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Dear Mr Hodge

Revisions to the UK Corporate Governance Code and Guidance on Audit Committees (the 'Consultation')

Barclays welcomes the opportunity to respond to the Document: Revisions to the UK Corporate Governance Code and Guidance on Audit Committees (the 'Consultation'). We are responding to the Consultation as a UK Listed company that also has a listing on the New York Stock Exchange and therefore also complies with US Securities and Exchange Commission Rules on disclosure.

Barclays recognises the great importance of maintaining auditor independence and objectivity. Barclays is also committed to continuing to provide useful and relevant disclosures in all its corporate reporting.

Barclays believes that the effectiveness of the auditor, by which we mean the independence, integrity, objectivity and degree of professional scepticism applied, is not determined by the auditors' length of tenure or the periodicity of tendering the audit. Auditor effectiveness requires a deep understanding of the company's businesses and structure and strong engagement between the company and auditor at all levels of seniority. A company must have confidence in its auditor, and the auditor must have in-depth knowledge of the company's business and operations, and this is only gained over time. Our view is that regular audit partner rotation, together with a robust process for assessing independence and objectivity, are sufficient to maintain auditor independence.

Barclays experience is that the disclosures contained in its annual report and accounts are already at a sufficient level of detail, and the information provided assists investors in instigating and conducting regular, open and constructive discussions with us. Judgements made to support our reporting are balanced and reinforced by facts confirming the judgements are fair and reasonable. Barclays Board Audit Committee report, which covers key areas of judgement and sensitivity considered by the Board Audit Committee when reviewing the financial statements, has been widely praised. For example, in 2010 we won the ICSA Hermes Transparency in Governance Award for "Best Audit Disclosure" in our 2009 annual report. Each year we ensure that we benchmark our reporting against our peers and other FTSE companies as part of our commitment to promoting transparency in reporting.

Finally, we would also question whether this is the right time to be making additional changes to the UK Corporate Governance Code, given it was last revised only in 2010. We understand the aim of the changes proposed, and that the Consultation aims to pre-empt changes proposed at EU level, however, further

changes are planned for consultation in 2013 and we would question whether it makes more sense to wait and undertake a more significant review next year.

We set out below our comments on the specific proposals in the Consultation.

1. Views are invited on the proposed revisions to Section C of the Code and the Guidance on Audit Committees, including whether the right balance has been struck between changes to the Code (subject to comply or explain) and the Guidance (which is not).

C.1 Financial and Business Reporting

It should not be forgotten that the general standard of corporate reporting in the UK is amongst the best. In its 2011 annual report, the Financial Reporting Review Panel found that the general quality of corporate reporting to be good, especially by the larger UK listed issuers.

Barclays already implicitly applies the principle that its annual report must be fair, balanced and understandable, and these are key considerations for the Board and Board Audit Committee when they review and approve it. Annual reports must provide the information necessary for users (i.e., shareholders) to assess the company's performance, business model and strategy, and we support the FRC's aim of ensuring that directors pay due attention to the annual report disclosures. However, we question whether there is a need for an additional statement from boards on the basis on which they believe the report to be fair, balanced and understandable, for the following reasons:

The Companies Act 2006 (the 'Act') already requires directors to provide a statement in the annual report that the financial statements give a true and fair view and that the management report includes a fair review of the development and performance of the business and position of the group. Directors reach this conclusion based on detailed review and consideration of the financial statements and management report, including the audit committee's review of the main financial and accounting issues and judgements made, and with a full understanding of the underlying governance and verification and attestation process that supports production of the report. In Barclays case, the Board Audit Committee report fully describes how that Committee discharged its duties during the year and includes an explanation of the issues and judgements considered in respect of our financial reporting. The report also confirms that the Board Audit Committee Chairman reports to the Board after each meeting, setting out the main issues the Committee discussed. Any outstanding issues are considered by the Board as a whole before the annual report is approved. Our view is that, where the quality of audit committee reports is already high, there should be no need to include an additional statement by the board of the basis on which they consider the annual report to be "fair, balanced and understandable".

We are also concerned that for many companies, such statements will descend into a boilerplate description of the underlying production and verification process rather than giving any real insight into the issues considered by the board or the audit committee when finalising and approving the report.

