The Committee notes that shareholder views on some matters are not always unanimous, but values the insight and engagement that these interactions provide, including the expression of sometimes different views. This engagement is meaningful and helpful to the Committee in its work and contributes directly to the decisions made by the Committee. Shareholders feedback has been incorporated into the new DRP.

The Committee takes account of the pay and employment conditions of the broader employee base when it considers the remuneration of the executive Directors. The Committee receives and reviews analyses of summary remuneration proposals for employees across all of the Group s businesses. When the Committee considers executive Directors remuneration, it therefore makes that consideration in the context of a detailed understanding of remuneration for the broader employee population to ensure consistency throughout the Group.

**Executive Directors  policy on recruitment**

Barclays operates in a highly specialised sector and many of its competitors for talent are outside of the UK. The Committee  s approach to remuneration on recruitment is to pay no more than is necessary to attract the best candidates to the role.

Approval of the remuneration packages offered on appointment to any new executive Director is a specific requirement of the Committee  s Terms of Reference. The terms of such packages must be approved by the Committee in consultation with the Chairman and (except for the terms of his own remuneration) the Group Chief Executive.

Any new executive Director  s package would include the same elements as those of the existing executive Directors, as shown below.

| Element of remuneration | Commentary | Maximum value |
|---|---|---|
| **Fixed Pay** | Determined by experience, market practice, market conditions and ability to recruit. | As determined by the Committee with reference to these factors. Fixed Pay will only exceed amounts paid to current executive Directors, as considered reasonable by the Committee, by reference to these factors.<br><br>If on appointment Fixed Pay is equal to or greater than maximum stated for the relevant role in the policy (for current executive Director), no changes are allowed over the policy period.<br><br>If on appointment Fixed Pay is at a level below the maximum stated for |

| | | |
|---|---|---|
| | | the relevant role in the policy (for current executive Director), the Committee retains the discretion to realign Fixed Pay over a transitional period which may mean that annual Fixed Pay increases for the new appointee are required up to such maximum amounts. |
| **Pension** | In line with policy. | 10% of Fixed Pay. |
| **Benefits** | In line with policy. | In line with policy. |
| **Annual Bonus** | In line with policy. | 80% of Total fixed pay. |
| **Long Term Incentive Plan** | In line with policy. | 120% of Total fixed pay. |
| **Buy-out** | The Committee can consider buying out forfeited bonus opportunity or incentive awards that the new executive Director has forfeited as a result of accepting the appointment with Barclays, subject to proof of forfeiture where applicable. | The value of any buy-out is not included within the maximum incentive levels above since it relates to a buy-out of forfeited bonus opportunity or incentive awards from a previous employer. |
| | As required by the PRA Remuneration Rules, any award made to compensate for forfeited remuneration from the new executive Director s previous employment may not be more generous than, and must mirror as far as possible the expected value, timing and form of delivery of, the terms of the forfeited remuneration and must be in the best long-term interests of Barclays. Barclays deferral policy shall however apply as a minimum to any buy-out of annual bonus opportunity. | |

Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to his or her appointment may still be honoured in accordance with the terms of the relevant commitment including vesting of any pre-existing deferred bonus or long-term incentive awards.

**Executive Directors policy on payment for loss of office (including or following a takeover)**

The Committee s approach to payments in the event of termination is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the deferred bonus plans and LTIPs in which the executive Director participates.

**Provisions relating to executive Directors termination**

| Standard provision | Policy | Details |
|---|---|---|
| **Notice periods in executive Directors service contracts** | For existing executive Directors, 12 months notice from the Company and six months notice from the executive Director.<br><br>For new executive Director hires, six months notice from the Company and six months notice from the executive Director. | Executive Directors may be required to work during the notice period or may be placed on garden leave or, if not required to work the full notice period, may be provided with pay in lieu of notice (subject to mitigation where relevant). |
| **Pay during notice period or payment in lieu of notice per service contracts** | Fixed Pay payable and continuation of pension and other contractual benefits while an employee during notice period. | Fixed Pay delivered in cash is payable in phased instalments (or lump sum) and subject to mitigation if paid in instalments and executive Director obtains alternative employment during the notice period or while on garden leave.<br><br>Fixed Pay delivered in shares is delivered on the next quarterly delivery date and is pro-rated for the number of days from the start of the relevant quarter to the termination date. Where Barclays elects to |

| | | |
|---|---|---|
| | | terminate the employment with immediate effect by making a payment in lieu of notice, the executive Director will not receive any shares that would otherwise have been payable during the period for which the payment in lieu is made (unless required otherwise by regulations or local law).<br><br>In the event of termination for gross misconduct neither notice nor payment in lieu of notice is given. |
| **Treatment of annual bonus on termination** | No automatic entitlement to bonus on termination, but may be considered at the Committee s discretion, pro-rated for service, and subject to performance measures being met. No bonus would be payable in the case of gross misconduct or resignation. | |
| **Treatment of unvested deferred bonus awards** | In the case of death or if the executive Director is an eligible leaver the executive Director would continue to be eligible to be considered for unvested portions of deferred awards, subject to the rules of the relevant plan, unless the Committee determines otherwise in exceptional circumstances. Eligible leaver is defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the executive Director ceasing to be part of the Group or the employer terminating employment, other than in circumstances which amount to gross misconduct or dismissal for cause. In addition, the Committee will apply its discretion to treat resignation on or after the fifth anniversary of the date of grant as eligible leaver status. Outstanding deferred bonus awards would lapse if the executive Director leaves by reason of resignation prior to fifth anniversary, is terminated for gross misconduct or cause, or is otherwise not designated an eligible leaver . | In an eligible leaver situation, deferred bonus awards may be considered for release in full on the scheduled release dates unless the Committee determines otherwise in exceptional circumstances. After release, the shares are subject to an additional holding period in line with regulations (currently minimum of six months, increasing to one year for the 2017 performance year). |

Deferred awards are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) and once vested are subject to clawback provisions (as described above).

