Barclays’ response to the Salz Review
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Introduction

The Salz Review was commissioned by the Barclays Board with a view to providing a comprehensive roadmap for cultural change at the bank.

The Review’s terms of reference were, broadly, to examine the bank’s values, principles and standards of operation – the historical culture – and to make recommendations for change.

The ambition was that the recommendations would help Barclays establish itself as a values-driven industry leader, setting an operational benchmark and, in doing so, better meet the needs and expectations of the societies in which we operate.

The Board asked for a rigorous and, crucially, independent view of how Barclays could spearhead industry changes in culture. Informed by unprecedented access to the bank and its people, that is precisely what we have received. On behalf of Barclays, we are grateful to Anthony Salz and his team for the great effort and care they have taken in their work.

The Review makes for uncomfortable reading in parts. That is inevitable when an independent examination of this kind is commissioned, and we must learn from the findings.

Encouragingly, though, it also positively highlights the strength of our business, the talent of our employees and the motivation they have to change the culture of Barclays. The Review’s report specifically highlights the findings of a bespoke survey conducted by the Review: “The vast majority of Barclays’ employees want to act with integrity. They want to exhibit Behaviours consistent with the standards the public would expect of it as a major financial institution.”

We share this confidence and optimism and would also like to express our gratitude to our colleagues and our wider stakeholders for their contribution to the Review’s evidence base.

Barclays has now completed the examination of the 34 formal recommendations contained in the Review’s report that we committed to when it was published earlier this month. This report is our response to those recommendations and strives to outline our approach to implementing each of those in a clear and transparent fashion. The Board is committed to implementing all of the recommendations and to publishing an account of our progress in doing so going forward.

Barclays’ goal is to become the ‘Go-To’ bank. This will require fundamental changes to how we run our business. We have established the Transform Programme to drive that change. We revealed the first steps in that process in January through the introduction of our new, bank-wide Purpose and Values, and in February through the publication of the results of our strategic review and the 2015 commitments it produced. We have much more work to do, and the Review provides us with added confidence that the path that we set out is the right one. While it inevitably highlighted some areas in which we need to change, it also independently verifies much of the work that we have started through the Transform Programme.

We are confident that the implementation of the Review’s recommendations, together with the work already under way through our Transform Programme, including our commitment to making Barclays a values-driven business once again, will lay the foundations for a successful and sustainable future for Barclays as a leader in the financial sector.

Sir David Walker
Chairman

Antony Jenkins
Group Chief Executive
Following on from the financial crisis of 2008 and in light of the events of summer 2012, it was clear that Barclays needed a fundamental change of culture.

**Context for the Salz Review**

The burden of proof required to demonstrate change in a bank’s culture has never been higher.

The Board commissioned a review of Barclays’ business practices in July 2012 to help the bank to rebuild trust and, by accelerating a cultural shift, to make it a leader in business practices among its peers and multinational corporations generally.

The ambition was to set a new standard for the industry, where business decisions are made based on the right thing to do over the long term, rather than to increase short-term profits.

The Review was structured to provide a wholly independent perspective on the change required. Anthony Salz was appointed to lead the Review, and he, in turn, appointed Russell Collins as his deputy. The Review employed the services of The Boston Consulting Group for analytical support and advice, as well as those of Herbert Smith Freehills LLP for legal advice.

**Programme of the Review’s Work**

To rebuild trust, Barclays needed an objective assessment of the bank’s historic values, principles and standards of operation alongside an internal strategic review to determine to what extent these needed to change.

The Review was evidence based. Mr Salz and his team undertook extensive, independent analysis to build a fact base spanning all of the bank’s major markets and to identify priority areas for change. They tested how well decision-making processes were incorporating clear and consistent values, principles and standards, outlined how those processes could be improved, and determined whether or not the appropriate processes were in place to reinforce them. All of their conclusions and recommendations were the result of their data gathering, verification and judgement.

The Review’s main purpose was to understand whether there was a gap between Barclays’ articulated Values and Behaviours and the way in which the bank operated in practice. To support that, the Review analysed past events that had had a particularly negative impact on the bank’s reputation. Their aim in doing so was to understand whether or not there was any underlying cultural root cause to each of those events and, if so, what change needed to be made to prevent them from recurring in the future.

The Review published a set of 34 formal recommendations for change. The scope of the Review’s recommendations is global and spans all businesses within Barclays without exception.
Overview of Barclays’ Transform Programme

The Transform Programme is the vehicle through which Barclays will deliver the fundamental cultural, financial and performance changes necessary for us to achieve our goal of becoming the ‘Go-To’ bank. It is composed of 11 projects, each of which covers the entire bank.

1. **Culture and Values**  
Barclays’ Purpose (Helping people achieve their ambitions – in the right way) and Values (Respect, Integrity, Service, Excellence and Stewardship) are standards which will guide our decision-making and against which all employees will be assessed and rewarded. We believe that building a sustainable, values-based culture will form the foundation of our long-term success.

2. **Talent and Reward**  
To support becoming the ‘Go-To’ bank, we will redefine and implement changes to Barclays’ talent, performance and reward policies and practices. This includes reviewing how our remuneration policies and practices align with long-term shareholder interests and encourage and reinforce Behaviours consistent with our Purpose and Values.

3. **Balanced Scorecard**  
We are developing a scorecard that will ensure performance is assessed across a range of financial and non-financial measures, specifically metrics within each of five dimensions – client/customer; colleague; conduct; company; and citizenship. We will publish our performance annually against that scorecard at a Group level.