Barclays also notes that an auditor's general right of access to information under the Act and the obligation on directors to confirm that all relevant information has been provided to the auditor should ensure that all relevant information has been included in the annual report.

C.3 Audit Committee and Auditors

C.3.2

Barclays has no objection to the inclusion of the requirement for audit committees to advise the board that the annual report provides a fair, balanced and understandable assessment of the company's position and prospects. We believe it is a core duty of the audit committee to not only consider how corporate reporting principles are applied, but also to advise the board on the committee's considerations and the key judgements made. The audit committee should focus on key financial reporting and accounting issues and judgements made.

Barclays agrees that, if the board is required to report on the basis on which they consider that the annual report provides the information necessary for users to assess the company's performance, business model and strategy, the audit committee naturally has a role in advising the board. Barclays Board Audit Committee already reviews and assesses the annual report as a whole.

However, it must be recognised that inclusion of a requirement for audit committees to so advise boards may be considered to be an increase in the scope of the audit committee's work that may not result in a proportionate increase in the quality of corporate reporting.

C.3.6

Barclays does not support the proposal that FTSE 350 companies should put the external audit appointment out to tender at set intervals. However, if such a recommendation is to proceed, we would strongly advise that this is done on a "comply or explain" basis, as proposed.

We, and all other UK companies, already have the ability to put the external audit out to tender should we or our shareholders perceive the need for change. Barclays, in particular the Board Audit Committee, keep the audit appointment under close scrutiny for independence, effectiveness and cost. The appointment of the auditor is also subject to annual confirmation by shareholders at the Annual General Meeting.

Given the scale, depth and geographical extent of our Group, the number of our people that would have to be involved and the interruption caused to our normal business activities, retendering our audit arrangements would be highly disruptive and costly. The process of changing auditors is itself costly and has attendant costs.

Given the complexity of UK's largest companies, and particularly the large banks, auditors are faced with a huge challenge to really understand the businesses whose financial statements they are auditing. In our view, a significant increase in the turnover of audit firms' client bases would result in auditors that lack the in-depth client knowledge required to challenge management. Consequently, we believe that tendering at set intervals, assuming that also results in more frequent change of auditor, risks reducing the quality of audits in the UK.

C.3.7

Barclays is supportive of the move to encourage companies to provide separate, meaningful, audit committee reports in their annual reports, having included for many years a separate Board Audit Committee Chairman's report, providing full and transparent disclosure on that Committee's activities and key judgements.

With regard to auditor tenure and tendering, we believe that a robust process for assessing auditor independence and objectivity, plus regular rotation of the audit partner, are more significant to safeguarding auditor independence than length of tenure of the firm. The auditor's own rigorous procedures for maintaining independence and for ensuring audit quality should also be noted in this regard. We believe that the familiarity threat identified by the Accounting Standards Board is mostly derived through the relationship with the audit partner, not the audit firm per se. In our view, reporting on length of tenure of the audit firm is simply boilerplate disclosure that serves little purpose in assessing the effectiveness of the auditor. In addition, we are concerned that length of tenure could become the focus for both the reporting company and its shareholders and may force a change of auditor when it is not in the best interests of the company and its shareholders to do so. Shareholders may use simple statistics as the key indicator on which to base their decision to support the re-appointment of the auditor and may disregard an audit committee's meaningful explanation of its assessment of the effectiveness of the external auditor and the reasons for supporting their re-election.

Current Auditing Practices Board rules require audit partner rotation every seven years, however, as an SEC registrant, Barclays audit partner is required to rotate every five years. We believe this, together with our robust process for assessing the independence and objectivity of our auditor, satisfies us of our auditor independence and the rigour and quality of our audit to a much greater degree than regular audit tendering would.

Guidance on Audit Committees

Our comments above also apply to the proposed changes to the Audit Committee guidance, so far as they are relevant.

We support the proposal that the audit committee report should include an explanation of the steps taken in deciding whether or not to put the audit out to tender, and set out the reasons for the final recommendation (paragraphs 4.23 and 5). We believe this will provide shareholders with more meaningful information on which to base their decision on whether to re-appoint the auditor than any statistics on auditor tenure.