In the event of a takeover or other major corporate event, the Committee has absolute discretion to determine whether all outstanding awards would vest early or whether they should continue in the same or revised form following the change of control. The Committee may also determine that participants may exchange existing awards for awards over shares in an acquiring company with the agreement of that company.

| Standard provision | Policy | Details |
|---|---|---|
| **Treatment of unvested awards under the LTIP** | In the case of death or if the executive Director is an eligible leaver the executive Director would continue to be entitled to be considered for an award. Eligible leaver is defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the executive Director ceasing to be part of the Group or for any other reason if the Committee decides at its discretion. In addition, the Committee will apply its discretion to treat resignation on or after the fifth anniversary of the date of grant as eligible leaver status. Outstanding unvested awards under the LTIP would lapse if the executive Director leaves by reason of resignation prior to fifth anniversary, is terminated for gross misconduct, or is otherwise not designated an eligible leaver . | In an eligible leaver situation, awards may be considered for release on the scheduled release dates, pro-rated for time (over the whole performance period, including the assessment period prior to grant for awards granted on or after 10 May 2017) and performance, subject to the Committee s discretion to determine otherwise in exceptional circumstances, in accordance with the plan rules, as amended from time to time. After release, the shares (net of deductions for tax) are subject to an additional holding period (currently minimum of six months, increasing to one year for the 2017 performance year). |
| | Awards are subject to malus provisions which enable the Committee to reduce the vesting level of awards (including to nil) and once vested, awards are subject to clawback provisions (as described above). | |
| | In the event of a takeover or other major corporate event (but excluding an internal reorganisation of the Group), the Committee has absolute discretion to | |

| | |
|---|---|
| | determine whether all outstanding awards vest subject to the achievement of any performance conditions. The Committee has discretion to apply a pro-rata reduction to reflect the unexpired part of the vesting period. The Committee may also determine that participants may exchange awards for awards over shares in an acquiring company with the agreement of that company. In the event of an internal reorganisation, the Committee may determine that outstanding awards will be exchanged for equivalent awards in another company. |
| **Repatriation** | Except in the case of gross misconduct or resignation, where an executive Director has been relocated at the commencement of employment, the Company may pay for the executive Director s repatriation costs in line with Barclays general employee mobility policy including temporary accommodation, payment of removal costs and relocation flights for the executive Director, spouse and children. The Company will pay the executive Director s tax on the relocation costs but will not tax equalise and will also not pay tax on his or her other income relating to the termination of employment. |
| **Other** | Except in the case of gross misconduct or resignation, the Company may pay for the executive Director s legal fees and tax advice relating to the termination of employment and provide outplacement services. The Company may pay the executive Director s tax on these particular costs. |

**Illustrative scenarios for executive Directors remuneration**

The charts below show the potential value of the current executive Directors 2017 total remuneration under the new DRP in three scenarios: Minimum (i.e. Fixed Pay, Pension and benefits), Maximum (i.e. Fixed Pay, Pension, benefits and the maximum variable pay that may be awarded) and Mid-point (i.e. Fixed Pay, Pension, benefits and 50% of the maximum variable pay that may be awarded). For the purposes of these charts, the value of benefits is based on an estimated annual value for 2017. The scenarios do not reflect share price movement between award and vesting.

A significant proportion of the potential remuneration of the executive Directors is variable and is therefore performance-related. It is also subject to deferral, additional holding periods, malus and clawback.

**Total remuneration opportunity:** Group Chief Executive (£m)

**Total remuneration opportunity:** Group Finance Director (£m)

In the above illustrative scenarios, benefits include regular contractual benefits. Additional ad hoc benefits may arise, for example, overseas relocation of executive Directors, but will always be provided in line with the DRP.

 

**Remuneration policy for non-executive Directors**

This section provides details of the remuneration policy for the Chairman and non-executive Directors.

| Element and purpose | Operation | Maximum value |
|---|---|---|
| **Fees**<br><br>Reflect individual responsibilities and membership of Board Committees and are set to attract non-executive Directors who have relevant skills and experience to oversee the implementation of our strategy | The Chairman and Deputy Chairman are paid an all-inclusive fee for all Board responsibilities. The Chairman has a minimum time commitment equivalent to at least 80% of a full-time role. The other non-executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board. | Fees are reviewed against those for non-executive Directors in companies of similar size and complexity. Other than in exceptional circumstances, fees will not increase by more than 20% above the current fee levels during this policy period (basic fees last increased in 2011). |
| Fees are set at a level which reflects the role, responsibilities and time commitment which are expected from the Chairman, Deputy Chairman and non-executive Directors | Fees are reviewed each year by the Board as a whole.<br><br>£30,000 (Chairman: £100,000) after tax and national insurance contributions per annum of each non-executive Director s basic fee is used to purchase Barclays shares which are retained on the non-executive Director s behalf until they retire from the Board.<br><br>Some non-executive Directors may also receive fees as directors of subsidiary companies of Barclays PLC. In the case of certain subsidiary appointments, such additional remuneration is approved by the Board Nominations Committee. | |

| | |
|---|---|
| **Benefits** | The Chairman is provided with private medical cover subject to the terms of the Barclays scheme rules from time to time, and is provided with the use of a Company vehicle and driver when required for business purposes.<br><br>Benefits which are minor in nature and in any event do not exceed a cost of £500 may be provided to non-executive Directors in specific circumstances.<br><br>Non-executive Directors are not eligible to join Barclays pension plans. |
| **Expenses** | The Chairman and non-executive Directors are reimbursed for any reasonable and appropriate expenses incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays. |
| **Bonus and share plans** | The Chairman is required to be eligible to participate in HMRC employee tax advantaged share schemes, due to his 80% of a full-role time commitment, but has opted not to participate. The Chairman is not eligible to participate in any other Barclays cash, share or long-term incentive plans.<br><br>All other non-executive Directors are not eligible to participate in Barclays cash, share or long-term incentive plans. |
| **Notice and termination provisions** | Each non-executive Director s appointment is for an initial six year term, renewable at Barclays discretion for a single term of three years thereafter and subject to annual re-election by shareholders.<br><br>**Notice period**<br><br>Chairman: 12 months from the Company (six months from the Chairman).<br>Non-executive Directors: six months from the Company (six months from the non-executive Director).<br><br>**Termination payment policy** |

