

Context

The culture of the banking industry overall, and that of Barclays within it, needs to evolve. A number of events during and after the financial crisis demonstrated that banks need to revisit fundamentally the basis on which they operate, and how they add value to society. Trust has been decimated and needs to be rebuilt.

Barclays acknowledged that need some time ago and has begun to put in place changes in the way in which it operates consistent with that need. However, recent events indicate clearly that Barclays, like other big UK banks, needs to redouble its efforts. That task may seem more daunting today than ever, but Barclays remains committed to it. As an institution, Barclays must move further and faster to demonstrate that banks, and those who work for them, consistently operate to the highest standards of probity, integrity and honesty. This requires clear evidence, not assertion.

Culture is generally defined as “the instinctive behaviours and beliefs characteristic of a particular group”. Changing a culture, therefore, requires at least three things:

- Affirming the key values and operative beliefs that guide the behaviour of everyone in an organisation – these are deep-seated and tend not to change without direct intervention.
- Ensuring that the actual behaviours of those who represent the organisation are consistent with those values (and are so regarded by those who come in contact with the bank); and
- Ensuring that vital reinforcing mechanisms, such as visible leadership examples, formal and informal systems and processes, policies and rewards, are aligned with those values, operative beliefs and behaviours.

The burden of proof required to demonstrate change in culture is now much higher. The Barclays Board is conducting this review (the Review) of Barclays business practices to assist in the bank’s efforts to rebuild trust by making it a leader in businesses practices among not only its peer institutions, but also multinational corporates generally. The Review is independent, reporting to Sir Michael Rake and a sub-committee of Non-Executive Directors (the Committee) including David Booth; Alison Carnwath; and Sir John Sunderland. Anthony Salz has agreed to lead the Review (the Reviewer) in a personal capacity.

Barclays Board and Executive Committee will consider the review’s recommendations carefully, with the intention of implementing them in full. Barclays will publish an account of how it specifically intends to implement them a short time after the conclusion of the Review. The broader work at Barclays oriented at changing the bank’s culture will be particularly informed by the Review’s recommendations.

The Programme of Work

Given the nature of what banks do, customers and clients must be at the heart of everything that Barclays does and, therefore, at the heart of the bank’s values. The nature of what Barclays does also gives rise to responsibilities to counterparties. These responsibilities include the indirect impact the bank has through its activities, including through its role in promoting and protecting the integrity of the public and private markets in which it participates.

To rebuild trust, Barclays must start with an open and honest assessment of the bank’s current values, principles and standards of operation; determine to what extent they need to change; test how well decision-making processes currently incorporate those values, principles and standards, and outline how those processes need to change; and determine whether or not the appropriate training, development, incentives and disciplinary processes are in place to reinforce them.

The Review will analyse past events that have had a particularly negative impact on the bank's reputation. The purpose is not to determine the truth or otherwise of any allegations surrounding those events. The analysis in those areas will rather focus on understanding whether there was a gap between the bank's articulated values and behaviours and the way in which the bank operated in practice and to identify if there are actions that need to be taken to reduce the likelihood of similarly negative events occurring in the future. The Review will also analyse current practices to understand how current behaviours and reinforcing mechanisms fit with the bank's stated values and operative beliefs. It is not, though, an investigation or audit of those activities.

The Reviewer will undertake extensive, independent analysis to build a fact base; identify priority areas for change; develop a set of recommendations for change; and prepare and publish, after consultation with the Committee, a report (the Report) on the findings and recommendations of the Review. The scope of the Review's recommendations will be global and span all businesses within Barclays without exception.

One of the principal recommendations in the Report will concern changes to the mandatory code of conduct (the Code) that is applied across Barclays. The Code should establish clear standards of behaviour, in plain language; provide the framework for a zero-tolerance policy regarding compliance with the Code; and be flexible to evolve with stakeholder expectations. The Report will also include recommendations for improvements to key policies and procedures to make them more consistent with the Code, and mechanisms to create assurance for the Board and the Executive Committee that the Code has been implemented.

The Report may make any further recommendations as the Reviewer deems relevant to Barclays based on the evidence studied and conclusions drawn.

Approach to the Review

The Reviewer will ultimately have the responsibility for agreeing how the Review will progress with the Committee. It is anticipated that the workplan will have six streams of work.

1. Create familiarity with Barclays principal business segments, including the key competitors and historical, contemporary and prospective challenges within each segment;
2. Conduct detailed review of past events identified as having caused material reputational damage for Barclays and the industry, with particular emphasis on events since the start of the financial crisis;
3. Review Barclays current global values, principles and standards;
4. Analyse key policies and procedures to identify potential weaknesses in reinforcing mechanisms;
5. Develop new global, mandatory code of conduct and recommendations for its implementation and ongoing assurance; and
6. Prepare a public report on findings and recommendations.

With respect to the fourth workstream, the Reviewer has discretion to identify the policies and procedures to test through the Review. Those may include some or all of: customer, client and counterparty focus; market integrity requirements; conflicts of interest; product and pricing suitability; reputational risk management; governance standards, including internal controls; leadership behaviours; whistleblowing; induction, training and assurance; performance management and development; and incentives.

The Review will be evidence-based. Any conclusions drawn and recommendations set out in the Report will be linked directly back to analysis completed during the Review.

To build that evidence, the Review will rely on access to a wide range of stakeholders (including, for example, customers, clients, shareholders, regulators, government officials, staff (current and former) and other interested parties) and any internal and external data (including relevant papers, reports, minutes, etc.) pertinent to the scope of the Review, subject only to legal privilege. Barclays will ensure that any current or former staff involved in the process receive full indemnity and are able to provide input on a non-attributable basis, so that they may participate without any fear of potential consequences. To facilitate broad input into the Review, any interested stakeholder will be able to submit a perspective or evidence via queries@salzreview.com. The bank will conduct any bespoke customer and client research required by the Reviewer. It will also arrange any interviews required by the Reviewer.

According to specifications agreed with the Reviewer, the bank will fund the external Review team. It is anticipated that will include the support of a senior, independent individual to act as deputy reviewer and an appropriately sized team from a well-regarded professional services firm (or firms) with skills and experience appropriate to a review of this nature. Both will be selected in consultation with the Reviewer. Barclays will also make available appropriate internal staff to support the Review.

Expected Timeline

The Review is expected to publish its Report in the Spring of 2013, in advance of Barclays 2013 Annual General Meeting.