4. **Reputation Management**  
We are establishing a consistent set of practices across Barclays to ensure that we restore, enhance and protect the trust that is so vital to the long-term success of our business, driven by a dedicated team and incorporating best practices from other industries.

5. **Regulatory Relations**  
We are working to build collaborative and trusted relationships with our regulators. Criticism has been levelled at Barclays over our past interactions with regulators, and we are determined to fix the underlying causes of that.

6. **Controls Review**  
We are building a new Governance, Risk and Control framework that seeks to be best practice for banks. The aim is to develop clear statements, in simple and accessible language, on our Group risk appetite for all types of risk and clearly articulate the roles and responsibilities for managing each of those risks.

7. **Business Portfolio Review**  
As part of the strategic review that we published in February, we completed a bottom-up analysis of 75 business units, taking into account the strategic attractiveness and the reputational risk associated with each. That analysis shaped the portfolio actions that we are now taking and, therefore, the future shape of Barclays. We will continue to refine this analysis and repeat it as part of our annual planning cycle going forward.

8. **Costs and Business Efficiency**  
We are rigorously reviewing the cost associated with every activity in the bank to remove duplication and inefficiency. This work emulates the industrial approach to cost management that is in place in other sectors, but not prevalent in banking. It will contribute significantly to delivering the 2015 absolute cost commitment that we published in February.

9. **Operations and Technology Operating Model**  
The pressures on the banking industry require a renewed approach to cost management. We need to take a strategic approach. Doing so will ensure that we not only reduce cost, but also improve controls and the customer and client experience. The appropriate application of new technologies will be vital in delivering all three.

10. **Capital, Liquidity and Funding**  
The volume of capital, liquidity and funding held by banks has increased materially as a result of ongoing regulatory reform. We are building stronger and more resilient ways in which to ensure that we not only meet market and regulatory requirements, but also do so in an optimal way for shareholders.

11. **Board Governance**  
While we have taken steps to improve our corporate governance over the past few years, we recognise that more must be done. We will ensure that our governance is fit for the scope and scale of businesses that Barclays operates and intend to lead the market in key areas.

Barclays did not stand still over the seven months during which the Review completed its work. Instead, led by our new Group Chairman and CEO, Barclays undertook a comprehensive strategic review and published the results in February 2013. The change required by that strategic review will be delivered through the 11 Transform projects.

Taken together, these 11 projects are designed to ensure that we implement the objectives and commitments outlined in Barclays’ strategic review. With some expansions and adjustments, they will also be the means by which we will implement the recommendations of the Salz Review.
Barclays’ implementation of the Salz Review recommendations

We are committed to implementing the Review’s recommendations in full as part of our determination to regain the trust of all of Barclays’ stakeholders.

Many of the Review’s 34 formal recommendations must be implemented by management, while others will need to be implemented by the Board, as they require modifications to the way in which the bank is governed. Some of the recommendations are already largely incorporated within the work being executed within one or more of our 11 Transform Programme projects; some require an expansion or adjustment to one or more of those projects; others are new and require additional work to be added to the scope of one or more of those projects. In each case, we have now aligned each of the 34 recommendations to one of the 11 projects and adjusted that project’s charter to ensure that responsibility for implementing the recommendations within the bank is explicit and the plan and resources required to execute is governed in the same way as the broader work of the Transform Programme.

The material that follows takes each of the 34 formal recommendations in turn, noting the specific project within the Transform Programme responsible for implementing it and providing a brief response to outline how that project intends to incorporate the recommendation within its work. For ease of reading, we have included relevant references to the Review’s recommendations within each response in italics and reprised the recommendations in full in the Appendix.

1 Regulatory and business standards (Regulatory Relations)

We intend to develop open, transparent and cooperative relationships with regulators globally to ensure Barclays takes a leading role in contributing to an effective regulatory system. Our objective is to become a model of constructive engagement with regulators. To do so, we will need the appropriate culture, resources, capabilities and processes in place.

This effort will involve employees across Barclays to ensure compliance with the spirit as well as the letter of prevailing regulation, law and business standards across all businesses is achieved. The Group balanced scorecard will include metrics that will allow us to measure performance and influence reward in this context. Additionally, the Chairman will seek, and respond to, feedback from Barclays’ major regulators and appropriate public authorities, supported by Barclays Company Secretary.

2 Setting high standards (Culture and Values)

We intend to integrate comprehensively our Values (Respect, Integrity, Service, Excellence and Stewardship) into all critical aspects of managing our employees and their performance, including recruitment, induction, performance assessment, reward, performance development and promotion. Assessment of employees’ performance going forward will explicitly balance not only ‘what’ they have achieved, but also ‘how’ they have achieved their objectives, assessed against the Values. We intend for this process to explicitly link evaluation and reward to demonstration and promotion of standards.

We are committed to communicating as openly and transparently as possible on our progress and will publish a review of the successes and challenges in fulfilling our Purpose as part of our Annual Report.

3 Customers (Balanced Scorecard)

Our Group balanced scorecard will include a set of metrics, and associated targets, dedicated to improving customer and client outcomes. We will use this to judge our success in improving our ability to meet the needs of our customers and clients to their satisfaction. Complaints measures will be an explicit and direct feed into the scorecard. We will publish our performance against these metrics, as well as against the other financial and non-financial measures, in the scorecard annually.