The Chairman s appointment may be terminated by Barclays on 12 months notice or immediately in which case 12 months fees and contractual benefits are payable in instalments at the times they would have been received had the appointment continued, but subject to mitigation if he or she were to obtain alternative employment. There are similar termination provisions for non-executive Directors based on 6 months fees. No continuing payments of fees (or benefits) are due if a non-executive Director is not re-elected by shareholders at the Barclays AGM.

In accordance with the policy table above, any new Chairman and Deputy Chairman would be paid an all-inclusive fee only and any new non-executive Director would be paid a basic fee for their appointment as a non-executive Director, plus fees for their participation on and/or chairing of any Board committees, time apportioned in the first year as necessary. No sign-on payments are offered to non-executive Directors.

## Directors remuneration policy

**Service contracts and letters of appointment**

All executive Directors have a service contract whereas all non-executive Directors have a letter of appointment. Copies of the service contracts and letters of appointment respectively are available for inspection at the Company s registered office. The dates of the current Directors service contracts and letters of appointment are shown in the table below.

| | Effective date |
|---|---|
| **Chairman** | |
| John McFarlane | 1 January 2015 (non-executive Director), 24 April 2015 (Chairman) |
| **Executive Directors** | |
| Jes Staley | 1 December 2015 |
| Tushar Morzaria | 15 October 2013 |
| **Non-executive Directors** | |
| Michael Ashley | 18 September 2013 |
| Tim Breedon | 1 November 2012 |
| Mary Francis | 1 October 2016 |
| Crawford Gillies | 1 May 2014 |
| Sir Gerry Grimstone | 1 January 2016 |
| Reuben Jeffery III | 16 July 2009 |
| Dambisa Moyo | 1 May 2010 |
| Diane de Saint Victor | 1 March 2013 |
| Diane Schueneman | 25 June 2015 |
| Steve Thieke | 7 January 2014 |

All Directors are put forward for re-election at each AGM, unless they have indicated that they will not seek re-election at the AGM.

**Discretion**

In addition to the various operational discretions that the Committee can exercise in the performance of its duties (including those discretions set out in the Company s share plans), the Committee reserves the right to make either minor or administrative amendments to the policy to benefit its operation or to make more material amendments in order to comply with new laws, regulations and/or regulatory guidance. The Committee would only exercise this right if it believed it was in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in General Meeting.

Annual report on Directors remuneration

This section explains how our Directors remuneration policy was implemented during 2016.

**Executive Directors**

**Executive Directors: Single total figure for 2016 remuneration (audited)**

The following table shows a single total figure for 2016 remuneration in respect of qualifying service for each executive Director together with comparative figures for 2015.

| | Salary £000 | | Role Based Pay £000 | | Taxable benefits £000 | | Annual bonus £000 | | LTIP £000 | | Pension £000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | 2 |
| Jes Staley[a] | 1,200 | 100 | 1,150 | 96 | 169 | 48 | 1,318 | | | | 396 | 33 | 4 |
| Tushar Morzaria | 800 | 800 | 750 | 750 | 44 | 82 | 854 | 701 | 1,008 | | 200 | 200 | 3 |

Note

a The 2015 figures for Jes Staley relate to the period from 1 December 2015 when he joined the Board as Group Chief Executive.

**Additional information in respect of each element of pay for the executive Directors (audited)**

## Salary

Jes Staley has been paid a salary of £1,200,000 per annum since his appointment to the Group Chief Executive role on 1 December 2015. Tushar Morzaria was paid a salary of £800,000 per annum as Group Finance Director.

## Role Based Pay (RBP)

Executive Directors received RBP which was delivered quarterly in shares, subject to a holding period with restrictions lifting over five years (20% each year). The value shown is of shares at the date awarded.

## Taxable benefits

Taxable benefits include private medical cover, life and ill health income protection, tax advice, relocation, car allowance, the use of a Company vehicle and driver when required for business purposes and other benefits that are considered minor in nature.

## Annual bonus

Annual bonuses are discretionary and are typically awarded in Q1 following the financial year to which they relate. The Committee considered the executive Directors performance against the financial (50% weighting) and Balanced Scorecard (35% weighting) performance measures which had been set to reflect strategic priorities for 2016. Performance against their individual personal objectives (15% weighting) was assessed on an individual basis.

### *2016 annual bonus outcomes*

*Financial (50% weighting)*

The approach taken to assessing financial performance against each of the financial measures is based on a straight-line outcome between 25% for threshold performance and 100% applicable to each measure for achievement of maximum performance.

