

Annual Review 2013



Chartered Banker

Professional Standards Board

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CB:PSB Board members

- **Lady Susan Rice CBE**
Chairman, CB:PSB;
Managing Director of
Lloyds Banking Group Scotland
Lloyds Banking Group
- **Mark Burton**
Global Head of Leadership
and Learning
Barclays PLC
- **Kevin Page**
Transformation Director
Clydesdale and Yorkshire Banks
- **Mark Smith**
Chief Risk Officer
Europe and Global Head
Wholesale Credit and Market Risk
HSBC Bank plc
- **Graham Lindsay**
Group Director
Responsible Business
Group Corporate Affairs
Lloyds Banking Group
- **Chris Sullivan**
Chief Executive Officer
Corporate Banking Division
The Royal Bank of Scotland Group
- **Steve Pateman**
Executive Director
Head of UK Banking
Santander UK
- **Rick Hunkin**
Chief Risk Officer
Tesco Bank
- **Stephen Pearson**
General Counsel
Virgin Money
- (Ex-Officio):
Simon Thompson
Chair, Professional Standards
Committee; Chief Executive
Chartered Banker Institute

The Chairmen or Chief Executives of the banks listed above signed the Commitment to Professionalism which led to the creation of the Chartered Banker Professional Standards Board.

Thanks are given to former Board members: Richard Doe, ING Direct UK; David Thorburn, Clydesdale and Yorkshire Banks; and Benoit de Vitry, Barclays PLC, for their contribution to the CB:PSB.

Message from the Chairman



LADY SUSAN RICE CBE

The last year in banking has been like few others in recent memory. As some of our biggest banks have emerged from the financial crisis as leaner, in-profit institutions, the industry has been rocked by fresh crises.

These have kept a critical spotlight on culture in our banks. That a Parliamentary Commission on Banking Standards was formed a year ago, shows the extent of both real and perceived issues at the heart of banking.

In the midst of this bumpy ride, the Chartered Banker Professional Standards Board, CB:PSB, has continued its efforts to raise ethical and professional standards in banking. If anything, this challenging backdrop has reinforced the relevance of the CB:PSB.

I think most of us believe we're now at a tipping point – a moment when we can create genuine change within our industry. But it has to be about action. Talk alone isn't sufficient.

In this Annual Review, we detail the action taken by the CB:PSB over the last year. We have focused on embedding the Foundation Standard for Professional Bankers within the eight member banks who form the CB:PSB. In July 2012, we agreed a target to implement the Foundation Standard to a pilot group of 70,000 bankers and I'm delighted to say that the banks delivered on this commitment.

This Review details the path each bank took to implement this Standard, and ensure on-going alignment with the Chartered Banker Code of Professional Conduct which applies to the 350,000 bankers they employ in the UK. We also report on the number of bankers who successfully achieved the Foundation Standard.

We've made good progress in developing our next one – the Leadership Standard – which is designed for those who lead at various levels within a bank, as well as those at the top of an institution. We believe that it's vital to create a standard for bankers who not only shape the strategy and policies of our banks, but shape their culture as well.

One of the things I've been most pleased about over the last year is the extent of external support for the CB:PSB. I see this in the expansion of our independent Advisory Panel. The genuine enthusiasm I've encountered as I've engaged with new members has been heartening. And I've seen the same interest and focus on the CB:PSB from many other stakeholders, ranging from the regulatory authorities to industry and government bodies.

As an industry, we will respond positively and proactively to the Parliamentary Commission's recommendations. The work of the CB:PSB resonates with the direction they've set, and our banks continue to build on the strong platform that we've established in the two years since we launched.

Many of us – both in the industry and outwith it – share a vision of a banking industry which is trusted by customers and where bankers feel pride in their role and contribution. We will be able to achieve this through a focus on professional standards in banking.

I'm proud to introduce the 2013 CB:PSB Annual Review. It demonstrates defining action towards realising this common vision, and I'm particularly grateful to the bankers who've sat around the table with me and driven this vision forward.

81% The number of opinion formers who believe the culture of the UK banking industry needs to change.

YouGov survey of 716 UK opinion formers, June 26th – July 4th 2013.

CB:PSB in numbers

8 current member banks

Launched in October

2011

Independent Advisory Panel representing

8

customer and external perspectives

Circa

£1.5m

committed by member banks to fund the CB:PSB for an initial 3 year period

350,000 individuals covered by a common Code – the Chartered Banker Code of Professional Conduct

70,000 bankers progressed through the systems and processes to meet the Foundation Standard in the initial phase

66,578 bankers have achieved the Foundation Standard

All CB:PSB customer-facing bankers will work to meet the Foundation Standard by

December 2015

First Professional Standard achieved by bankers in

June 2013

2nd

professional standard, the Leadership Standard, currently in development

CB:PSB member banks serve more than

70 million UK customers

5

key publications to date

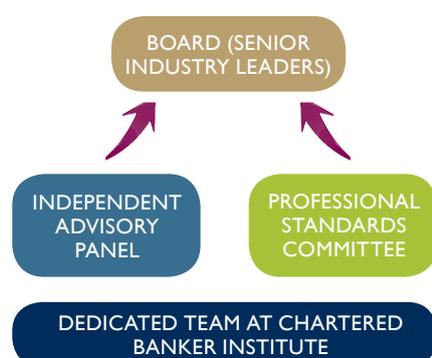
Executive summary

WHAT IS CB:PSB?

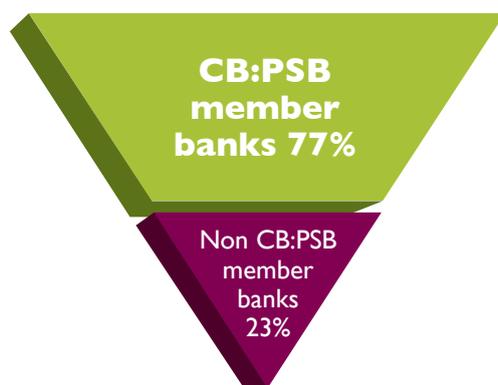
CHARTERED BANKER: PROFESSIONAL STANDARDS BOARD

= 8 UK BANKS

+ **CHARTERED BANKER INSTITUTE**



INDUSTRY COVERAGE



The CB:PSB is an initiative led by eight UK banks and the Chartered Banker Institute to restore public confidence and trust in the banking industry and promote a culture of professionalism among individual bankers.

In the two years since the CB:PSB was launched with a Commitment to Professionalism signed by the Chairmen or Chief Executives of the founding member banks, a great deal has been achieved.