The measures underlying the scorecard will serve as the foundation for the objectives and performance management decisions for senior leaders across the organisation. Improvement in those measures will only be possible if improvements are made to the processes through which we seek to learn from customer and client feedback and understand how to meet customer and client needs and expectations while also meeting commercial objectives. Our management processes will actively monitor the pace at which those improvements are being delivered.
4 Bringing the Values to life (Culture and Values)

All staff will be required to attend a learning programme by July 2013 to better understand our Values and Behaviours and how to use them in their day-to-day work and decision making. Discussion of potential conflicts and how to address them will be an essential part of that training. Sessions will be facilitated by trained Values Leaders. Senior managers will be highly visible within the training and act as ongoing Values ‘champions’, role models and resources – making Barclays’ commitment tangible to staff. Separate training, including personal coaching, will be undertaken with senior leaders to ensure each of them interrogates how their own leadership profile might need change to ensure that we become a values-based business.

We recognise that even these early interventions will form only a part of what will be required to bring the Values to life. Discussion around our Values (Respect, Integrity, Service, Excellence and Stewardship) will not be limited to single sessions, but rather encompass an ongoing programme of tailored conversation and learning centred on Barclays’ Purpose and Values that will be implemented across the Group and reinforced by performance management.

5 Monitoring progress (Culture and Values)

We will set clear targets to assess our progress on embedding the Values, supporting a strong ethical culture and measure metrics from stakeholder surveys to monitor how we are perceived. Barclays will launch a recurring series of internal employee and leadership group ‘pulse’ surveys beginning in 2013 that will allow us to measure and regularly report progress on our cultural change to the Group Executive Committee. The Board will also receive, via its Conduct, Reputation and Operational Risk Committee, regular reports in order to provide appropriate oversight.

We will communicate our progress against embedding our Values both broadly and externally.

6 Code of conduct (Culture and Values)

We will develop and publish an updated global code of conduct, based on the bank’s statement of Purpose and Values, outlining the high standards of conduct expected of all employees in 2013. This code will be directly integrated with Barclays’ Values, Behaviours and related policies. It will complement training and professional accreditation to provide employees with clear guidance on how the bank’s standards can be applied on a day-to-day basis.

The code of conduct will be regularly reviewed and updated. We will introduce an annual attestation of compliance with the code for all Group employees, in line with local legal requirements.

7 Board experience (Board)

We intend to ensure that the Barclays Board has a sufficient number of Non-Executive Directors (NEDs) with directly relevant banking expertise within a group with appropriate diversity of experience, without being excessively large. The ongoing recruitment of Directors is led by the Chairman, supported by Barclays Company Secretary.

Our stated objective is that approximately 50% of NEDs, including the Chairman and Chairs of the principal Board Committees should have directly relevant banking and/or financial experience and this is taken into account when recommending appointments. Currently, six NEDs plus the Chairman have such experience. We will consider how this could be enhanced for directly relevant experience going forward, ensuring all relevant areas are covered adequately, including: diversity, including gender; representation from different geographies; and representation from different industry sectors. Barclays has appointed four new NEDs since the Review commenced who have collectively enhanced the Board’s expertise in financial services, cultural change, legal issues and regulatory matters.

8 Non-Executive Directors (Board)

We will regularly consider the time commitments realistically expected of NEDs, especially Chairs of Board Committees in light of the fact that time commitments for NEDs are trending higher. After review, the Board will, if necessary, update Barclays’ Charters of Expectations and NED letters of appointment. The current minimum time commitments for NEDs outlined in letters of appointment for Barclays is set at 30 to 36 days per annum.

A programme of detailed sessions for NEDs on specialist topics is in place and will be renewed in light of this recommendation. We will also build a plan to ensure that, over time, NEDs engage with each major business and geography, including occasional attendance at appropriate business committees. For example, the Board visited Barclays’ operations in New York twice during 2012 to gain direct exposure to our US businesses including detailed sessions on our Fixed Income, Currency and Commodities businesses.
While we have taken steps to ensure that *timely and high-quality information at the right level of detail* flows to the Board and Board Committees including analysis and insight specifically to help guide debate, we recognise that more must be done.

To continue to improve quality, revised guidelines on the form and content of Board and Board Committee papers will be implemented; feedback on specific papers will also be sought from Directors and relayed to the authors.

Our objective is to ensure that papers are short and insightful, presenting essential information and themes so that they can be efficiently read by all Board members and provide the basis for robust debate on key issues at Committee and Board meetings. Any further detail will be made available electronically, and separately, so that it can be readily accessed by Directors with interest in probing a particular topic or proposal further.

We will need to take new action to ensure that the senior executive team functions as a cohesive whole and in particular the role of the CEO in encouraging open debate and challenge is fulfilled.

The management team will work more closely with the Board to select, monitor and report specific approaches and measures on senior executive team effectiveness, cohesion and openness. Once agreed, these elements will be included in senior executive team performance reviews and progress reported to the Board.

The Board will review its succession planning processes to ensure that the role profile, including the criteria and personal characteristics required for the role of Group CEO, is periodically updated and agreed. Any required changes will then be incorporated within existing succession plans for the Group CEO and all key positions.

We will also ensure that our broader succession planning framework includes long-term development of future leaders, Board exposure to potential internal candidates, thorough consideration of external candidates and assessment of alignment with Barclays’ Values and Behaviours. As part of that, we will consider additional opportunities for Directors to have exposure to the next level of senior executives and high potential talent over and above the talent receptions, Board presentations and visits that take place today.

To ensure implementation of effective coordination and collaboration between the Board and its principal committees, and between the Board and Boards of subsidiaries subject to separate regulation, the Board will agree appropriate forms of interaction with the boards of principal subsidiaries. For example, these could take the form of regular meetings between the respective Chairs and/or Committee Chairs.