The formulaic outcome from 2016 performance against the financial measures gave a total of 29% out of 50% being payable attributable to those measures. A summary of the assessment is provided in the following table.

| **Financial performance measure** | **Weighting** | **Threshold 25%** | **Maximum 100%** | **2016 Actual** | **2016 Outcome** |
|---|---|---|---|---|---|
| Profit before tax (excluding notable items) | 20% | £3.45bn | £4.20bn | £3.65bn | 9% |
| Costs (excluding notable items) | 10% | £14.6bn | £13.7bn | £15.3bn | 0% |
| CET1 ratio | 20% | 11.1% | 11.6% | 12.4% | 20% |
| **Total Financial** | **50%** | | | | **29%** |

When reflecting upon the appropriate 2016 bonus, the Committee considered the impact of the deferral changes on the formulaic outcomes against the financial measures. In particular, the Committee noted that while the decision to accelerate the deferral charges would improve the Group s operational flexibility going into 2017 and beyond, it would also lead to a lower 2016 bonus outcome than could have been justified absent the changes. However, on balance, the Committee felt that the overall outcomes were appropriate particularly given the ongoing focus to rebalance towards improving shareholder returns.

*Balanced Scorecard (35% weighting)*

Progress in relation to each of the 5Cs of the Balanced Scorecard was assessed by the Committee. The Committee took a similar approach as for 2015 i.e. based on a three-point scale in relation to each measure, with 0% to 2% for below target, 3% or 4% for a met target, and 5% to 7% for above target progress against a particular Balanced Scorecard component.

Annual report on Directors remuneration

Based on this approach to assessing performance against 2016 Balanced Scorecard milestones, the Committee agreed a 18% outcome out of a maximum of 35%. A summary of the assessment is provided in the following table. Further details in respect of performance in each category can be found on pages 16 to 17.

| Balanced Scorecard 5Cs | Weighting | Metric | 2016 Target | 2016 Actual | 2016 Outcome out of maximum 7% for each C |
|---|---|---|---|---|---|
| Customer and Client | 7% | PCB, Barclaycard and Africa Banking weighted average ranking of RNPS v peer sets | 4th | 4th | 4% |
| | | Client Franchise Risk | 6th | 5th | |
| Colleague | 7% | Sustained engagement of colleagues score | 77-79% | 75% | 3% |
| | | % women in senior leadership | 24% | 24% | |
| Citizenship | 7% | Citizenship Plan initiatives on track or ahead | Plan targets | 8/10 | 5% |
| Conduct | 7% | Conduct Reputation (YouGov Survey) | 5.5-5.6/10 | 5.4/10 | 2% |
| Company[a] | 7% | Return on tangible equity[b] | 4.8% | 4.4% | |
| | | Cost: Income ratio[b,c] | 70% | 72% | 4% |
| | | CET1 ratio | 11.3% | 12.4% | |
| **Total Balanced Scorecard** | **35%** | | | | **18%** |

Notes

a Company metrics have been updated to reflect the 1 March 2016 strategy announcement.

b Excluding notable items.

c

Cost:Income ratio expressed as total operating expenses of the Group, including Africa, divided by the total income of these businesses.

*Individual outcomes including assessment of personal objectives*

Performance against each of the executive Directors individual personal objectives (15% weighting overall) was assessed by the Committee on an individual basis.

*(i) Jes Staley*

A summary of the assessment for Jes Staley against his specific performance measures is provided in the following table.

| Performance measure | | Weighting | Outcome |
|---|---|---|---|
| Financial | See table on page 121 | 50% | 29% |
| Balanced Scorecard 5Cs | See table above | 35% | 18% |
| Personal objectives | Judgemental assessment see below | 15% | 13% |
| Total | | 100% | 60% |
| **Final outcome approved by the Remuneration Committee** | | | **60%** |

The Committee assessed Jes Staley s performance against his 2016 personal objectives (as set out on page 97 of the 2015 Annual Report) and concluded that Jes Staley had delivered a very strong performance throughout the year. By the end of 2016, a clear new strategy was firmly embedded and a new Core organisational structure consistent with structural reform has been implemented. The Core businesses have performed well, delivering improved profitability and cost income efficiency. At the same time significant progress has been made in exiting the Non-Core businesses. Jes Staley has demonstrated strong leadership, strengthened the management team and has instilled a more effective performance ethic and culture within the organisation. Given his very strong personal performance, the Committee judged that 13% of a maximum of 15% attributable to individual objectives was appropriate.

In aggregate, the performance assessment for Jes Staley resulted in an overall formulaic outcome of 60% of maximum bonus opportunity being achieved. The resulting 2016 bonus is £1,318,000 of which 70% is deferred under the Share Value Plan and will vest in five equal tranches from the third to seventh anniversary (subject to the rules of the Share Value Plan as amended from time to time).

*(ii) Tushar Morzaria*

A summary of the assessment for Tushar Morzaria against his specific performance measures is provided in the following table.

| Performance measure | | Weighting | Outcome |
|---|---|---|---|
| Financial | See table on page 121 | 50% | 29% |
| Balanced Scorecard 5Cs | See table above | 35% | 18% |
| Personal objectives | Judgemental assessment see below | 15% | 14% |
| Total | | 100% | 61% |
| **Final outcome approved by the Remuneration Committee** | | | **61%** |

The Committee assessed Tushar Morzaria s performance against his 2016 personal objectives (as set out on page 97 of the 2015 Annual Report) and concluded that Tushar Morzaria had delivered an outstanding performance in 2016. In doing so, the Committee noted the role provided by Tushar Morzaria in reshaping the business and, in particular, recognised his contribution in the significant progress in exiting Non-Core, resulting in a reduction of £22bn in Risk

Weighted Assets and his focus in delivering an organisation with a significantly higher CET1 ratio and lower Cost:Income ratio. In doing so, it was also noted that Tushar Morzaria has continued to develop very strong working relationships with shareholders, investors and regulators, while also improving the performance delivery within the Finance Functions. Given his exceptional personal performance during 2016, the Committee judged that 14% of a maximum of 15% attributable to individual objectives was appropriate.