2. Views are invited on whether the proposed wording at paragraph C.1.3 of the Code achieves the desired effect of encouraging boards to pay more attention to the disclosures in the business review and on their business model and strategy and, if not, how it might be improved;

The requirement for a business review derives from the Act which provides that, where a company's accounts do not comply with the Act (i.e., do not give a true and fair view) every director who was reckless as to whether it complied, or failed to take reasonable steps to secure compliance, commits an offence and is liable to be fined. Barclays believes that this is an overriding consideration for directors and the proposed amendments to paragraph C.1.3 would not necessarily increase a board's focus on the required disclosures.

Barclays believes that most boards already do pay great attention to their reporting, which in the UK is generally of a very high quality. It may be that some boards need a better indication of how their reporting benchmarks with their peers. Publicly available best practice surveys are useful for this purpose. Also, corporate reporting awards may provide an incentive to improve and move away from boilerplate disclosures. The Dow Jones Sustainability Index and ICSA Hermes Transparency in Governance Awards are good examples of these.

As mentioned above, it should not be forgotten that the general standard of corporate reporting in the UK is amongst the best. We therefore question whether boards need the encouragement the changes in C.1.3 seek to effect.

3. Views are invited as to whether the transitional arrangements for auditor tendering outlined are workable, and whether there are alternative arrangements that should be considered.

As mentioned, we believe the audit partner is the key relationship to be considered above the length of tenure of the audit firm and are not in favour of the proposal to put the audit to tender at regular intervals.

However, Barclays believes that, should audit tendering be required, a transitional arrangement linked to audit partner rotation would be sensible. We believe that companies will be less likely to change audit firm following a tender if the current audit partner is relatively new: the incumbent audit partner will just be becoming familiar with the company, which will not be incentivised to start the familiarisation process again. If the audit partner is going to rotate in any case, companies are more likely to deem a tender offer by another firm as a viable option.

Therefore, in line with our statements above, we welcome the FRC's proposal to link the transitional arrangements to audit partner rotation for companies who tendered their audit in or since 2000.

4. Views are invited on whether it would be helpful to identify the features of a meaningful explanation in the introduction of the Code and, if so, whether the proposed addition correctly identifies those features.

Barclays strongly supports the "comply or explain" approach. It permits flexibility for companies to apply governance arrangements appropriately according to their size and prevailing circumstances. Companies have the option of explaining to their shareholders why they have not complied with best practice principles or provisions. It is for the company and its shareholders to engage on matters of non-compliance and the responsibility of shareholders to put their views to the company if they do not accept the explanation provided.

We therefore welcome the further guidance on providing explanations where the Code is not complied with and believe the features of a meaningful explanation have been identified.

5. Comments on other proposed changes

a) Adding to the preface a reference to the interest of debt holders, and other providers of non-equity capital, in the governance of the company.

Barclays has no objection to this change. The change recognises that companies are not only reliant on equity finance / share capital, and that debt investors also need to be satisfied that the company is being properly governed and that their interests are taken into account by the board in its decision making processes.

However, we would also emphasise that company reporting should primarily be driven by the company's relationship with its owners, i.e., shareholders. The needs of other stakeholders should be secondary to this.

- b) **Require companies that have made use of an external search agent to disclose whether they have any other connection with the company.**

Barclays is in agreement with this proposal. Board appointments must be made following a transparent review process and the independence of any search consultancy is relevant to that. However, we would note it is possible that the company may need to obtain the search agent's agreement to be named in the report before doing so.

- c) **Independent performance facilitators, external search consultancies and remuneration consultants used should be named in the report.**

Barclays supports this change. We have named our external Board performance review facilitators and remuneration consultants in our annual report for a number of years.

We do not intend to respond to the consultation on changes to the International Standards on Auditing but agree that any changes to the Standards should reflect the changes made to the Code.

Please note that although you may refer to comments made in our submission, we would request that this is only done on a non-attributable basis. Should you wish to discuss any of the above matters then please do not hesitate to contact me.

Yours sincerely



Lawrence Dickinson
Company Secretary