This CB:PSB Annual Review focuses on how banks have implemented the first professional standard, the Foundation Standard for Professional Bankers. Member banks collectively agreed an initial target of 70,000 individuals who would work to achieve the standard by 1st July, 2013. The methods adopted by the eight CB:PSB member banks to embed the Foundation Standard and Chartered Banker Code of Professional Conduct, which underpins CB:PSB professional standards, are described on pages 10 to 13. Pages 14 and 15 set out how these methods were independently monitored and audited by the Chartered Banker Institute.

The Annual Review confirms that 66,578 individuals have achieved the Foundation Standard to date. Building on this initial success, the CB:PSB Board agreed the next phase, committing that all customer-facing colleagues will work to meet the Foundation Standard by December 2015. This work will be undertaken alongside the development and implementation of further CB:PSB professional standards.

Over the past year, the CB:PSB has focused efforts on developing an advanced level Leadership Standard. The Parliamentary Commission on Banking Standards, and in particular its recommendations for revised supervisory structures for senior bankers, rightly determines the pace of development, as described on page 18.

The CB:PSB has also augmented its approach to evaluating its impact. Pages 16 and 17 set out the range of measures the CB:PSB will utilise to track awareness and recognition of professional standards, public trust and confidence and professional pride among bankers.

Against a challenging backdrop, the CB:PSB has demonstrated significant success in developing and implementing professional standards for the first time in UK banking. All involved in the CB:PSB – the Board, Advisory Panel, Professional Standards Committee, member banks and the Chartered Banker Institute – look forward to building on this work and to helping create lasting cultural change in banking.

An external perspective



PROFESSOR ROBIN JARVIS Chair of the Advisory Panel¹

As Chair of the independent, customer-focused Advisory Panel, I've been encouraged by the progress that the CB:PSB has made in implementing the banking industry's first professional standard.

The primary role of the Advisory Panel is to consider and give opinions on the CB:PSB's proposed professional standards. These standards are seen by the Panel as a significant contribution to rebuilding the trust between banks and their customers.

In this context, it is therefore important that the Panel members have a sound knowledge and understanding of the expectations and needs of customers and the wider economic community. I very much welcome that, this year, we have expanded the Panel to reflect the interests of customers and other bank stakeholders more widely. The Panel includes:

- Joanna Elson, Chief Executive, Money Advice Trust
- Matthew Fell, Director for Competitive Markets, CBI
- Paul Lee, Director, Hermes Equity Ownership Services Limited
- Priyen Patel, Policy Advisor, Federation of Small Businesses
- Teresa Perchard, Independent Consumer Advocate
- Dr Ian Peters, Chief Executive, Chartered Institute of Internal Auditors
- Graham Rumney, Chief Executive Officer, R3: Association of Business Recovery Professionals
- Colin Tyler, Chief Executive, the Association of Corporate Treasurers

With this expertise, the Panel has been able to offer an important contribution in promoting standards that reflect a customer perspective that we believe will facilitate the change in culture needed both in the banking industry and in individual bankers.

In particular, this year the Panel has helped shape the development of the Foundation Standard that has been achieved by over 66,000 bankers. We are currently in the process of contributing to the development of intermediate and advanced level standards.

Originally, oversight of how professional standards are monitored and evaluated by the CB:PSB was not a part of our terms of reference. The Panel conveyed to the Board the importance of its involvement in monitoring the adoption and the evaluation of professional standards.

This recommendation was accepted by the Board, ensuring the Panel has a holistic view from standards development to their evaluation. The Panel was impressed with the level of rigour and discipline in standards implementation, monitoring and evaluation – in particular that such rigour has been achieved within a voluntary initiative.

The Panel looks forward to another challenging but productive year, with the immediate focus on the development of the advanced level Leadership Standard. We have challenged the Board to be bold in its thinking and scope for this standard which, we believe, will address some of the most challenging cultural and behavioural issues highlighted during the banking crisis.

ROBIN JARVIS

56% of UK adults surveyed agree there should be a **Code of Conduct** that is supported by a series of professional standards.

YouGov total sample size 2,213
UK adults 18+, 12th-14th August 2013.

¹Professor Robin Jarvis is Special Adviser, Association of Chartered Certified Accountants (ACCA) and Professor of Accounting, Brunel University

A view from Simon Thompson



Chief Executive of the Chartered Banker Institute and Chair of the Professional Standards Committee

In June, my colleagues and I warmly welcomed the publication of the Parliamentary Commission on Banking Standards' Final Report, and in particular its call for the industry to bring forward proposals for professional standards for bankers.

Aside from the CB:PSB's conviction that professional standards are vital to rebuilding trust and confidence in banking, both the Commission's report and a survey of MPs and opinion formers confirmed that professional standards and independent verification of those meeting standards are considered the key hallmarks of professionalism (see right).

In that context, I look back with pride on a year of real progress in implementing the CB:PSB's first professional standard. As Chair of the Professional Standards Committee (PSC), I was closely involved in drafting the Foundation Standard for Professional Bankers. Developing and drafting a standard is relatively straightforward. Implementing and embedding a standard is the challenge.

My fellow PSC members representing the CB:PSB member banks, and their many colleagues in the banks' implementation teams, must take all of the credit for helping 66,578 colleagues achieve the Foundation Standard this year, a figure which has been independently verified by the Chartered Banker Institute.

The Commission's report hugely encourages us in our work with the CB:PSB to enhance and sustain that innate sense of professionalism which, in reality, has never deserted thousands of good people working in banking, for whom customers have always come first. I have also been struck by the interest in and support for our work from banks, bankers, policymakers, regulators and opinion formers both here in the UK and internationally.

The industry has been set a tough challenge by the Commission and the Government – to establish a strong, unified, independent professional standards body with comprehensive coverage of banks operating in the UK.

It is a challenge the CB:PSB will not shirk from, and we have much to build on: the CB:PSB already encompasses more than 75% of UK banking employees, and the Chartered Banker Code of Professional Conduct covers some 350,000 individuals working in banking in the UK.

The opportunity for us now is to work with others to widen the CB:PSB's reach, enhance its independence and embed professional standards at the heart of all banks operating in the UK. Over the past year, the CB:PSB made excellent progress and I believe we can look forward with confidence to meeting that challenge.

Simon Thompson.