In aggregate, the performance assessment for Tushar Morzaria resulted in an overall formulaic outcome of 61% of maximum bonus opportunity being achieved. The resulting 2016 bonus is £854,000 of which 60% is deferred under the Share Value Plan and will vest in five equal tranches from the third to seventh anniversary (subject to the rules of the Share Value Plan as amended from time to time).

All shares (whether deferred or not) are subject to a further six month holding period from the point of release. 2016 bonuses are subject to clawback provisions and, additionally, unvested deferred 2016 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

## LTIP

The LTIP amount included in Tushar Morzaria s 2016 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2014 in respect of performance period 2014-2016 (by reference to Q4 2016 average share price). As Jes Staley was not a participant in this cycle, the LTIP figure in the single figure table is zero for him. Release is dependent on, among other things, performance over the period from 1 January 2014 to 31 December 2016. Straight-line vesting applied between the threshold and maximum points in respect of the RoRWA and loan loss rate measures. The performance achieved against the performance targets is as follows.

| Performance measure | Weighting | Threshold | Maximum vesting | Actual | % of award vesting |
|---|---|---|---|---|---|
| Return on risk weighted assets (RoRWA) | 50% | 23% of award vests for average annual RoRWA of 1.08% | Average annual RoRWA of 1.52% | 0.33% | 0% |
| Loan loss rate | 20% | 7% of award vests for average annual loan loss rate of 70bps | Average annual loan loss rate of 55bps or below | 50bps | 20% |
| Balanced Scorecard | 30% | Performance against the Balanced Scorecard was assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. | | See below | 14% |
| **Total** | | | | | **34%** |

A summary of the Committee s assessment against the Balanced Scorecard performance measure over the three year performance period is provided below.

| Category | Performance | Vesting out of maximum 6% for each C |
|---|---|---|
| Customer and Client | § Net Promoter Score (NPS) performance against peers was 4th during the period. Across key product categories, notably UK current accounts and UK credit cards, Barclays NPS scores have improved with more customers advocating our brands.<br>§ Client Franchise Rank remained stable at 5th rank throughout the period, a positive result given the shift in strategy to focus on geographies and businesses of strength in the Investment Bank. | 3% |
| Colleague | § Continued improvement in the female representation across our senior leadership, rising from 22% in 2014 to 24% at the end of 2016.<br>§ Colleague engagement improved from 72% in 2014 to 75% overall in 2016, a positive result in light of the change the organisation has undergone over the period. | 3% |
| Citizenship | § Continuing on from the successful Citizenship Plan, which closed 2015 with 10 out of 11 initiatives on or ahead of target, Barclays Group (ex Africa) exceeded objectives on all 6 initiatives in the first year of the Shared Growth Ambition.<br>§ Barclays Africa also delivered strong performance on investment in education and SME financing , both of which were on track for 2016. Two objectives were off-track due to external challenges which impacted the delivery of planned employability and financial inclusion interventions (although foundations are now established which will enable strong 2017 momentum). | 4% |
| Conduct | § Conduct Reputation, as measured by the YouGov survey, remained at or below 5.4 over the period.<br>§ However, new conduct items and costs have reduced. | 1% |
| Company | § The CET1 ratio has strengthened significantly over the period, to 12.4% at the end of 2016.<br>§ However, returns excluding notable items (both RoE and RoTE) were below target through much of the period. | 3% |
| **Total** | | **14%** |

The LTIP award is also subject to a discretionary underpin whereby the Committee must be satisfied with the underlying financial health of the Group based on profit before tax. The Committee was satisfied that this underpin was met, and accordingly determined that the award should be considered for release to the extent of 34% of the maximum number of shares under the total award. The shares are scheduled to be released in March 2017. After release, the shares are subject to an additional two year holding period.

## Pension

Executive Directors are paid cash in lieu of pension contributions. The cash allowance in 2016 was 33% of salary for Jes Staley and 25% of salary for Tushar Morzaria. No other benefits were received by the executive Directors from any Barclays pension plans.

**Executive Directors: other LTIP awards**

The Directors remuneration reporting regulations require inclusion in the single total figure of only the value of the LTIP awards whose last year of performance ends in the relevant financial year and whose vesting outcome is known. For 2016, this is the award to Tushar Morzaria under the 2014-2016 LTIP cycle and further details are set out on page 123. This section sets out other LTIP cycles in which the executive Directors participate, the outcome of which remains dependent on future performance.

## LTIP awards to be granted during 2017

The Committee decided to make an award under the 2017-2019 LTIP cycle to Jes Staley and Tushar Morzaria (based on their performance in 2016) with a face value at grant of 120% of their respective Total fixed pay at 31 December 2016.

The 2017-2019 LTIP award will be subject to the following forward-looking performance measures.

| Performance measure | Weighting | Threshold | Maximum vesting |
|---|---|---|---|
| Return on tangible equity (RoTE) excluding notable items | 25% | 6.25% of award vests for average RoTE excluding notable items of 7.5% | Average RoTE excluding notable items of 9.5% |
| CET1 ratio as at 31December 2019 | 25% | CET1 ratio must remain at or above an acceptable level for any of this element to vest. The threshold will be reviewed and set annually based on market conditions and regulatory requirements (11% on 31 December 2017)<br>6.25% of award vests for CET1 ratio 100 basis points above the mandatory distribution restrictions hurdle (MDRH) | CET1 ratio 200 basis points above the MDRH |
| Cost:Income ratio excluding notable items | 20% | 5% of award vests for average Cost:Income ratio of 63% | Average Cost:Income ratio of 58% |
| Risk Scorecard | 15% | The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk adjustment framework agreed with the PRA. | |

| | | |
|---|---|---|
| | | The current framework measures performance against three broad categories  Capital and Liquidity, Control Environment and Conduct using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group s risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure of performance will be made in the 2019 Remuneration report. |
| Strategic/Non-financial | 15% | As noted on page 18, the existing Balanced Scorecard has evolved into a  Performance Measurement  framework in line with the objective of delivering a simplified Barclays through the strategic actions announced in March 2016. The evaluation will focus on key performance measures (many continuing from the Balanced Scorecard), with a detailed retrospective narrative on progress throughout the period against each category. Performance against the Strategic/Non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following:<br>§ Customer and Client: NPS for consumer businesses, Client rankings and market shares for the Corporate and Investment Bank, complaints performance and volume of lending provided to customers and clients.<br>§ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures.<br>§ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys. |