The Board will take further action to ensure that there is effective coordination and collaboration between the Board and its principal committees, building on the participation of the Chair of the Board Financial Risk Committee on the Board Remuneration Committee that was introduced in 2012.

The Board Conduct, Reputation and Operational Risk Committee replaced the Board Citizenship Committee in January 2013 to devote more Board time to the governance of non-financial risk. This Committee now has primary oversight of Citizenship strategy as well as conduct, reputational and operational risk across the Group. For each risk type, the committee will consider and evaluate regular reports on Barclays’ risk appetite and profile; the operation of the internal controls related to the risk type; and significant internal incidents and industry developments with high potential impact to Barclays’ reputation.

The Board Enterprise Wide Risk Committee was established in January as well. It takes a Group-wide view of risk and controls, including reviewing and agreeing overall risk appetite and monitoring performance in order to *bring together in one place* at Board level the entire financial and non-financial risk profile of Barclays.

The Board published the results of its annual 2012 effectiveness evaluation by an independent third party in our Annual Report, including areas for improvement in 2013.

A plan is currently being constructed to address those, especially any that have appeared in prior years.

The Board is currently preparing and considering proposals for conducting the 2013 review. That process will explicitly take account of the Review’s recommendations related to active engagement in reviewing effectiveness, regular and rigorous evaluation, open reporting on the evaluation process, setting forward-looking objectives for improvement and reporting progress against those objectives.
15 Shareholder interaction (Reputation Management)

We will develop and publish a communications policy for promoting effective and open communication with shareholders. We will notify shareholders when that policy is published.

We will review our key shareholder publications to reduce the quantity and improve the quality of information, ensuring that they provide relevant, balanced, accessible and understandable information about the Group, its performance, risks and prospects. We have previously committed to implementing all of the guidelines outlined by the Enhanced Disclosure Task Force of the Financial Stability Board and will incorporate those in future publications as well.

As part of this, in our 2013 Annual Report, we will publish a report on the successes and challenges in fulfilling our Purpose and will initiate action to further encourage Annual General Meeting participation.

16 Strengthening Human Resources (Board)

We recognise the core role that a strong Human Resources function has to play within an effective governance structure. The Group Human Resources Director was appointed to the Group Executive Committee in 2009 and we commit to maintaining this. We will also actively consider ensuring that the human resources directors in each business (or their line manager) are represented on their respective business executive committees, to the extent they are not already.

A major Board Committee will be consulted and engaged in the appointment of the Group Human Resources Director during 2013.

17 Employee engagement (Culture and Values)

We will put in place a single, clear policy statement on how we fulfil our Purpose to our employees that includes emphasis on training and personal development, promoting an environment of continuous learning, and non-financial forms of recognition.

Several elements of the policy will need to be modified to support our desired cultural change. For example, we are undertaking a review of training and development across the Group in 2013 and will add world-class leadership development as a non-financial element to Barclays’ proposition to employees over time.

18 Improving the performance management process (Talent and Reward)

We will ensure that future performance assessments will be based not only on ‘what’ an employee delivers but also ‘how’ they achieve their objectives. The ‘what’ component of performance assessments will be based on transparent and measurable objectives; the ‘how’ component will assess the demonstration of Barclays’ Purpose and Values.

The new performance assessment approach will be introduced for our senior leaders in 2013 and all employees over 2013 and 2014. Managers will be trained on how to conduct performance evaluations, including how to deliver clear and honest feedback on the demonstration of our Values. Internal assurance testing of performance assessment outcomes will explicitly ensure the effectiveness of performance management outcomes.

19 Recruiting and induction (Culture and Values)

We will update our candidate selection methodology to ensure the explicit, consistent and appropriate evaluation of cultural alignment for all candidates, especially senior managers, is integrated within that, enabling rigorous assessment of fit with Barclays’ Values and Behaviours. This will include the review of role specifications across the Group to further enhance the effectiveness of our processes and approach.

We will launch a global induction programme that reinforces our Values and Behaviours for new-joiners.

20 Developing Barclays’ future leaders (Culture and Values)

We believe that leaders set the tone which drives or condones business practices and recognise the need for stronger and more coherent leadership development programmes. In 2013, we will revise our programmes to ensure that they lead to improved identification of the pool of current and potential leaders; develop a revised talent strategy that is explicitly linked to our Values; and introduce a unified Group-wide leadership development programme.

While we began harmonising grades, benefits, performance assessment, contracts and terms and conditions in 2012, we have more to do to enable employee mobility across division, functions, and geographies. As part of an updated talent strategy, we will invest in programmes to develop well-rounded future leaders through structured rotations across the Group beginning in 2014.
Pay principles
(Talent and Reward)

We recently adopted a new remuneration policy and published it in our 2012 Annual Report. The new policy reflects Barclays’ stated direction of travel on remuneration and commits all remuneration decision makers to ensuring that we do not pay more than the amount appropriate to maximise the long-term value of the bank.

That policy is consistent with rewarding individual talent as well as aggregate performance, aligned with both the Group’s Values and Behaviours and the level of risk to which it is exposed. To ensure that policy produces outcomes that systematically reflect individual adherence to Values and Behaviours, our performance management process will incorporate ‘how’ an employee achieves their objectives against the Values and Behaviours alongside ‘what’ objectives are achieved.