MPs and Opinion Formers were asked to consider the key hallmarks of professionalism. The top 5 responses were:



■ MPs
■ Opinion Formers

YouGov. Base: 100 UK MPs, June 27th – July 10th 2013
716 UK opinion formers, June 26th – July 4th 2013

Implementation

The CB:PSB's primary function is to develop, implement and monitor professional standards, which:

- DEFINE THE KEY COMPONENTS OF BANKING PROFESSIONALISM;
- PROVIDE A FRAMEWORK FOR THE DEVELOPMENT OF ETHICAL AND PROFESSIONAL JUDGMENT;
- PROMOTE THE IMPROVEMENT OF BANKING SKILLS AND COMPETENCE;
- ENABLE BENCHMARKING OF INDIVIDUALS' COMPETENCE AND ORGANISATIONS' LEARNING AND DEVELOPMENT ACTIVITIES AGAINST INDUSTRY STANDARDS.

The Foundation Standard for Professional Bankers (Foundation Standard), published in June 2012, is the first in a suite of CB:PSB professional standards. Further intermediate and advanced level standards will follow and build on work undertaken in 2013 to scope all CB:PSB professional standards and the potential routes bankers will take to meet these standards as they progress their careers. Given the focus on behaviour and culture in banking, the CB:PSB has prioritised development of the advanced level Leadership Standard and its progress is detailed on page 18.

FOUNDATION STANDARD FOR PROFESSIONAL BANKERS

Implementation of the Foundation Standard has been the main focus of the CB:PSB over the past year. The process began with member banks collectively agreeing an initial target of 70,000 bankers who would work to meet the standard by 1st July 2013. Member banks are responsible for selecting target audiences within their organisations, based on the scope agreed by the CB:PSB. Member banks also work within broad guidelines to determine how professional standards are implemented within their organisations. This approach ensures that implementation is aligned to banks' existing development, competency and performance frameworks.

The development and roll-out of professional standards is new in banking and member banks' initial target audiences varied. Some target groups consisted of colleagues already working towards a qualification or accredited programme; for others, it was customer-facing colleagues who receive detailed and rigorous annual training. Selecting these target groups allowed banks to develop, test and then embed systems and processes to support initial, and future, roll-out of the Foundation Standard.

The task of implementing professional standards for the first time is considerable and complex. In the following pages, member banks outline the approaches they adopted both to subscribe to the Chartered Banker Code of Professional Conduct and implement the Foundation Standard. First, a look at the key milestones:

IMPLEMENTATION MILESTONES AND TIMELINE

FROM JULY 2012

Benchmarking – having set targets, member banks completed comprehensive benchmarking of their target populations against the 30 knowledge, skill and performance indicators of the Foundation Standard. This involved assessing existing learning and development, on-the-job training and coaching, performance management and competency frameworks against the Foundation Standard. If gaps were identified, member banks had to develop learning solutions to address them.

FROM AUGUST 2012

Development of implementation plans based on target populations – member banks created plans for how they would implement the Foundation Standard. Banks were required to establish internal working groups or similar to drive and coordinate implementation, develop robust project methodology including identifying slippage, risks and issues and identify how communication would be developed and deployed to the target group and wider organisation.

OCTOBER AND NOVEMBER 2012

Critical Evaluation – each bank completed a progress review, which was independently assessed by the Chartered Banker Institute (see Monitoring professional standards implementation on page 14 for further information).

From July 2012

From August to November 2012

NOVEMBER 2012 TO JUNE 2013

Testing and embedding – following Critical Evaluation, the banks worked to remedy issues identified – this included, among other activities, banks developing greater rigour in their implementation plans, augmenting training and assessment for their target group and refining benchmarking. To June 2013, the Chartered Banker Institute continued to work closely with each member bank to ensure plans were being implemented successfully.

JULY 2013

Initial 70,000 target met – member banks confirmed that 70,000 bankers had progressed through the systems and processes to meet the Foundation Standard.

JULY TO AUGUST 2013

Independent review – a three stage review completed by member banks and the Chartered Banker Institute (see Monitoring professional standards implementation on page 14 for further information).

SEPTEMBER 2013

Additional roll-out – following the CB:PSB's success in implementing the Foundation Standard to the initial target group, the Board agreed the next phase of roll-out, which will include all customer-facing colleagues who will work to meet the Foundation Standard by December 2015.

At the end of Independent Review, the CB:PSB confirmed that of the 70,000 individuals who had progressed through the systems and processes to meet the Foundation Standard, 66,578 had been successful. Those individuals who did not achieve the standard at the first time of asking will receive additional support and training to ensure they meet the standard in the future.

“As a member of the CB:PSB Advisory Panel, I’m pleased to support an initiative which brings the banks into line with other professions, like accountancy and financial advice, which small firms deal with on a daily basis. Small businesses in particular need to trust the advice and service they receive and the development and embedding of professional standards in our banks is a fundamental step to building that trust. I congratulate the CB:PSB for the way it has so actively engaged customer groups, including the Federation of Small Businesses, in developing its professional standards.”

Priyen Patel, Policy Advisor, Federation of Small Businesses

“I was recently approached to join the Advisory Panel and am delighted to join an initiative which aims to rebuild trust in banking. Representing an organisation which itself leads a profession by defining standards, I look forward to supporting the CB:PSB in developing professional standards which I believe are critical to the long term success of the banking industry.”

Colin Tyler, Chief Executive, the Association of Corporate Treasurers



In February this year, Barclays communicated its vision and strategy launched as a result of a strategic review of all areas of the organisation; 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.

As part of the Transform programme, Barclays has a distinct focus on building both mindset and skillset within our colleagues. We committed ourselves to training all our employees on the importance of Barclays' Purpose, helping people achieve their ambitions – in the right way, and our Values – Respect, Integrity, Service, Excellence and Stewardship. We recognise that putting these Values into practice is absolutely fundamental to our success in building the 'Go-To' bank.

The Values must guide all our decisions and all our behaviour which is why they are now fundamental to the way the performance of everyone at Barclays will be assessed and rewarded.

All of our colleagues have been briefed on the Purpose, Values and Behaviours and have undertaken a half day workshop to ensure understanding of the values and to facilitate discussion on bringing the values and behaviours to life within their individual roles.

Barclays will be introducing a global Code of Conduct, which will incorporate the elements of the Chartered Banker Code of Professional Conduct.

As part of Transform, there are a number of organisational initiatives that we are planning to launch in 2013 and 2014 covering all employees, and new entrants to the organisation moving forwards. These include:

BALANCED SCORECARD – THIS IS HOW WE WILL FUNDAMENTALLY MANAGE THE PERFORMANCE OF THE ORGANISATION OVERALL, LOOKING AT ITS IMPACTS ON ALL OF OUR STAKEHOLDER GROUPS (CUSTOMERS & CLIENTS, COLLEAGUES, CONDUCT, COMPANY AND CITIZENSHIP) AND IT WILL ALSO BE THE WAY IN WHICH WE LOOK AT INDIVIDUAL PERFORMANCE.