Straight-line vesting applies between the threshold and maximum points in respect of the financial measures. The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

## Outstanding LTIP awards

### *(i) LTIP awards granted during 2015*

The performance measures for the awards made under the 2015-2017 LTIP cycle are shown below.

| Performance measure | Weighting | Threshold | Maximum vesting |
|---|---|---|---|
| Net generated equity[a] | 30% | 7.5% of award vests for Net generated equity of £1,363m | Net generated equity of £1,844m |
| Core return on risk weighted assets (RoRWA) excluding own credit | 20% | 5% of award vests for average annual Core RoRWA of 1.34% | Average annual Core RoRWA of 1.81% |

| | | | |
|---|---|---|---|
| Non-Core drag on return on equity (RoE) excluding notable items | 10% | 2.5% of award vests for Non-Core drag on RoE of 4.02% | Non-Core drag on RoE of 2.97% |
| Loan loss rate | 10% | 2.5% of award vests for average annual loan loss rate of 70bps | Average annual loan loss rate of 55bps or below |
| Balanced Scorecard | 30% | Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2017 Remuneration report subject to commercial sensitivity no longer remaining. | |

Note

a Net generated equity is a metric which converts changes in the CET1 ratio into an absolute capital equivalent measure. For remuneration purposes, net generated equity will exclude inorganic actions such as rights issues, as determined by the Committee.

Straight-line vesting applies between the threshold and maximum points in respect of the financial and risk measures. The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

*(ii) LTIP awards granted during 2016*

An award was made to Tushar Morzaria on 14 March 2016 under the 2016-2018 LTIP cycle at a share price on the date of grant of £1.6535, in accordance with our Directors remuneration policy. This is the price used to calculate the face value below. Jes Staley was not eligible for a grant under the 2016-2018 LTIP cycle.

| | % of fixed pay | Number of shares | Face value at grant | Performance period |
|---|---|---|---|---|
| Tushar Morzaria | 120% | 1,270,033 | £2,100,000 | 2016-2018 |

The performance measures for the 2016-2018 LTIP awards are as follows:

| Performance measure | Weighting | Threshold | Maximum vesting |
|---|---|---|---|
| Return on tangible equity (RoTE) excluding notable items | 25% | 6.25% of award vests for average RoTE of 7.5%<br>CET1 ratio must remain at or above an acceptable level for any of this element to vest.<br>The threshold will be reviewed and set annually based on market conditions and regulatory requirements (11% on 31 December 2017) | Average RoTE of 10.0% |
| CET1 ratio as at 31 December 2018 | 25% | 6.25% of award vests for CET1 ratio of 11.6% | CET1 ratio of 12.7% |
| Cost:Income ratio excluding notable items | 20% | 5% of award vests for average Cost:Income ratio of 66% | Average Cost:Income ratio of 58% |
| Risk Scorecard | 15% | Performance against the Risk Scorecard is assessed by the Committee, with input from the Group Risk function, Board Risk Committee and Board Reputation Committee as appropriate, to determine the percentage of the award that may vest between 0% and 15%. The Risk Scorecard measures performance against three broad categories Risk Profile (including Conduct), Control Environment and Risk Capability using a combination of quantitative and qualitative metrics. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure of performance will be made in the 2018 Remuneration report subject to commercial sensitivity no longer remaining. | |
| Balanced Scorecard | 15% | | |

Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. Each of the 5Cs in the Balanced Scorecard has equal weighting. Assessment will be made against progress towards the 2018 targets.

Straight-line vesting applies between the threshold and maximum points in respect of the financial measures. The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

**Executive Directors: Statement of implementation of remuneration policy in 2017**

The executive Directors package for 2017, in line with the new DRP, will be implemented with effect from the 2017 AGM as follows:

| | Jes Staley | Tushar Morzaria | Comments |
|---|---|---|---|
| Fixed Pay | £2,350,000 | £1,650,000 | Fixed Pay replaces salary and Role Based Pay. Fixed Pay delivered 50% in cash and 50% in shares (subject to 5 year holding period lifting pro rata).<br><br>No change in Fixed Pay from 2016 for Jes Staley.<br><br>Fixed Pay has increased to £1,650,000 from £1,550,000 for Tushar Morzaria. |
| Pension | £396,000 | £200,000 | No change from 2016. |
| Maximum Bonus | 80% of Total fixed pay[a] | 80% of Total fixed pay[a] | Total variable opportunity unchanged.<br><br>Bonus and LTIP combined for regulatory deferral purposes. |
| Maximum LTIP | 120% of Total fixed pay[a] | 120% of Total fixed pay[a] | |

Note:

a Total fixed pay is defined as Fixed Pay plus Pension.

In considering the appropriate level of Tushar Morzaria s Total fixed pay (Fixed Pay plus Pension), the Committee took account of the time he has been in role without any increase (over three years), his strong performance and importance to the organisation, and industry market rates for the role. The Committee concluded that an increase of 5.7%, being less than the increase paid to UK employees over the same period, was warranted but agreed that the executive Directors would not be eligible for any further increase in the next three years (i.e. during the new policy period).