The new remuneration policy also confirms the Board Remuneration Committee’s commitment to ensure that the balance between shareholder returns and remuneration is appropriate and supports long-term shareholder interests. Progress has been made in reducing the proportion of remuneration costs to adjusted net operating income and adjusted profit before tax during 2012, but the Remuneration Committee recognises that these are not one-off changes and that the path to reposition our remuneration is a multiyear journey.

We will undertake further review, as the new policy is implemented in 2013 and beyond, to ensure increasing recognition is given to the role non-financial incentives play in our approach to pay and reward.

Discretionary pay
(Talent and Reward)

Our new remuneration policy explicitly aligns remuneration with a full range of risks, as well as the principle that business results will only be rewarded when achieved in a manner consistent with our Values and Behaviours. The effective application of this process will require changes to our performance management process to ensure that we get bonus decisions right the first time, and, where we do not, we apply malus consistently and systematically.

We will continue to consider ways in which we can provide new transparency into how risk management is taken into account in the determination of discretionary pay, including risk adjustments to the incentive pool and deferred incentives, building on the disclosures that we incorporated in our 2012 Remuneration Report.

Retail incentives
(Talent and Reward)

We will continue to monitor and refine our incentive programmes, including assessment against the broader balanced scorecard, so that appropriate Behaviours are encouraged and that retail sales incentives do not encourage behaviour that conflicts with meeting customer needs.

While we have made a start by removing any link to the sales of specific products for retail branch sales employees in the UK (announced in October 2012), and are making similar changes across Africa, we have more work to do to spread this across all markets and ensure that the new service incentives (principally based on how satisfied our customers are with the service we provide as a team, and the extent to which they would recommend Barclays) create the right customer outcomes.

Long-term awards
(Talent and Reward)

We confirmed in our 2012 Annual Report that, for 2013, the Barclays LTIP has been restricted to executive directors and the most senior executives only. The Board Remuneration Committee will continue to review LTIP participation and structure and, in doing so, will consider incorporating greater simplicity and transparency, alignment to financial performance adjusted for risk including malus, adjustments for circumstances not anticipated at award and linkage to Group performance.

As an indication of our commitment, it is worth noting that we made a malus adjustment to reduce unvested deferred and long-term incentive awards by £300m in 2012 and made risk adjustments of £860m to our 2012 incentives pool to reflect the LIBOR investigation and other risk issues in 2012.

Control functions’ incentives
(Talent and Reward)

We will review our approach to incentives for control functions. This review will be undertaken in conjunction with the implementation of the new approaches for setting, aligning and assessing business and individual performance across the businesses. These approaches will include the introduction of balanced scorecards for each of the control functions which will help ensure that control function performance and remuneration are appropriately independent of individual business performance. This will require the development of performance measures related to the successful achievement of each control function’s specific objectives.
26 Control functions’ review of compensation
(Talent and Reward)

Our new remuneration policy reinforces the direct and recognisable alignment between remuneration and risk exposure. This, alongside changes made to the nature of the responsibilities associated with each function, will enable the control functions to have even stronger input into remuneration decisions, including advice on the risk and compliance focused elements of our remuneration arrangements, as well as input into incentive decisions and individual assessment against relevant risk, control and limit frameworks. We will factor these changes explicitly into the revisions that are being made to the performance management and reward process.

27 Board’s role in compensation oversight
(Board)

Our new remuneration policy establishes clear common principles across the Group, including a direct and recognisable alignment between remuneration and risk exposure. That policy also ensures that remuneration decisions will only reward business results when these are achieved in a manner consistent with our Values and Behaviours.

The Board Remuneration Committee will review the operation of the remuneration policy, and the compensation frameworks that support it, and receive internal assurance of adherence to the policy.

As part of this, the Board and the Board Remuneration Committee will consider changes to their work on remuneration to ensure the rigorous review of remuneration proposals for high earners. How the Remuneration Committee works with the Board Risk Committee and its independent external advisers will also be reviewed.

We will also consider further changes to our remuneration disclosures and their transparency, building on the enhancements that were incorporated in our 2012 Annual Report.

28 Risk culture and control framework
(Controls)

We will establish and implement a new Governance Risk and Control framework that seeks to be best practice for banks and seeks to meet the requirements of regulators. This framework will incorporate clear statements on our Group risk appetite for all types of risk and clearly articulate roles and responsibilities across the three lines of defence. Implementation across the Group will be guided by an understanding of where the principal gaps exist, which may include certain front-office functions, but will consistently embed adherence to the articulated Group risk appetite and control framework into all business units regardless.

The introduction of balanced scorecards (each of which will include measures for risk, control and compliance as a basis of performance evaluation, remuneration and promotion decisions) for the Group, as well as each business and function, will complement work in this particular area. It will also be strengthened by actions to reinforce a control and compliance culture throughout the bank. As an extension of that, we will implement a zero-tolerance policy for breaches of risk appetite limits.

29 Conduct, reputational and operational risk
(Controls)

The new Barclays’ Governance Risk and Control framework noted above is enterprise-wide and will include the articulation of tangible risk appetite statements. Implementation of the framework will incorporate mechanisms to ensure that conduct, reputational and operational risks are fully factored into business decisions and governance.

30 Issue escalation
(Culture and Values)

Our Purpose and Values are underpinned by clear and explicit behavioural expectations. These explicitly raise the requirement of regular issue escalation in everyday work contexts. Our intention is for this to foster a culture where employees feel escalating issues is safe and valued; we recognise there is much to be done to achieve this.

We will promote employee awareness to build trust in the fact that whistleblowers are protected and that their information leads to constructive action being taken to address the underlying culture and Values issues as part of work to ensure that we have robust whistleblowing arrangements in place.