GLOBAL INDUCTION – THE BEING BARCLAYS EXPERIENCE IS AN INTERACTIVE INTRODUCTION TO BARCLAYS. THE EXPERIENCE TAKES ALL NEW COLLEAGUES ON A JOURNEY WHERE THEY WILL LEARN MORE ABOUT OUR PURPOSE, VALUES AND OUR 'GO-TO' GOAL AND HOW WE ARE MEASURED THROUGH OUR BALANCED SCORECARD.

The various elements of the Foundation Standard are being mapped to these learning and development initiatives to ensure we deploy all elements of the Foundation Standard, as relevant for individuals' roles. Any learning outcomes that are included in the Foundation Standard but not covered in one of our new initiatives will be implemented separately, utilising the most appropriate mechanism.

Working to implement the Foundation Standard as part of Transform has presented both challenges and opportunities. Our aim is to ensure a seamless process for all colleagues whilst truly transforming our business to be focused on our purpose of helping people achieve their ambitions – in the right way.

“Adopting and applying stretching professional and ethical standards could play an important role in improving consumer trust in banks. It is clear there is public policy support for such an initiative, alongside regulatory reform. Good progress is being made by the CB:PSB to develop standards and oversee their introduction by member banks. This is a major undertaking and the returns will take time to materialise – but consumers will expect things to move quickly now. I would urge all banking leaders to ensure that they give this a high priority, and continue to work with colleagues, and the CB:PSB, to ensure not only there is a smart pace to the roll-out of professional standards, but also high quality and consistent approaches to implementation in different firms.”

Teresa Perchard, Independent Consumer Advocate



Clydesdale and Yorkshire Bank colleagues, working across Operations and IT, Retail Branch Banking and Direct Banking have achieved the Chartered Banker Professional Standards Board Foundation Standard.

Both banks have a long and distinguished history of developing the skills and knowledge of employees at all levels. The Foundation Standard has provided a further opportunity to ensure that they continue to meet the professional standards required in a new and ever changing world. Professionalism, ethics and integrity are at the heart of how Clydesdale and Yorkshire Bank operates, and the achievement of colleagues in attaining the Foundation Standard means customers can be reassured that they will continue to receive the highest level of service. The banks have made a significant investment in learning, developing skills and training along with having a robust Performance Management Framework, resulting in almost a quarter of colleagues, over 1500 people, having already achieved the Standard.

Those colleagues who had already qualified for the Chartered Banker Institute's Professional Banker Certificate, thereby meeting the professional knowledge requirements of the Foundation Standard, were the first to go through the programme. The learning and development programmes, performance management framework and regulatory and mandatory training were reviewed to ensure they meet the necessary standards, specifically making sure they are aligned to the seven principles of the Chartered Banker Code of Professional Conduct.

With a large employee population located across a wide geographical area, an effective internal communications strategy has been critical in informing colleagues of the Foundation Standard, why it is required and the benefits it brings to them individually and to the wider business.

A range of communication channels were employed throughout the process including regular staff messages, colleague workshops, line manager briefings, developing advocates and the appointment of champions throughout the organisation. In bringing the Foundation Standard to life it was also important to have the support and endorsement of the senior management, and Chief Executive David Thorburn has played a key leadership role in embedding the Standard in the culture of the organisation.

Clydesdale and Yorkshire Bank are well underway with plans to roll-out the Foundation Standard to all colleagues, with the remaining Business Units currently working on Phase 2 Implementation plans. Given the success of the communications approach in Phase 1, a similar approach will be deployed to ensure organisation-wide engagement and advocacy.



The world's local bank

Our initial pilot group, who are meeting the Foundation Standard for Professional Bankers in 2013, currently participate in our retail banking Apprenticeship Scheme and Winning Trust Programme. We know it is through our branches and call centres that the majority of our customers interact with us. A high level of professionalism in these teams is therefore essential to the delivery of HSBC's strategic goal to win the trust of our customers.

These programmes were introduced as the key initiatives which set HSBC apart from the competition and provide a firm foundation to enable our customers to trust us with their future. This will be achieved through investing in our customer facing colleagues to support our overall commitment to their professionalisation and deliver superior service to our customers. The programmes are supported by professional qualifications such as the ifs Certificate in Retail Banking Conduct of Business (CertRBCB).

Those participating receive tailored facilitated study sessions and external competency assessment. Our Values and Behavioural framework links directly to the Chartered Banker Code of Professional Conduct and colleagues are assessed annually against this framework by their line manager through our Performance Management process.

We envisage a further two phases of roll-out: benchmarking of learning practice across a number of our business areas is underway and we continue to review our induction programme to support new colleagues in future. Communications with our target audience have involved sharing plans and case studies illustrating how the bank is professionalising individuals across the business and linking professionalisation initiatives to individuals meeting the Foundation Standard.

LLOYDS BANKING GROUP



Lloyds Banking Group's strategy is built on being the best bank for customers and in helping Britain and its communities prosper. The customer is at the heart of everything we do. Our goal is to create value in all that we do by investing where we can make a real difference, whether that is in our branches, our brands or our people. This commitment is supported by the Group values of putting customers first, keeping it simple and making a difference together.

This is why we chose our Community Bank, Telephone Banking, Commercial Banking, Wealth, Insurance and Operations businesses as our priority for implementing the Foundation Standard. Colleagues in these businesses represent over 60% of our total workforce and, while this scale and complexity created a number of challenges, the important role these colleagues play in servicing and supporting our customers makes them fundamental to demonstrating the professional standards that will enduringly underpin our strategy of being the best bank for customers.

The key to success was support from the very top of the bank. Group Chief Executive, António Horta-Osório, demonstrated his commitment to the CB:PSB and the Foundation Standard by leading communications across the Group. Rupert McNeil, Group HR Director, and Graham Lindsay, Group Director, Responsible Business, provided executive sponsorship for the initiative and together with a steering group, consisting of senior leaders from across the organisation, directed the implementation of the Foundation Standard.

We aligned our Codes of Business and Personal Responsibility to the Chartered Banker Code of Professional Conduct. The codes were launched in 2012 and are designed to help us do the right things in our day-to-day work and to challenge poor behaviours when we encounter them.

The launch of the codes was supported initially through business and line manager communications. This was followed with training for over 90,000 established colleagues and during induction programmes for new recruits. In addition, the codes have become part of the Group's Performance Management approach, ensuring that 'how' colleagues behave is core to the way we measure performance.