## Clawback and malus

Barclays may apply clawback if at any time during the seven year period from the date on which any variable remuneration is awarded: (i) there is reasonable evidence of individual misbehaviour or material error, and/or (ii) the firm suffers a material failure of risk management, taking account of the individual s proximity to, and responsibility for, that incident. For variable remuneration awards granted to executive Directors in respect of 2016 onwards, the clawback period may be extended to 10 years in circumstances where the Company or a regulatory authority has commenced an investigation which could potentially lead to the application of clawback.

Malus provisions will continue to apply to unvested deferred awards.

## Deferral

A seven year deferral period (with no vesting prior to the third anniversary of award, and vesting in equal tranches between the third and seventh year) will apply to any 2017 deferred variable remuneration awarded to the executive Directors.

## 2017 Annual bonus performance measures

Performance measures with appropriately stretching targets have been selected to cover a range of financial and non-financial goals that support the key strategic objectives of the Company. The performance measures and weightings are shown below.

| | |
|---|---|
| Financial (60% weighting)<br><br>A performance target range has been set for each financial measure. | § Profit before tax excluding notable items (22.5% weighting)<br><br>§ Cost:Income ratio excluding notable items (15% weighting)<br><br>§ CET1 ratio (22.5% weighting) |

| | |
|---|---|
| Strategic/Non-financial (20% weighting) | § As noted on page 18, the existing Balanced Scorecard has evolved into a Performance Measurement framework in line with the objective of delivering a simplified Barclays through the strategic actions announced in March 2016. Enhancements to the available sources of management information and reporting, ranging from internal dashboards to external third party measures, allow for a more holistic view of sustainable business performance, rather than focusing on a few narrowly defined targets. The evaluation will focus on key performance measures (many continuing from the Balanced Scorecard), with a detailed retrospective narrative on progress throughout the period against each category. |
| | § Performance against the Strategic/Non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 20%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: |
| | Customer and Client: NPS for consumer businesses, Client rankings and market shares for the Corporate and Investment Bank, complaints performance and volume of lending provided to customers and clients. |
| | Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures. |
| | Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys. |
| Personal (20% weighting) | The executive Directors have the following joint personal objectives for 2017: |
| | § deliver on 2017 financial commitments including continued improvement in RoTE, Cost:Income ratio and continued build-up of our capital base (CET1 ratio) |
| | § exit Non-Core and ensure successful reintegration of remaining assets/businesses into Core |
| | § achieve the sell-down of Barclays Africa Group Ltd to obtain accounting deconsolidation |

§ ensure successful implementation of the 2017 Structural Reform programme, including creation of the Service Company

§ identify and implement as far as possible in 2017 a structural solution to ensure continued access to the single market in Europe

§ manage risk and control effectively and make continued progress in resolving legacy conduct and litigation matters.

In addition, individual personal objectives for 2017 are as follows:

Jes Staley:

§ make continued progress towards a high performing culture in line with our Values while also strengthening employee engagement

§ improve customer and client satisfaction while reducing the number of overall complaints

§ strengthen succession planning pipeline for Group and Business Unit/Functional Executive Committees and continue to improve percentage of women in senior leadership positions

§ improve the Group s control environment and its operations and technology infrastructure.

Tushar Morzaria:

§ demonstrate effective management of external relationships and reputation

§ continue to strengthen team performance, talent pipeline and employee engagement in Group Finance, Tax and Treasury.

Detailed calibration of the Financial and Strategic targets is commercially sensitive and it is not appropriate to disclose this information externally on a prospective basis. Disclosure of achievement will be made in the 2017 Annual Report subject to the targets no longer being commercially sensitive. The Committee may exercise its discretion to amend the formulaic outcome of assessment against the targets. Any exercise of discretion will be disclosed and explained.

**Performance graph and table**

The performance graph below illustrates the performance of Barclays over the financial years from 2009 to 2016 in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. The index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below provides a summary of the total remuneration of the relevant Group Chief Executive over the same period as the previous graph. For the purpose of calculating the value of the remuneration of the Group Chief Executive, data has been collated on a basis consistent with the single figure methodology.

| Year<br>Group Chief Executive | 2009<br>John Varley | 2010<br>John Varley | 2011<br>Bob Diamond | 2012<br>Bob Diamond[a] | 2012<br>Antony Jenkins[b] | 2013<br>Antony Jenkins | 2014<br>Antony Jenkins | 2015<br>Antony Jenkins[b] | 2015<br>John McFarlane[c] |
|---|---|---|---|---|---|---|---|---|---|
| Group Chief Executive single figure of total remuneration £000s | 2,050 | 4,567 | 11,070[e] | 1,892 | 529 | 1,602 | 5,467[f] | 3,399 | 305 |
| Annual bonus against maximum opportunity % | 0% | 100% | 80% | 0% | 0% | 0% | 57% | 48% | N/A |
| Long-term incentive vesting against maximum opportunity % | 50% | 16% | N/A[g] | 0% | N/A[g] | N/A[g] | 30% | 39% | N/A[g] |

Notes

a Bob Diamond left the Board on 3 July 2012.
b Antony Jenkins became Group Chief Executive on 30 August 2012 and left the Board on 16 July 2015.
c John McFarlane was Executive Chairman from 17 July 2015 to 30 November 2015. His fees, which remained unchanged, have been pro-rated for his time in the position. He was not eligible to receive a bonus or LTIP.
d Jes Staley became Group Chief Executive on 1 December 2015.
e This figure includes £5,745k tax equalisation as set out in the 2011 Remuneration report. Bob Diamond was tax equalised on tax above the UK rate where that could not be offset by a double tax treaty.
f Antony Jenkins 2014 pay is higher than in earlier years since he declined a bonus in 2012 and 2013 and did not have LTIP vesting in those years.
g Not a participant in a long-term incentive award which vested in the period.

