

Please note this is a section from the full Annual Report the contents of which are below.



Click on this symbol to download the excel spreadsheet.

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## Section 1 Review

- 1 Introduction
- 2 Chairman's Statement
- 5 Group Chief Executive's Statement
- 8 Financial Performance
- Group Finance Director
- 14 The Leadership Team

---

## Section 3 Results

- 87 Financial Data
- 90 Business description
- 96 Financial review
- 123 Other information
- 126 Auditors' reports
- 128 Consolidated accounts  
Barclays PLC
- 235 Shareholder information
- 242 Group senior  
management and  
principal offices

---

## Section 2 Impact

- 18 Corporate Social  
Responsibility
- 32 Directors and officers  
of Barclays PLC and  
Barclays Bank PLC
- 35 Directors' report
- 37 Corporate governance  
report
- 40 Barclays report on  
remuneration
- 52 Accountability and Audit
- 53 Presentation of  
information
- 54 Risk management

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Registered No. 48839

This document 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 certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance.

The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial Review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature. These forward-looking statements can be identified by the fact that they do not

relate only to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from those set out in the Group's forward-looking statements. There are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Barclays may make in documents it files with the SEC.

## Corporate governance report

### Chairman's statement

Corporate governance is the system by which companies are managed and controlled. At Barclays, we place a great deal of importance on robust corporate governance practices and we are committed to applying the highest standards of business integrity and professionalism in all of our activities.

It has been a year in which corporate governance has been very much in the public eye as a result of the failures of a number of high profile US companies. The reaction to this by the US Government has been swift and far-reaching with the implementation of the Sarbanes-Oxley Act 2002, which affects all companies registered with the US Securities and Exchange Commission, including Barclays.

During 2002 there has also been a number of reviews conducted in the UK, such as the recently published Higgs report on the role and effectiveness of non-executive Directors, Sir Robert Smith's report on Audit committees and the White Paper on the reform of UK Company Law. We have, as ever, played an active role in contributing to the growing debate in this important area and we strongly believe that the key to effective systems of corporate governance lies in the continued development of codes of best practice, such as the Combined Code, and disclosure, rather than through legislation. The European Commission commented in 2002 that best practice, as reflected in the corporate governance codes of EU member states, should be allowed to develop over time by the business and investment communities, under the influence of market forces. This is a position we support.

The development of codes of best practice in recent years has improved corporate governance standards in corporate UK. In addition, we continually strive to ensure our own standards are maintained. To assist with that, we have established a formal process for the Board to assess its own effectiveness. As a part of the assessment we conducted in 2002, the Board defined its core role as being accountable to shareholders for the creation and delivery of sustainable shareholder value.

Under the leadership of the Group Chief Executive, executive management is responsible to the Board for the implementation of the objectives and policies approved by the Board. Meetings of the Board are structured to allow open discussion and to enable non-executive Directors to challenge proposals put forward by the executive. Improvements in the content and format of reports to the Board have also been made to ensure the Board spends its time as effectively as possible.

Another development during 2002 is a change to the way we reward our non-executive Directors. Since the entire Board is accountable for creating shareholder value, we believe it is important that their reward contains a significant share based element. Consequently, 40% of the basic fee paid to non-executive Directors is now in the form of Barclays shares. Full details of these arrangements can be found on page 43.

In conclusion, I can assure you that your Board is focused on maintaining the highest standards of corporate governance to protect the interests of our shareholders. We will continue to play an active role in the debate on how to improve governance practices, although our stance continues to be that shareholders' and other stakeholders' best interests are served by greater openness and transparency rather than prescriptive regulation.

We have this year included a report from the Chairman of the Board Audit Committee on the work done by this committee. Details of the work of the Board Remuneration Committee are given in the report on remuneration on page 40.