In order for our colleagues to be measured against the Foundation Standard, a 'three pillar' approach was developed. This allowed us to embed the requirements within 'business as usual' activities and practices. Our approach consisted of:

- **COMPLETION OF GROUP-WIDE AND ROLE SPECIFIC TRAINING AND ASSESSMENTS. WE BENCHMARKED THE CONTENT OF ALL INTERNAL TRAINING AND ASSESSMENTS AGAINST THE FOUNDATION STANDARD FOR THOSE BUSINESS AREAS AND ROLES THAT ARE IN-SCOPE. DUE TO THE BREADTH OF THE IMPLEMENTATION, THIS EXERCISE ALONE TOOK THREE MONTHS TO COMPLETE;**

continued overleaf

■ **PERFORMANCE MANAGEMENT. COLLEAGUES' CONDUCT AND BEHAVIOUR IS ASSESSED AGAINST THE EXPECTATIONS WITHIN THE CODES OF BUSINESS AND PERSONAL RESPONSIBILITY AND THE GROUP VALUES;**

■ **CONTINUING DEVELOPMENT. COLLEAGUES MUST HAVE AN AGREED, DOCUMENTED AND ACTIVE PERSONAL DEVELOPMENT PLAN.**

The Foundation Standard was implemented during June and July 2013 alongside the mid-year performance management process. Line managers validated that each colleague had fulfilled the requirements of the 'three pillar' approach and recorded this using a simple on-line tool that was developed specifically for this exercise.

This line manager validation and subsequent sampling activities have identified that over 90% of colleagues in scope were able to achieve the Foundation Standard at the first attempt. For those who still require development to achieve it, line managers will provide the support required for colleagues to be successful by the next performance management review.

Lloyds Banking Group has embraced this fantastic opportunity to show how its workforce is achieving the industry's first professional standard. Being the best bank for customers requires us to demonstrate professional knowledge, skills, attitudes and behaviours, and we have been successful in doing just that.

RBS Group

Our initial target group was employees within Corporate Banking Division (CBD). These were employees who were measured and assessed against their respective business areas' annual minimum Core Standard requirements as part of the CBD Accreditation Programme. The individuals compiled evidence to illustrate their competence against each Core Standard over 12 months. This was then independently reviewed and accredited by the Chartered Banker Institute and externally verified by the qualifications body.

Tim Boag, CIB Structured Finance Managing Director, who sits on the Professional Standards Committee explains, "this provides a valuable external benchmark, recognised by our customers and other stakeholders which will really help to rebuild trust and confidence in our industry."

We completed a benchmarking exercise last year reviewing our Accreditation Core Standards against the CB:PSB Foundation Standard; no gaps were identified and in some instances the requirements of our Accreditation Core Standards are greater than those of the CB:PSB Foundation Standard.

Our Group Code of Conduct is integral to employee's terms and conditions of employment and states the minimum behavioural and conduct requirements for those individuals working for the Group. This is supported by annual training and assessment through our Group Policy Learning system and our performance management practice including competency frameworks. The RBS Group Code aligns to the Chartered Banker Code of Professional Conduct.

Since January 2013, we have exceeded our initial target for those employees achieving all aspects of the Foundation Standard. We have commenced a second phase roll-out in our Retail banking branch network, who also follow an independently accredited programme and those colleagues will achieve the Foundation Standard by December 2013. Additional roll-out plans are in development.

"Changing culture – including developing world class professional standards – is vital if trust is to be rebuilt. Success will depend on Board-level commitment, an honest approach to what has gone wrong in the past and rigorous implementation. I'm pleased to see that CB:PSB and its members have taken the first steps on this important journey."

Joanna Elson OBE, Chief Executive, Money Advice Trust



Santander's Customer Service Advisors (CSA), who are the first point of contact within the branch, were the initial colleague target audience for implementing the Foundation Standard by June 2013. This group was selected because the learning and development specifically geared to this colleague population – our All About Banking and All About Santander programmes – mapped well to the Foundation Standard.

Our approach included:

- **ALIGNMENT OF THE CHARTERED BANKER CODE OF CONDUCT TO THE SANTANDER CODE OF CONDUCT, ENSURING THAT THE VALUES AND BEHAVIOURS OUTLINED IN EACH CODE WERE CONSISTENT;**
- **A COMPREHENSIVE EXERCISE TO BENCHMARK OUR ALL ABOUT BANKING AND ALL ABOUT SANTANDER LEARNING PROGRAMMES AGAINST THE REQUIREMENTS OF THE FOUNDATION STANDARD;**
- **ENSURING THAT OUR INDIVIDUAL DEVELOPMENT, PERFORMANCE MANAGEMENT, REGULATORY AND MANDATORY TRAINING WAS ALIGNED TO THE REQUIREMENTS OF THE FOUNDATION STANDARD;**
- **REVIEWING OUR INDUCTION PROCESS FOR NEW COLLEAGUES TO ENSURE THAT THE KNOWLEDGE ELEMENTS OF THE FOUNDATION STANDARD WERE INCLUDED.**

The greatest challenge in the initial phase was communicating effectively with our CSA colleagues who work across the UK. We were keen to bring the Foundation Standard to life and help colleagues understand the importance of the CB:PSB and the Foundation Standard as well as demonstrating their commitment to professionalism through achieving the standard. We agreed an approach where our CB:PSB Board member, Steve Pateman, led a number of colleague communications which were augmented at the local level by team leaders and line managers. We also used our internal website to showcase the Foundation Standard and how it links to Santander's own values.

We are currently developing our approach to support our remaining Santander UK colleagues to achieve the Foundation Standard. We are investigating a number of routes to achieve this which will support our continuing goal to be the best bank for our customers and our aspiration to be the best place to work for our employees.

TESCO Bank

Our aim is to be the financial services provider of choice for Tesco customers by giving them good service, great value and by rewarding their loyalty. To serve our customers, we need great people. Part of the fabric of our culture at Tesco Bank is leadership, and not just the leadership of senior management. Strong effective leadership is required to rebuild public confidence and trust – this depends on everyone working in financial services.

The work to implement the Foundation Standard for Professional Bankers is part of our efforts to make sure our people continue to demonstrate the right behaviours and skills. We chose customer-facing and non-customer-facing colleagues within our Banking Operations business who service our Credit Cards, Savings and Loans customers as our initial target group. These colleagues were already progressing through the Professional Banker Certificate (PBC) qualification which allowed them to demonstrate the knowledge requirements of the Foundation Standard. The skills and performance elements of the Standard were demonstrated via mandatory monthly training, regular one-to-ones and ongoing self-directed and role specific development. Formal quality checks ensured that colleagues were meeting the required standard and doing so consistently across our pilot group.

