

REMARKS

BY

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CHAIRMAN

BARCLAYS PLC

TO

GOLDEN PEACOCK AWARD CEREMONY

Nuffield Hall, 27 Sussex Place

12th May 2006

[Words : 1,375]

Thank you

I am delighted and honoured to be here today receiving this prestigious award on behalf of Barclays. It is particularly pleasing because Corporate Governance is a subject that has occupied a great deal of my time since becoming Chairman. Before I go on to describe some of the specific initiatives that we have taken, I would like to share a few thoughts with you on the environment in which companies now operate and how good corporate governance makes business sense in such an environment.

To my mind, the winners in the world of commerce will be companies that are guided by a clear philosophical framework as they learn and adapt. What will separate the winners from the losers are a few old-fashioned virtues: behave ethically at all times; uphold the letter and spirit of the law; demonstrate integrity and transparency; maintain high product and service standards; respect the rights and sensibilities of clients everywhere; and contribute positively to all the communities around the world in which we work.

Behaving this way doesn't guarantee economic success for the enterprise, but not behaving this way guarantees failure.

Since becoming Chairman of Barclays, and given the environment I have just described, it has been a key priority of mine to ensure that we are regarded as an exemplar organisation in the field of Corporate Governance.

I should emphasise that this is driven by a deep-seated commitment to proper and effective Corporate Governance because it is the right thing to do for the company.

One of the prime responsibilities of any Chairman is to ensure that a company has a high-performing Board composed of high-performing Directors. At Barclays, our Board Effectiveness Review and Charter of Expectations play a pivotal role in achieving this objective.

Board evaluation has grown in prominence as a result of the revised Combined Code and many companies have been facing up to this issue for the first time. Barclays has long recognised the importance of Board evaluation and was one of the first major UK companies to introduce a formal system of Board evaluation. I implemented a new, independently facilitated Board Effectiveness Review in 2004 and repeated the process, with minor modifications last year. My aim was to put in place a thorough and comprehensive process, to help drive forward my ambition of ensuring that Barclays has a high-performing Board. I will take a few moments to describe that process to you.

We engaged Egon Zehnder to work with us in a process to evaluate the Board, Board Committees and individual directors. This included, somewhat uniquely I suspect, peer group evaluation – we did not shy away from giving our Directors the opportunity to critically evaluate each others' performance.

The process itself is based on a detailed questionnaire stretching to 13 pages, supplemented by individual interviews with each of the Directors, lasting two hours. The initial results are discussed at our December Board meeting, with a detailed action plan being discussed and agreed at the Corporate Governance and Nominations Committee and subsequently at our February Board meeting.

I hold private meetings with each Director to discuss the results and agreed developmental areas relating to their individual performance. Feedback on my own performance is provided by our Senior Independent Director, who discusses the results privately with the other non-executive directors and our Group Chief Executive before meeting with me.

I am pleased to report that as a Board, we concluded in both years that we are operating in a highly effective manner. We are far from complacent however – there were some areas identified for further development and improvement. The development areas are largely around Board composition where we concluded that we needed to recruit additional non-executive Directors with either a background in international markets, where Barclays operates, such as the US, or in leading, either as Chairman or CEO, major FTSE 30 or equivalent companies. Over the past two years, we have recruited five new Non-Executive Directors to fill the development areas identified.

Having taken stock of our Board's performance, with the Board Effectiveness Review, we needed to "raise the bar" and look forward towards performance improvements.

I firmly believe that performance should be measured against specific pre-set objectives and benchmarks. The performance of the Board is not excluded from this philosophy.

It was with this in mind that we developed our Charter of Expectations. The Charter sets out both the Role Profile and the behaviours and competencies required for each role on the Board and its Committees. Role Profiles have been agreed for my own role as Chairman and for the roles of Deputy Chairman, Senior Independent Director, non-executive Directors, executive Directors, Committee Chairmen and Committee members.

It is obviously not uncommon for role profiles to exist, at least for some of these roles. However, the Charter also sets out the expectations that the Board has of each Director in their role on the Board. It has established criteria for each role and prescribes high performance indicators for each role.

Non-executive Directors, for example, have to demonstrate that they are committed to maximising long-term shareholder value; they must have the trust and respect of the other members of the Board; they must demonstrate independence of judgement, challenge rigorously and decide dispassionately. Each of these key behaviours is underpinned by a series of

high-performance indicators against which their individual performance will be reviewed.

For the first time, the Charter captures the key behaviours and competencies expected of Executive Directors in their role as Board members, in addition to the responsibilities they have for making and implementing operational decisions and running the business. It gives particular emphasis to managing any conflicts of interest between their role as a Board member and their role as an executive and to ensuring that they put the interests of the Group before those of their own specific areas of responsibility.

The main accountabilities I face in my own role as Chairman are also clearly set out, including the requirement to promote the highest standards of Corporate Governance and upholding the highest standards of integrity and probity. My main role is, of course, providing effective leadership to the Board.

Our future Board Effectiveness Reviews will be carried out against the expectations set out in the Charter, which will be the benchmark for future performance.

Clearly, the expectations the Board has of its Directors will develop over time with the changing needs of the business, and I see the Charter as an evolving framework, which will be revised to keep pace with the demands the Board places on its Directors.

We have also taken a number of additional steps to enhance our Corporate Governance practices. We appointed a Senior Independent Director. We felt this to be an important enhancement to our established practices. The Senior Independent Director liaises closely with the CEO and myself to ensure our relationship is working well. He also leads the directors in my performance review. And he accompanies me to some meetings with institutional investors annually to hear their questions and comments first-hand.

We have expanded the role of Nominations Committee to include corporate governance issues. It has been renamed the Board Corporate Governance and Nominations Committee. I see this as a critical Committee in supporting me in developing the Group's approach to key Corporate Governance issues, reviewing Board and Board Committee composition and reviewing succession plans for the Chairman and Group Chief Executive and other key Board positions. It meets three or four times a year and is proving a lively and challenging forum for debate.

The remit of our Remuneration Committee has also been extended. One of the outcomes of the first Board Effectiveness Review was that insufficient Board time was spent on the human capital aspects of the business. Consequently, whilst the Remuneration Committee was a very effective Remuneration Committee, we have now extended its remit to include reviewing strategic Human Resources issues, such as employee retention,

motivation, talent planning and equality and diversity. It has been renamed the Board HR and Remuneration Committee.

Ladies and Gentlemen, that is a very brief overview of our approach to Corporate Governance in Barclays. I would just like to conclude by saying once again how delighted and honoured I am to be receiving this award.

Thank you.