**Sir Peter Middleton**  
Chairman

### Board structure

As at 1st March 2003, the Board will consist of the Chairman, who has no executive responsibilities, nine non-executive Directors and three executive Directors, including the Group Chief Executive. Their details appear on pages 32 and 33. The roles of our Chairman and Group Chief Executive are separate with a clear division of responsibilities between them. Responsibility for the evaluation of the Group Chief Executive lies with the Chairman, in consultation with the other members of the Board. Responsibility for the evaluation of the Chairman lies with the Board Remuneration Committee.

Executive Directors under the leadership of the Group Chief Executive generally have responsibility for making and implementing operational decisions and running the Group's businesses. The non-executive Directors support the skills and experience of the executive Directors, by challenging and testing the strategy and policy put forward by the executive based on their wide knowledge and experience.

The Board meets regularly and has a formal schedule of matters reserved to it. All Directors have access to the advice of the Group Secretary and independent professional advice is also available to Directors at the Group's expense.

Following the appointment of new Directors to the Board, a comprehensive induction programme is arranged, including visits to the Group's businesses and meetings with senior management as appropriate, to help them quickly build up an understanding of the working of the Group. Additional training and updates on particular issues are arranged by the Group Secretary as appropriate. For example, during 2002, a seminar was arranged for non-executive Directors covering such matters as market risk, credit risk, non-financial risk and compliance.

At each AGM, one-third of the Directors retire and offer themselves for re-election. In practice, this means that every Director stands for re-election at least once every three years. Any Directors appointed by the Board since the last AGM must also stand for re-election.

Our Directors diligently support the work of the Board and its committees. During the year 13 Board meetings were held which included a full day's meeting on the Group's strategy.

### Combined Code statement of compliance

As a company listed on the London Stock Exchange, Barclays follows the United Kingdom Listing Authority's Combined Code – Principles of Good Governance and Code of Best Practice.

For the year ended 31st December 2002, Barclays complied with the Combined Code save for the formal appointment of a senior independent director. As there is a clear division of responsibilities at the head of the Group between the Chairman and Group Chief Executive and as the Board also has a Deputy Chairman, Sir Brian Jenkins, who is an independent Director, the Board feels that such an appointment is, at present, unnecessary. However, this will be reviewed in light of the recommendations of the Higgs Report.

The Board has determined that all the non-executive Directors are independent in terms of the UK Combined Code as they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a strategic alliance between Barclaycard and Xansa, of which Hilary Cropper is Chairman. As a result, Hilary Cropper has not, and will not, participate in discussions of this alliance at the Board. Having considered the matter carefully, the Board has concluded that Hilary Cropper remains independent for Combined Code purposes.

The Board annually reviews the independence of its non-executive Directors, taking into account developing best practice and regulation as and when it becomes effective.

### Board committees

Specific responsibilities have been delegated to the Board committees. The four principal Board committees are:

#### Board Audit Committee

##### Statement from the Chairman of the Board Audit Committee

The Board Audit Committee plays an important role in reviewing the Group's controls and financial reporting systems. While the Committee's role is becoming increasingly complex following the impact of the US Sarbanes-Oxley Act and other best practice developments during the year, Barclays is fully committed to ensuring the Committee fulfils its duties and responsibilities.

The Committee is made up entirely of non-executive Directors, all of whom are considered by the Board to be independent. Current members of the Committee are:

#### Board Audit Committee

Stephen Russell, Chairman
Sir Nigel Mobbs, Chairman during 2002
Sir Brian Jenkins
Dr Jürgen Zech

During 2002, the Committee met four times, with the Group's senior management, the internal audit team and the external auditors, PricewaterhouseCoopers LLP. I maintained close contact with each of the aforementioned parties to ensure that the meetings of the Committee were as effective as possible. The Committee also met privately with the external auditors after each Committee meeting and at other times, where appropriate. For example, in December, the external auditors briefed the Committee on recent corporate governance developments, including the requirements of the US Sarbanes-Oxley Act and the nature of their reporting to the Committee going forward.

The Committee is responsible for approving and reviewing the appointment and retirement of the external auditors, as well as overseeing their relationship with the Group. This includes an annual review of the independence of the external auditors and the recommendation to the Board of the level of fees to be paid to the external auditors. The Committee is also responsible for the approval, monitoring and review of the Group's policy in relation to the use of the external auditors for carrying out non-audit work.

The responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness rests with the Board. The Group Chief Executive and the Group Executive Committee are responsible for the management of risk and the Group Governance and Control Committee is responsible for monitoring the Group's assurance process and the risk governance framework to ensure that it is complete and effective. The Board Audit Committee reviews the effectiveness of risk management standards and reviews reports on control issues of Group level significance.

The Committee has a pivotal role in reviewing the Group's annual and interim financial statements, including the effectiveness of the Group's disclosure controls and procedures and system of internal control. The remit of the Committee also extends to reviewing the work undertaken by the internal audit team and reports produced by senior management on control issues, reporting its findings to the Board as appropriate.

The Committee reviews arrangements established by management for compliance with the requirements of relevant regulatory and supervisory bodies. In particular it reviews reports carried out under Section 166 of the Financial Services and Market Act 2000 together with any other matters of significance that arise out of management's meetings with supervisors such as the Financial Services Authority.

The Committee strives to ensure that it keeps abreast of all material developments in regulation and best practice affecting the work within its remit. The Committee has in place procedures to ensure that it receives regular briefings on such issues as well as training, where appropriate.

I shall be retiring from the Board at the 2003 AGM and have been succeeded by Stephen Russell as Chairman of the Committee, whose appointment I fully endorse.

**Sir Nigel Mobbs**  
Board Audit Committee Chairman during 2002

### Board Remuneration Committee

Sir Nigel Rudd, Chairman  
David Arculus  
Sir Brian Jenkins  
Sir Nigel Mobbs  
Graham Wallace

The Board Remuneration Committee meets at least four times a year to consider matters relating to executive remuneration including remuneration policy for executive Directors, employee benefits and long-term incentive schemes. During the year the Committee has also taken time to consider the new Regulations in respect of the disclosure of Directors' emoluments. The Committee is also responsible for the evaluation of the Chairman of the Board.

### Board Nominations Committee

Sir Peter Middleton, Chairman  
David Arculus  
Sir Brian Jenkins  
Sir Nigel Mobbs  
Sir Nigel Rudd  
Graham Wallace

The Board Nominations Committee is chaired by the Chairman of the Board, except when the Committee is considering the succession of the Chairman of the Board, in which case the Chairman of the Board Remuneration Committee, Sir Nigel Rudd, also chairs the Board Nominations Committee. The Committee's other members are all non-executive Directors. The Committee considers and makes recommendations to the Board on the composition of the Board, potential new Board appointments and other top executive appointments.

### Board Risk Committee

Sir Peter Middleton, Chairman  
Hilary Cropper  
Sir Brian Jenkins  
Stephen Russell  
John Varley

The Board Risk Committee meets at least twice a year to review and recommend to the Board policies and standards for the risk governance and risk management of the Group. An overview of the Group's risk management and control framework can be found on page 54.

Copies of the terms of reference of the Board committees are available from the Group Secretary.

### Relations with shareholders

Barclays has just over 900,000 institutional and private shareholders (including Barclays Sharestore members) and has adopted a proactive approach to its relationship with them. In the UK, senior executives hold meetings with our key institutional shareholders to discuss strategy, financial performance and investment activities. Throughout Europe and in the US, we arrange road shows about the Group for key investors. In addition, the Chairman meets regularly with investor bodies and investors to discuss corporate governance issues.

The Group aims to provide a first-class service to its private shareholders. For example, we have introduced Barclays e-view, a service which enables shareholders to receive shareholder documents electronically as soon as they are published and to appoint someone, if they wish, to vote for them at shareholder meetings. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history and provides the necessary forms to change the details held on the share register.

Our policy is also to make constructive use of the AGM. The chairmen of the Board Audit and Board Remuneration Committees are, whenever possible, present at the AGM and are available to answer shareholders' questions. Normally, all resolutions are voted on by a poll to ensure that the views of all shareholders are reflected.