Our key challenge now is to roll-out the Foundation Standard across our business – both to colleagues who are working towards PBC and those who aren't. Working with the Chartered Banker Institute, we are developing bespoke e-learning material that will support all colleagues to meet the knowledge elements of the Foundation Standard. This will also augment training for new starters, therefore ensuring that professionalism is at the core of every employee's career with Tesco Bank.

“The CBI believes that the cultural change required in banking has to be driven from within the industry and has to put the customer at the heart of everything banks do. The CB:PSB's professional standards are a visible part of the industry's efforts to change and I'm pleased to play an active role in their development as a member of the customer-focused Advisory Panel.”

Matthew Fell, Director for Competitive Markets, CBI



At Virgin Money we have fully integrated the Chartered Banker Code of Professional Conduct, into our business wide People Policy. Our Leadership Team has stated their support for the initiative and the importance of adopting the Chartered Banker Code of Professional Conduct; and, continuously developing the expertise of our colleagues. A number of communications have been delivered across the organisation to engage all colleagues. Embedding of the Foundation Standard is integrated into Virgin Money's Learning and Development Strategy and is realised through role specific Development Paths for both existing and new to role colleagues.

With support from the Chartered Banker Institute, we reviewed our in-house programmes and enhanced and developed these to create three individual e-learning modules which will support all colleagues in the knowledge requirements of the Foundation Standard. These modules cover;

MODULE 1

- THE FINANCIAL SERVICES INDUSTRY AND THE ECONOMIC ENVIRONMENT
- ETHICAL AND PROFESSIONAL REQUIREMENTS

MODULE 2

- LEGISLATION AND REGULATION
- MEETING CUSTOMER NEEDS PROFESSIONALLY AND RESPONSIBLY
- PRODUCT AND SERVICES

MODULE 3

- CREDIT LENDING
- RISK MANAGEMENT

The e-learning has been integrated into our regular reading and viewing (RR&V) and will be completed in Q2, Q3 and Q4 2013. Our approach to include the e-learning in our RR&V schedule means that the knowledge aspect of the foundation standard becomes a business as usual activity in future years for all colleagues.

Values, attitudes, and behaviours are assessed through our performance management structure which is aligned to individual development paths. Performance management is underpinned by our Framework of Behaviours and Skills. Performance is formally assessed throughout the year; and colleagues rated in July and December. This is central to our People Policy in which we have adopted the Chartered Banker Code of Professional Conduct as our own.

Monitoring and evaluation

The CB:PSB monitors its impact and success by assessing how effectively it is delivering on its aims to:

- DEVELOP A SERIES OF PROFESSIONAL STANDARDS TO SUPPORT THE ETHICAL AWARENESS, CUSTOMER FOCUS AND COMPETENCE OF THOSE WORKING IN THE BANKING INDUSTRY;
- FACILITATE INDUSTRY AND PUBLIC AWARENESS AND RECOGNITION OF THE STANDARDS;
- ESTABLISH MECHANISMS FOR THE IMPLEMENTATION, MONITORING AND ENFORCEMENT OF THE STANDARDS; AND
- HELP BUILD, OVER TIME, GREATER PUBLIC CONFIDENCE AND TRUST IN INDIVIDUALS, INSTITUTIONS AND THE BANKING OVERALL, AND ENHANCE PRIDE IN THE BANKING PROFESSION.

Monitoring and evaluation is split into two categories – one focuses on how professional standards and the Chartered Banker Code of Professional Conduct have been embedded in CB:PSB member banks; the second uses quantitative and qualitative analysis to understand awareness of the CB:PSB, customer confidence and trust, and bankers' pride in their profession.

MONITORING PROFESSIONAL STANDARDS IMPLEMENTATION

To ensure appropriate externality in the roll-out of professional standards, CB:PSB members agreed to be subject to an annual, independent progress review by the Chartered Banker Institute. The CB:PSB's monitoring approach, detailed below, is applied consistently across all member banks to ensure rigour and challenge and to identify best practice.

“The Panel was impressed with the level of rigour and discipline in standards implementation, monitoring and evaluation – in particular that such rigour has been achieved within a voluntary initiative.”

Professor Robin Jarvis, Chair of the CB:PSB Advisory Panel

MONITORING MILESTONES AND TIMELINE

OCTOBER 2012

Critical Evaluation – the first audit of progress assessed: subscription to the Chartered Banker Code of Professional Conduct; robustness of benchmarking; implementation planning; senior level buy-in and sponsorship; the role and functions of the internal working group; communication activity; development of management information; internal monitoring; and current implementation status. Member banks provided information and supporting evidence on each of these areas, which was reviewed by the Chartered Banker Institute.

FROM NOVEMBER 2012

Critical Evaluation reporting – the Chartered Banker Institute and member banks met to discuss Critical Evaluation findings and jointly agreed action plans to address any issues and risks that were identified. Both material (critical to successful implementation) and non-material actions (based on best practice and not critical to successful implementation) were identified. The CB:PSB Board was kept informed of progress via an Executive Summary tabled at the February 2013 Board meeting (see graphs on p15)

FEBRUARY TO JUNE 2013

Critical Evaluation Action Plan monitoring – the Chartered Banker Institute continued to work with member banks to ensure Critical Evaluation action plans were progressed effectively.

From October 2012

From November 2012 to June 2013

JULY TO SEPTEMBER 2013

Independent Review – the CB:PSB completed the first full Independent Review which included Self-Evaluation completed by member banks and an external audit conducted by the Chartered Banker Institute. Self-Evaluation has three elements and requires banks to submit supporting evidence:

- Self-Evaluation Questionnaire (SEQ) – a survey which evaluates organisations’ commitment to the implementation of professional standards and subscription to the Chartered Banker Code of Professional Conduct, as detailed in the CB:PSB Framework for Professional Standards. In 2013, the SEQ assessed commitment in four areas;
 1. Commitment & strategic approach;
 2. Implementation;
 3. Monitoring & enforcement; and
 4. Supporting overarching aims.

The SEQ was completed by the team or individual leading implementation.

- Critical Evaluation – completed by member banks’ internal monitoring teams, which are independent of implementation teams. Monitoring teams review responses and evidence provided for each statement in the SEQ, assess whether evidence is sufficient, and, if further information is required, may complete spot checks on individuals aiming to meet the Foundation Standard.
- Reporting numbers of individuals achieving professional standards and, where appropriate, gaining a recognised professional qualification.

SEPTEMBER 2013 ONWARDS

Independent Review reporting – the Chartered Banker Institute and member banks are currently discussing the Independent Review findings and agreeing action plans to address any risks and issues identified. The CB:PSB Board will receive an Executive Summary at the December Board meeting.

