

Barclays must answer some important questions about Bob Diamond's pay

Shareholders are angry about the package awarded to Bob Diamond, chief executive of Barclays, last year.

Amid a public outcry over excessive pay to top bosses, shareholder ire has focused on the package awarded to Bob Diamond chief executive of Barclays bank. Mr Diamond's total package was worth anything from £6.3m to £27m, depending on the way it is calculated.

Some shareholders have threatened to vote against the bank's remuneration report at the annual general meeting on Friday.

Shareholders are particularly concerned at the size of Mr Diamond's bonus as the bank did not meet his own publicly-stated targets. Mr Diamond received a bonus worth £2.7m on top of his salary of £1.35m as profits fell 3% to £5.88bn.

In an attempt to address the issue, the bank said last week that Mr Diamond would not receive his full bonus until Barclays' return on equity outstripped its cost of capital.

The bank has also committed to increase returns to shareholders. However, this has not been enough to convince all investors to vote in favour of the pay deals.

They are also concerned about the controversial "tax equalisation" payment of £5.75 million made by the bank on Mr Diamond's behalf.

The independent High Pay Centre is calling on Barclays to answer some key questions at its AGM. Deborah Hargreaves, director of the High Pay Centre said: "Barclays' remuneration disclosure is confusing and opaque which is why there have been so many figures bandied around for what Mr Diamond actually received. Barclays needs to be straight with its shareholders about what it is paying and why."

Key questions on the total pay package

Does Barclays believe that Mr Diamond's bonus is justified?

According to figures released with the annual report, an investor in Barclays' shares would have lost two-thirds of their money in the past six years. The corporate governance body, Pirc, argues that Barclays' shares are trading below their net asset value. Even Mr Diamond

has admitted the bank is unlikely to meet its return on equity target. Barclays should explain why this performance justifies a bonus of £2.7m.

Is the current split between investors' dividends and bankers' bonuses the right one?

The bank is paying a dividend of 6p to shareholders for last year. This amounts to £700m in dividends to its shareholders last year, but this is dwarfed by the £2.1bn in staff bonuses.

How do we calculate a single figure for Bob Diamond's total pay package

The current reforms proposed by Business Secretary Vince Cable would require all companies to publish a single accurate figure for the total pay received by the CEO in any one year. With figures for Mr Diamond's pay package ranging from £6.3m to £27m how would Barclays suggest the total package be calculated?

Key Questions on the Tax Equalisation benefit

Why did Barclays not highlight Mr Diamond's tax arrangements to shareholders before the remuneration report was published?

Shareholders were shocked to learn about the £5.75m payment of Mr Diamond's tax bill which was incurred when he moved back from the US to become chief executive in 2010. Barclays did not discuss the details of the tax arrangements in meetings with shareholders ahead of the publication of the report. It is generally best practice to engage with major shareholders on pay packages before the figures become public, particularly if they are controversial or unusual.

Tax equalisation is not uncommon for top employees who are seconded abroad temporarily. But was Bob Diamond posted in the US on a temporary basis?

Mr Diamond had lived in the UK for 20 years but he moved back to the US, his home country, after Barclays took over part of Lehman Brothers – the collapsed investment bank – in 2008. At the time, he was president of the bank, and was sent to oversee the integration of Lehman into Barclays Capital. But he returned 18 months later to become chief executive.

How long will Barclays continue to pay tax for him now that he is back in the UK?

Some corporate governance bodies, such as ISS, have suggested the tax liability could continue for up to 10 years as that is how long the state of New York considers back taxes.

Was his tax position discussed when he was appointed as chief executive?

Corporate governance body, Pirc, says payment of his tax was not justified as chief executives of his stature are required to be internationally mobile. They add that this issue should have been factored in when he was appointed to the top position.

Barclays appears to be paying income tax and national insurance on an original £2.5m tax liability which is classed a benefit. Does Barclays think this is a price worth paying?

In order to ensure that Mr Diamond does not pay double taxation on his share sale, Barclays appears to have doubled its tax bill by incurring national insurance and income tax payments on the original payment. Is this an efficient use of shareholders' funds? How many more employees are covered by similar arrangements?