Barclays will prepare regular detailed reports on culture and behaviour, including whistleblowing, that allows the Board to form insightful views on the culture and behaviour within the organisation.
31 Learning from mistakes
(Reputation Management)

Barclays’ Investment Bank adopted new processes for effectively learning from mistakes in 2012 following an internal review. We will consider how best to put in place similar processes consistently across the Group and monitor how successfully those processes look widely to understand why the issues arose and for any related issues elsewhere in the business. This should allow Barclays to understand and address underlying root causes of issues and apply lessons learned more broadly.

32 Control functions’ independence and influence
(Culture and Values)

We announced a new functional operating model in January 2013 which will improve the independence, authority, capability and business engagement of control functions in overseeing all risk types. Finance, Treasury, Risk, Legal, HR and Corporate Communications now primarily report to their Group Function Head. For example, Compliance now reports only to the Group CEO through a single, global Head of Compliance and Government and Regulatory Relations. These functions’ new authority and influence will be actively promoted.

We are committed to robust oversight in the form of a world-class compliance function. Barclays will reinforce a culture of compliance throughout the bank via a combination of training, discussion forums and performance management.

The Board will consider making the appointment and removal of the Group Head of Compliance subject to approval of the Board Corporate Governance and Nominations Committee in 2013.

33 Internal Audit
(Controls)

In July 2012, we introduced a revised audit methodology with the intention of creating a more efficient and effective approach to the coverage of the audit universe. For example, we now make greater use of techniques such as automated auditing that enables Internal Audit to focus more time on higher risk entities and provide broader audit coverage across the Group. We will review the performance of that methodology and continue to refine it if the intended objectives are not achieved.

In addition to dedicated, business-aligned audit teams, Barclays has established specialist internal audit teams. As Barclays’ risk profile continues to change, these teams will be reviewed and strengthened via the recruitment of employees with the additional technical and specialist skills identified as required in the semi-annual skills review process. This will enable us to continuously enhance the quality of specialist audit assurance, particularly in complex risk areas such as modelling, complex regulation and financial crime.

The Internal Audit Charter is reviewed, updated and reapproved at least annually by the Board Audit Committee. In 2013, this will also reflect known changes in governance, control and risk culture as they evolve.

34 Implementation
(Transform Project Management Office)

We are committed to acting openly in the way we operate and have published this response in the spirit of the Review’s call to publicly outline the steps we intend to take to implement the recommendations of the Salz Review. Barclays will publicly report progress on implementation against these recommendations annually, alongside our annual results announcement.
Reporting on implementation progress

Having fully considered the formal recommendations contained in the Review’s report we confirm our commitment to implement all of them.

In the spirit of transparency and rebuilding trust, Barclays will publish updates on our progress in this implementation programme in future Annual Reports. We will, of course, also regularly update our regulators and other interested stakeholders through ongoing engagement.

Barclays aims to have the majority of all the recommendations fully implemented by 2015, concurrent with the Transform commitments that we published on 12 February 2013. We fully recognise, though, that healthy business practices and culture require ongoing and constant maintenance. Barclays will continue to evolve our business practices into 2015 and beyond with an explicit focus on ensuring that we do what it takes to regain fully the trust of society and our broader stakeholders. The Board will provide active oversight of those considerations.

The full Salz Review report can be found at: www.barclays.com/citizenship#salz-review

Updates and further detail on Barclays’ Transform Programme can be found here: www.barclays.com/transform
Appendix
Salz Review recommendations

Introduction

Our recommendations are based on the business practices and culture prevailing prior to autumn 2012. On 17 January 2013, Antony Jenkins announced the launch of new Group-wide values. On 12 February 2013, he announced changes to the scope of Barclays’ business. Antony Jenkins and the Barclays Board have rightly pressed ahead with making changes rather than waiting for our recommendations. As a result, some of our suggestions will already be in the process of being implemented.

1. Regulatory and business standards
Barclays should take a leading role in contributing to an effective regulatory system. It should ensure that it applies appropriate regulatory and business standards across all its businesses, complying with the spirit as well as the letter of prevailing regulation and law. It should work with regulators in a way that is consistently open, clear and transparent. It should reinforce these objectives through its performance management and reward systems.

The Chairman should seek, and respond to, feedback from its major regulators and appropriate public authorities.

2. Setting high standards
The Board and senior leadership, as custodians of Barclays’ reputation, should promote and safeguard the trust in which it is held. They should state clearly Barclays’ purpose and report regularly on how it is fulfilling that purpose. They should promote standards that support Barclays’ ambition to be seen as a leader in business practices among its peer institutions and multinational corporates generally. The senior leadership team should be responsible for demonstrating and promoting these high standards. This should be reflected in their annual evaluations and variable compensation.

In communicating internally and externally, Barclays should be as open and transparent as possible, aspiring to provide relevant, clear and meaningful information.

3. Customers
In pursuit of its goal of being a leader among its peer institutions, Barclays should develop an understanding across its businesses of how to meet its customers’ needs and expectations while also meeting its own commercial objectives and those of its shareholders. It should seek to learn from customer feedback, and publish the measures by which it would judge performance in resolving complaints. Barclays should report periodically on progress against these measures by publishing the data both internally and externally so as to reinforce the seriousness Barclays places on continuous improvement.