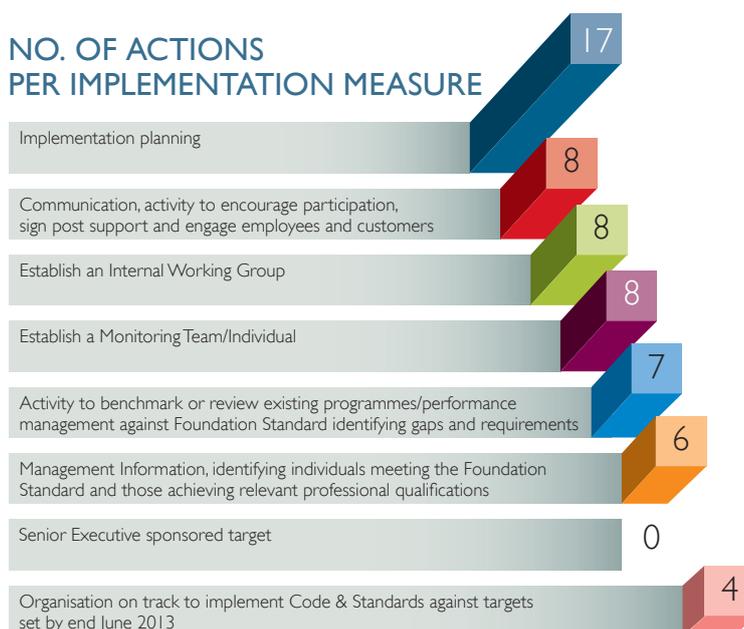
The following graphs, taken from the Board Executive Summary, show the number of actions created following the 2012 Critical Evaluation. As noted in the timeline, the Chartered Banker Institute worked with each member bank to monitor progress against the action plans.

ACTION PLANS & RISKS



This graph details the 58 actions related to implementation of the Foundation Standard. Most issues related to implementation planning and required member banks to develop robust project management and delivery strategies.

NO. OF ACTIONS PER IMPLEMENTATION MEASURE



EVALUATING THE IMPACT OF THE CB:PSB

In 2012, the CB:PSB began work to establish a baseline against which its progress and impact could be measured. The baseline relates specifically to the CB:PSB overarching aims to:

- FACILITATE INDUSTRY AND PUBLIC AWARENESS AND RECOGNITION OF THE STANDARDS; AND
- HELP BUILD, OVER TIME, GREATER PUBLIC CONFIDENCE AND TRUST IN INDIVIDUALS, INSTITUTIONS AND THE BANKING INDUSTRY OVERALL, AND ENHANCE PRIDE IN THE BANKING PROFESSION.

The 2012 baseline captured UK adults' awareness of the CB:PSB and its work to implement a common Code of Conduct and professional standards together with levels of trust and confidence in banking individuals, banking institutions and the banking industry in the UK.

Working with YouGov plc, the CB:PSB identified that levels of public confidence and trust differ significantly when banking is categorised separately by: individuals; institutions; and, the industry overall. In 2013, these differences have been captured and the baseline measure adapted to reflect this. From 2014, the CB:PSB will be able to identify and report changes in levels of confidence and trust split into these three categories.

In addition to adapting 2012 baseline measures, the CB:PSB has considerably augmented its evaluation approach during 2013. The CB:PSB is measuring a range of indicators to understand awareness of the CB:PSB initiative and its work, views on professionalism in banking and pride among UK banking employees. The result of this work is detailed on page 17.

Each baseline measure is subjective, with no single measure capable of accurately indicating the impact of the CB:PSB. Combined, however, the measures may indicate trends in awareness, confidence, trust and pride that highlight the progress and impact of the CB:PSB.

The CB:PSB's evaluation approach is based on industry best practice and methodologies employed by banks and professional bodies, including: consultation with stakeholders; descriptive statistics; the views of professions and professionals; demand for professional membership, designations and qualifications; and views on the industry. The approach incorporates:

- An annual omnibus survey with representative samples of UK adults (18+) to understand levels of confidence and trust in the industry, together with awareness of professional standards in banking and the CB:PSB initiative overall;
- An annual survey of levels of trust, confidence and pride of groups with a specialist interest or those who work in the UK banking industry. These groups are also asked about their opinion on culture and levels of professionalism in banking institutions and the banking industry;
- An annual MPs and opinion formers survey: 100 MPs are included in the survey and outcomes are weighted, representing MPs by party, gender, election cohort and geography. The 716 opinion formers include influential individuals from sectors including business, the media, culture and the arts, academia, politics and NGOs; and
- Media analysis, assessing trends in public sentiment towards bankers, banking institutions and the banking industry overall.

“With banking being such a high profile topic, YouGov has produced numerous surveys and reports into issues ranging from customer trust and lending to business. YouGov is pleased to have contributed much of the data and analysis for the CB:PSB to date and looks forward to continuing to undertake research for the initiative in the future.”

Oliver Rowe,
Director of Reputational Research, YouGov

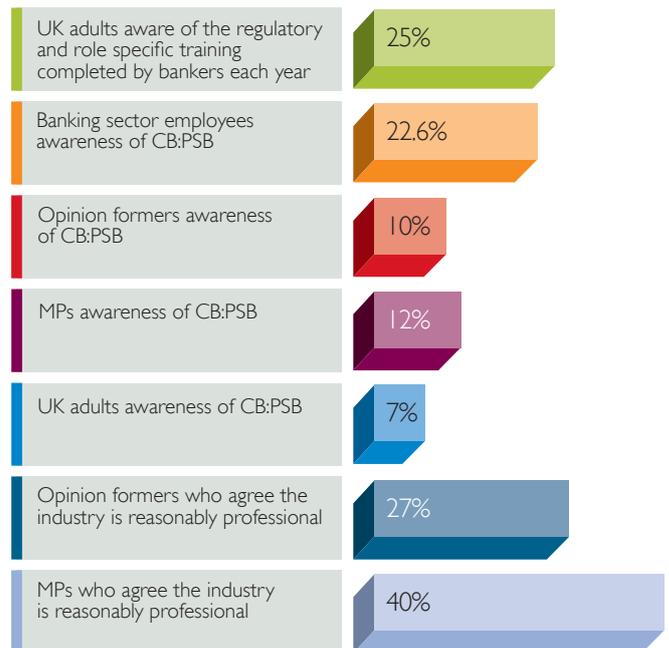
PUBLIC CONFIDENCE AND TRUST

- While public trust in the UK banking industry slipped to its lowest levels in 5 years in the latter half of 2012, figures for 2013 indicate improving levels of trust.