**Percentage change in Group Chief Executive s remuneration**

The table below shows how the percentage change in the Group Chief Executive s salary, benefits and bonus between 2015 and 2016 compares with the percentage change in the average of each of those components of pay for UK based employees.

| | Fixed Pay | Benefits | Annual bonus |
|---|---|---|---|
| Group Chief Executive[a] | 0% | 118%[b] | N/A[c] |
| Average based on UK employees[d] | 3.6% | No change | (0.1)% |

Notes

a The 2015 figures for the Group Chief Executive are based on the Group Chief Executive, Jes Staley, and are annualised in order to provide a meaningful comparison of the year on year change in remuneration for the Group Chief Executive and UK based employees.
b The percentage increase in benefits for the Group Chief Executive arises primarily as a result of relocation provided in 2016.
c The Group Chief Executive did not receive an annual bonus in 2015.
d Certain populations were excluded to enable a meaningful like for like comparison.

We have chosen UK based employees as the comparator group as it is the most representative group for pay structure comparisons.

**Relative importance of spend on pay**

A year on year comparison of Group compensation costs and distributions to shareholders is shown below.

Note

a 2015 Group compensation costs have been adjusted to exclude the impact of £429m gain on valuation of a component of the defined benefit liability.

### Chairman and non-executive Directors

Remuneration for non-executive Directors reflects their responsibilities and time commitment and the level of fees paid to non-executive Directors of comparable major UK companies.

**Chairman and non-executive Directors: Single total figure for 2016 fees (audited)**

| | Fees | | Benefits | | Total | |
|---|---|---|---|---|---|---|
| | **2016 £000** | 2015 £000 | **2016 £000** | 2015 £000 | **2016 £000** | 2015 £000 |
| **Chairman** | | | | | | |
| John McFarlane[a] | 800 | 628 | 1 | 11 | 801 | 639 |
| Sir David Walker[b] | | 285 | | 6 | | 291 |
| **Non-executive Directors** | | | | | | |
| Mike Ashley | 207 | 207 | | | 207 | 207 |
| Tim Breedon | 220 | 232 | | | 220 | 232 |
| Mary Francis[c] | 29 | | | | 29 | |
| Crawford Gillies | 195 | 178 | | | 195 | 178 |
| Sir Gerry Grimstone[d] | 250 | | | | 250 | |
| Reuben Jeffery III | 120 | 135 | | | 120 | 135 |
| Wendy Lucas-Bull[e] | 64 | 358 | | | 64 | 358 |
| Dambisa Moyo | 135 | 152 | | | 135 | 152 |
| Frits van Paasschen[f] | 35 | 88 | | | 35 | 88 |
| Diane de Saint Victor | 118 | 135 | | | 118 | 135 |
| Diane Schueneman[gh] | 232 | 74 | | | 232 | 74 |
| Steve Thieke[h] | 221 | 184 | | | 221 | 184 |
| Sir Michael Rake[i] | | 250 | | | | 250 |
| Sir John Sunderland[j] | | 60 | | | | 60 |
| **Total** | 2,626 | 2,966 | 1 | 17 | 2,627 | 2,983 |

Non-executive Directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays.

The Chairman is provided with private medical cover and the use of a Company vehicle and driver when required for business purposes.

Notes

a John McFarlane joined the Board as a non-executive Director with effect from 1 January 2015 and as Chairman from 24 April 2015. The 2015 total includes non-executive Director fees of £78,000 for the period from 1 January 2015 to 24 April 2015.
b Sir David Walker retired from the Board with effect from 23 April 2015.
c Mary Francis joined the Board as a non-executive Director with effect from 1 October 2016.
d Sir Gerry Grimstone joined the Board as a non-executive Director from 1 January 2016 and succeeded Sir Michael Rake as Senior Independent Director and Deputy Chairman with effect from 1 January 2016.
e Wendy Lucas-Bull retired from the Board with effect from 1 March 2016. Figures include fees received by Wendy Lucas-Bull for her role as Chairman of Barclays Africa Group Limited.
f Frits van Paasschen retired from the Board with effect from 28 April 2016.
g Diane Schueneman joined the Board as a non-executive Director with effect from 25 June 2015.
h Diane Schueneman and Steve Thieke both served in 2016 on the US Governance Review Board, which was an advisory board set up as the forerunner of the board of our US intermediate holding company which was established during 2016. They each subsequently joined the board of the US intermediate holding company on its formation. The 2015 figures for Diane Schueneman and Steve Thieke included fees of $37,500 and $75,000 respectively for their roles on the US Governance Review Board.
The 2016 figures include fees of $138,000 and $150,000 respectively for their roles on the US Governance Review Board and the board of the US intermediate holding company. In addition, Steve Thieke waived fees of $63,000.
i Sir Michael Rake retired from the Board with effect from 31 December 2015.
j Sir John Sunderland retired from the Board with effect from 23 April 2015.

**Chairman and non-executive Directors: Statement of implementation of remuneration policy in 2017**

2017 fees, subject to annual review in line with policy, for the Chairman and non-executive Directors are shown below.

| | **1 January 2017 £000** | 1 January 2016 £000 | Percentage Increase |
|---|---|---|---|
| Chairman[a] | 800 | 800 | 0 |
| Deputy Chairman[a] | 250 | 250 | 0 |
| Board member | 80 | 80 | 0 |
| **Additional responsibilities** | | | |
| Senior Independent Director | 30 | 30 | 0 |
| Chairman of Board Audit or Board Remuneration Committee | 70 | 70 | 0 |
| Chairman of Board Risk Committee | 70 | 60 | 17 |
| Chairman of Board Reputation Committee | 50 | 50 | 0 |