4. Bringing the values to life
Barclays should institute learning programmes which actively encourage frequent discussion of its chosen values among all staff, focusing on understanding potential conflicts and how to address them. These discussions should be tailored so as to be relevant to the work of individual staff members. To make Barclays’ commitment tangible to staff, senior management should lead and attend as many of these sessions as is practical.
5. Monitoring progress
Barclays should set clear targets against which to assess progress on embedding the values necessary to build a strong ethical culture. Progress against these targets should be measured through employee, customer and other stakeholder surveys and should be reported regularly to the Group Executive Committee (ExCo) and Board for discussion. Barclays should also communicate its progress more broadly as part of its commitment to greater openness and to support its efforts to rebuild public trust.

6. Code of conduct
Barclays should maintain and publish a global code of conduct, based on the bank’s statement of purpose and values, outlining the high standards of conduct expected of all employees. This code should be regularly updated and provide clear guidance to employees about how the bank’s standards can be applied on a day-to-day basis. Employees should attest to their compliance with this code annually.

7. Board experience
Barclays should include among its Non-Executive Directors a sufficient number with directly relevant banking expertise. This will help the Board to challenge effectively the performance of management, to satisfy itself that risk management systems are robust, and to test business practices. It is essential that the Board includes appropriate diversity of experience, without causing it to be excessively large.

8. Non-Executive Directors
Barclays should regularly consider the time commitments realistically expected for Non-Executive Directors, especially Chairmen of Board committees, and reflect its conclusions in its updated Charters of Expectations and in the Non-Executives’ letters of appointment.

Barclays should maintain and put into action a plan for Non-Executive Directors over a period of time to engage with each major business and geography, including occasional attendance at appropriate business committees. This should be supplemented with detailed sessions on particular specialist topics.

9. Board information
Barclays should define options and implement arrangements to improve the quality, timeliness and level of detail of its Board information and allow flexibility to meet the demands of individual Board members.

Board papers should be prepared specifically for the Board and include analysis and insight to help guide debate.

10. Cohesive executive team
The Group Chief Executive should be responsible for building a cohesive senior executive team which actively contributes to decision making through open debate and challenge. This should be reflected in his performance reviews and in the performance reviews of the senior executive team. The Board should regularly review the effectiveness of the senior executive team.

11. Group Chief Executive succession
The Board should agree periodically the criteria and personal characteristics required for the role of Group Chief Executive as part of its succession planning. The framework for succession planning should include the long-term development of future leaders, Board exposure to potential internal candidates, thorough consideration of external candidates and assessment of alignment with Barclays’ culture and values.

12. Board coordination
The Board should ensure that there is effective coordination and collaboration between it and its principal Board committees, and between it and the subsidiary boards of those of its major Group businesses which are subject to their own regulatory requirements. In particular, it should consider holding joint meetings of Board committees.

13. Board Committee for conduct, reputational and operational risk
The Board should make clear which committees have primary oversight of conduct, reputational and operational risks across the Group. The terms of reference should make clear where the primary responsibilities lie for different aspects of operational risk, and where oversight of all financial and non-financial risks comes together.

The terms of reference of these committees should also require a timely review of significant internal incidents, as well as of industry developments with high potential to impact Barclays’ reputation.

14. Board effectiveness
The Board must be actively engaged in the process of improving its own effectiveness, including through regular and rigorous evaluations. The Board should report openly on the evaluation process, set forward-looking objectives for improvement and explain progress against these objectives.
15. Shareholder interaction
The Board should design, adopt and publish from time to time a communications policy for promoting effective and open communication with shareholders and encouraging their participation in general meetings. In its shareholder reports, Barclays should provide complete, relevant, balanced, accessible and understandable information about the Group, its performance, risks and prospects, with an emphasis on the quality and candour of information rather than its quantity. In particular, its annual report should include not only information as to its financial performance but also a prominent report on the successes and challenges in fulfilling its stated purpose.

16. Strengthening Human Resources
To support a strong and effective HR function, the Group Head of HR should normally sit on the Group Executive Committee. This will make it easier for HR both to provide necessary challenge to business leadership and to encourage prioritisation of consistent Group-wide approaches to the Group’s people and their development. The Board should also consider making the appointment and removal of the Group Head of HR subject to approval of the Board Corporate Governance and Nominations Committee or another major Board committee.

17. Employee engagement
Barclays should maintain a clear policy statement as to how it fulfils its purpose with respect to its employees. This should include the emphasis it places on training and personal development, promoting an environment of continuous learning, and non-financial forms of recognition for performance.

18. Improving the performance management process
To ensure a strong and consistent relationship between performance management and key HR decisions such as pay, promotion and personal development, Barclays should ensure these decisions are based on transparent and measurable objectives, clearly linked to its purpose and values. Barclays should provide guidance to managers on how best to give feedback based on applying common standards across the Group. Managers should be trained to deliver clear and honest messages during individual performance evaluations, as well as during promotion and compensation discussions. This should also form part of the manager’s own evaluation.

Barclays should require regular internal assurance of the effectiveness of performance management outcomes.

19. Recruiting and induction
In all recruiting, but particularly for senior managers, Barclays should look beyond a candidate’s financial performance, and include a rigorous assessment of their fit with Barclays’ values and culture. Barclays should supplement this with induction programmes that reinforce the values and standards to which the bank is committed.

20. Developing Barclays’ future leaders
Barclays should clearly identify its pool of current and potential leaders and strengthen the leadership development programmes in which they participate. These programmes should be Group-wide and embrace all business units and functions, aiding current and future leaders to develop well-balanced skills. To strengthen the role leadership development plays in creating a cohesive Group, Barclays should carefully manage mobility across divisions, functions and geographies, investing in programmes to develop well-rounded future leaders through structured rotations across the Group.