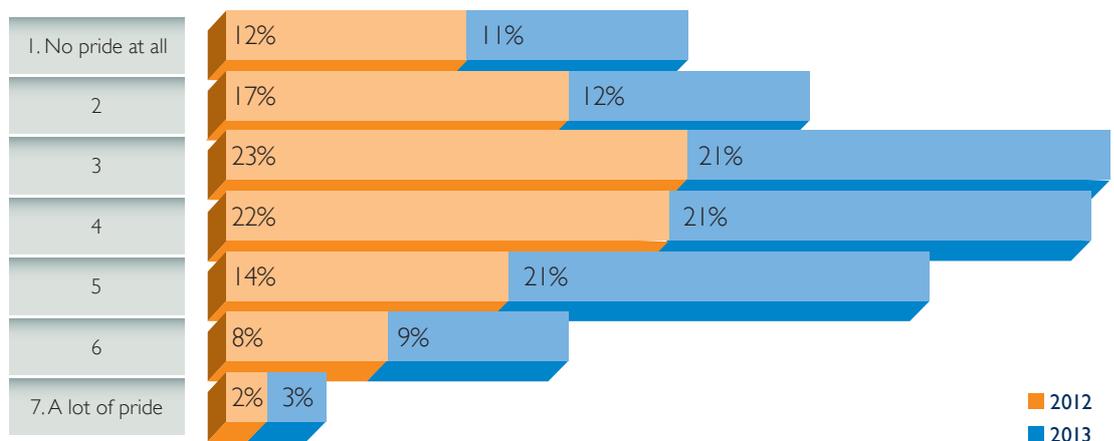
AWARENESS AND PROFESSIONALISM

- Media reporting of the industry became more balanced in early 2013.
- Awareness of the initiative is growing among the general public.
- The CB:PSB has focused efforts on developing and implementing professional standards, which has led to a growing awareness of the initiative across the banking industry.



PROFESSIONAL PRIDE – UK BANKING INDUSTRY EMPLOYEE PRIDE

- Pride in the industry has moved positively for employees in the past year, with fewer individuals feeling 'no pride' and others feeling more pride than they did one year ago.



All figures illustrated, unless otherwise stated, are from four separate surveys collated and analysed by YouGov plc on behalf of the CB:PSB.
 Omnibus Survey – Total sample size was 2,213 adults. Fieldwork was undertaken between 12th – 14th August 2013. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).
 MP Survey – Base: 100 UK MPs, June 27th – July 10th 2013.
 UK Opinion Former Survey – Base: 716 UK opinion formers, June 26th – July 4th 2013.
 UK Banking Employee Survey – Sample Size: 353 The sample size includes employees of all UK banking organisations, not just CB:PSB member banks. Fieldwork: 12th – 18th April 2013.

Maintaining momentum

PARLIAMENTARY COMMISSION ON BANKING STANDARDS

Over the past year, the CB:PSB has maintained its pace and momentum as the Parliamentary Commission on Banking Standards (PCBS) was formed, heard evidence and reported. This created both challenges and opportunities for the CB:PSB. A challenge was the uncertainty generated by the on-going PCBS as the banking industry and stakeholders awaited the Commission's final report. The opportunity was for the CB:PSB, as the only practical initiative developing and embedding professional standards, to show leadership and demonstrate success.

The PCBS recommendations relating to professional standards included:

- A UNIFIED AND INDEPENDENT PROFESSIONAL STANDARDS BODY FOR BANKING TO BE CREATED THROUGH THE WILL, AND WITH THE RESOURCES, OF BANKS AND THOSE WHO WORK IN THE UK BANKING SECTOR;
- INITIAL PRACTICAL PROPOSALS FOR SUCH A BODY TO BE TABLED AT AN EARLY STAGE;
- REGULATORS DEVELOP, AFTER CONSULTATION WITH BANKS, STAFF, UNIONS AND THOSE BODIES ALREADY WORKING ON CODES OF CONDUCT, A NEW SET OF BANKING STANDARDS RULES WHICH SHOULD APPLY TO A WIDE GROUP OF INDIVIDUALS AND INFORM HOW BANKERS ARE EXPECTED TO BEHAVE.

Many of these recommendations echo the current work and future direction of the CB:PSB. Over the course of this year, and building on success to date, the Board agreed to increase the rigour and independence of the CB:PSB. The Board is currently discussing the CB:PSB model and its proposals with key stakeholders.

The Board, the independent Advisory Panel, CB:PSB member banks and many stakeholders believe that the CB:PSB is the foundation on which the industry should build to respond to the Parliamentary Commission quickly and credibly.

LEADERSHIP STANDARD

As well as supporting further roll-out of the Foundation Standard (see page 9), both the Advisory Panel and Board agreed that the advanced level Leadership Standard should be prioritised for development. Work has progressed throughout the year to define the knowledge, skills, values, attitudes and behaviours required and expected of banking leaders.

The CB:PSB recognises that many of the PCBS recommendations may impact on the development and implementation of the Leadership Standard – specifically the 'new set of Banking Standards Rules' and the Senior and Licensing Regimes which the Financial Conduct Authority is currently developing. The pace of development for the Leadership Standard is therefore tied to these wider developments which the CB:PSB wishes to align to and support.

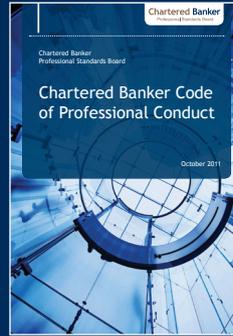
“Such a body could, by its very existence, be a major force for cultural change and we have already recommended that its establishment should be pursued.”

Changing Banking for Good,
Final Report of the Parliamentary
Commission on Banking Standards.

CB:PSB publications



Our Commitment to Professionalism in Banking signed by the Chairmen or Chief Executives of the nine founder member banks.



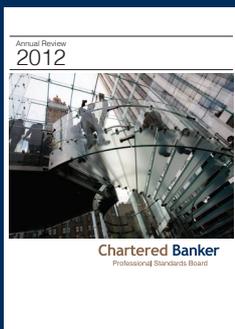
Chartered Banker Code of Professional Conduct which sets out the values, attitudes and behaviours the CB:PSB expects of bankers.



CB:PSB Framework for Professional Standards sets out the scope of the CB:PSB's professional standards, and how they will be developed, implemented, monitored and enforced.



Foundation Standard for Professional Bankers, supports the implementation of the Code of Professional Conduct by setting out in detail how the knowledge, skills, values, attitudes and behaviours expected of all bankers can be developed and maintained.



CB:PSB Annual Review 2012

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Chartered Banker
Professional Standards Board