Leadership promotion should include direct evidence of adherence to the values and standards and the encouragement of others to live them.

21. Pay principles
The Board, aware of the reputational and behavioural implications of pay, should align pay to levels that reasonably reflect individual talent and the contributions that individuals make, aiming to link pay to the long-term success of the institution.

Approaches to pay across the bank should be based on common underlying principles and be aligned with both the Group’s values and the level of risk to which it is exposed. Individual pay should systematically reflect individual adherence to values and standards.

Barclays’ approach to reward should be much more broadly based than pay, recognising the role of non-financial incentives wherever possible.

22. Retail incentives
Barclays should avoid retail sales incentives which may encourage behaviours that conflict with meeting customer needs. It should ensure that indirect sales-based targets (such as internal league tables) do not take the place of sales incentives in such a way as to encourage prioritising sales over customer needs. Retail incentives should, where practicable, be based on a balanced scorecard covering overall behaviours as well as customer satisfaction.
23. Discretionary pay
The size of the variable pool should aim to reflect, so far as practicable, the full range of risks. Significant bonuses should only be paid in the case of strong performance across all dimensions of a balanced scorecard which appropriately weights risk, values and other non-financial elements.

Barclays should aim to be transparent as to its discretionary bonus process, including how bonuses correlate with performance ratings based on the balanced scorecard.

Barclays should combine bonus deferrals and malus adjustments to align reward with risk and prudent behaviour. It should apply malus consistently and systematically – while reinforcing efforts to get bonus decisions right first time.

24. Long-term awards
Long-term award structures should be simple and transparent, reflect financial performance adjusted for risk, be linked to Group not individual business unit performance, and apply to a small group of the most senior executives. The Remuneration Committee should give careful consideration to ‘value at award’ to ensure that it does not distort pay awards and disclosures. The Board should agree and apply principles for making adjustments for circumstances not anticipated at award.

25. Control functions’ incentives
The design of incentive schemes for the control functions should avoid potential conflicts of interest, such as an interest in business unit profitability; this may require a higher proportion of fixed remuneration. Barclays should develop specific performance measures related to successful achievement of the control functions’ objectives and these should form a significant element of any incentive arrangements.

26. Control functions’ review of compensation
Barclays should ensure that all its control functions have meaningful and direct input into compensation decisions, making this input available to the relevant Board committees.

27. Board’s role in compensation oversight
Barclays’ Remuneration Committee should establish, and the Board validate, clear remuneration principles and a robust framework to assess the impact of pay arrangements on culture and all elements of risk management. These should be reviewed regularly. From time to time, the Remuneration Committee should require internal assurance of the remuneration process, including the implementation of the remuneration principles.

The Committee’s terms of reference should require it to be satisfied that there have been rigorous reviews of remuneration proposals relating to high earners. Barclays should have a bias towards open disclosure of the most important characteristics of its compensation system design and application.

The Remuneration Committee should work closely with other Board Risk Committees and also take advice from its own compensation advisers who should be appropriately independent of management.

28. Risk culture and control framework
To develop a consistently strong risk culture, Barclays should communicate clear statements as to its Group risk appetite for all types of risk; embed adherence to Group risk appetite into all business units; reinforce limits with strong management action for breaches; and embed risk and compliance criteria in performance evaluations, and in remuneration and promotion decisions.

Barclays should review its control framework and ensure that it covers all risk types and clearly articulates roles and responsibilities across the three lines of defence. The business (front-office) responsibility for risk should be reinforced. Barclays should endeavour to embed the framework consistently in all its businesses.

29. Conduct, reputational and operational risk
Barclays should ensure its conduct, reputational and operational risk framework includes the articulation of a tangible risk appetite statement and mechanisms to ensure that conduct, reputational and operational risk are fully factored into business decisions and governance.
30. Issue escalation
Barclays should foster a culture where employees feel that escalating issues is safe and valued.

Barclays should maintain robust arrangements for raising concerns (‘whistleblowing’) which are perceived to protect those raising them and to lead to actions being taken to address the underlying culture and values issues. There should be regular reports to the Board which are detailed enough for the Board to form insights as to the culture and behaviours within the organisation.

31. Learning from mistakes
Barclays should maintain effective processes for learning from its mistakes. It should endeavour to understand and address underlying root causes of issues so as to be able to apply lessons learned more broadly. Investigations should be carried out following a consistent Group-wide methodology.

32. Control functions’ independence and influence
To improve the independence, capability and business engagement of control functions in overseeing all risk types, Barclays should promote the authority and influence of the control functions, including Risk, Compliance, Legal, Finance and, in this regard, HR with the primary reporting lines to the Group-level functions.

Barclays should ensure it constantly reinforces the compliance culture throughout the bank and should consider making the appointment and removal of the Group Head of Compliance subject to approval of the most appropriate Board committee.

33. Internal Audit
Barclays’ Internal Audit should ensure the effectiveness of its audits in each of the businesses to identify control issues, prioritising high-risk entities. This will be aided by developing specialist internal audit teams able to deal effectively with the bank’s more complex business units.

The Internal Audit Charter should be updated and periodically reviewed to ensure that it covers all aspects of governance, control and risk culture, as the business and external environment evolves.

34. Implementation
Barclays should publish the steps it intends to take to implement the recommendations in this Review and publicly report progress on implementation at regular intervals, with such internal and external assurance as the Board considers appropriate.
Go online
The Salz Review report and this Response can be found online at www.group.barclays.com/salz-review