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CHAIRMAN’S FOREWORD

This report is the first of its kind.

This is not simply because it reports on the Banking Standards Board (BSB) during the first year in which it has been open for membership. It is also because it paints a picture of the banking sector based on views from the more than 28,000 people working in banks and building societies across the UK who responded to the BSB’s Employee Survey, as well as from the hundreds who gave their time in focus groups and the many executives and non-executive board members who gave their views.

There are, as our Review shows, many examples of good practice and positive developments across the sector, and of firms and individuals committed to serving their customers well and raising standards of behaviour and competence. At the same time, however, there are areas where change is needed, and where deep-rooted attitudes and behaviour detrimental to the interests of customers and clients (as well as the majority of people working in banks and building societies) still exist.

Responsiveness, accountability, personal resilience and openness are all areas where, looking across the sector, progress needs to be made. Firms need to speak honestly and bravely about what they need to do, what they are doing, why they are doing it and how they will know they are succeeding. And they need to do this not just around the board table or in senior executive meetings, but with everyone in the firm; and everyone in the firm needs to be able to see that executives and board members live up to what they say they are trying to do. Actions speak louder than words; they also need to be saying the same thing.

What is encouraging, however, is that the work reported in these pages, both assessment and policy-related, has happened in the first place. The fact that it has, is not the result of something having been done to or required of firms, but of the firms involved having chosen to participate in order to learn more about and manage their own organisational cultures. I know from my own discussions with the boards of many BSB members, that the leaders of all the banks and building societies that took part in the 2016 Assessment across the UK are committed to a deep understanding of its findings for their firm and to developing, or reinforcing, cultures that serve the interests of their customers, members and clients.

Neither this Review nor the BSB Survey it reports on are one-off events. Over time, our annual survey will provide evidence of firms’ progress (or lack of) in ensuring that their culture works for customers. Successive surveys will also cast light on where the BSB’s own efforts should be focused, for best effect.

For the coming year, and as this Review describes, the BSB’s priority themes in its policy and assessment work will include: the alignment between a firm’s values and the way it does business; creating a culture of responsibility and accountability; and fostering personal resilience and wellbeing among employees.

Addressing each of these challenges will not be quick or simple; nor will raising standards of behaviour and competence across the sector. We are at the start of what will be a long haul. To keep heading in the right direction, we need an understanding of the culture of banking that is based on evidence, and a clear picture not only of what is happening now and what is changing, but what all the people who are working in banks and building societies are trying to make happen in the future.

Our thanks go to all of those who have participated in this work over the past year, and to all the firms who have committed to raising standards of behaviour and competence across the sector through their membership of the Banking Standards Board.
2016 was a landmark year for the Banking Standards Board (BSB); one in which we opened for membership, undertook significant pieces of policy work, designed and carried out our first annual Assessment, and collaborated with a wide range of organisations in the UK and internationally.

This Annual Review provides an overview of our work to date, sets out our priorities for the coming year and reports publicly on the overall outcomes of the 2016 Assessment. The boards of the 22 member banks and building societies that took part in the Assessment have received their individual reports, and these are being discussed with each firm.

The BSB Assessment exercise does not measure or rank ‘culture’. It asks instead how far a firm demonstrates characteristics (honesty, respect, openness, accountability, competence, reliability, responsiveness, personal and organisational resilience, and shared purpose) that we would expect to be associated with any good culture in banking, and examines this both within a firm and relative to other firms.

This Review draws on the Assessment evidence to make a number of general observations about banking sector firms. Perhaps the most striking aspect of the results is, however, the degree of variation among firms. For any statement made about firms as a whole, there will be some firms for which it will be either overly positive or unduly negative, and neither end of the spectrum is the prerogative of any one type of firm or business model. To state the obvious (but an ‘obvious’ supported by our evidence); all banks and building societies are not the same. The sector contains, as very often do firms themselves, examples of both poor and good practice. Being of a particular size, type or business model neither guarantees a good culture nor provides an excuse for failing to achieve a better one.

As the 2016 BSB Survey was the first of its kind, its results cannot tell us anything about the direction or pace of change. While we are aware of the efforts being made by many member firms, we have not therefore commented in this report on progress over the year. Our findings do, however, provide the baseline against which change can be measured in 2017.

That many firms in the banking sector are committed to achieving and maintaining high standards of behaviour and competence is clear, not only from our work but from the existence of the BSB itself. BSB membership is not an easy option. It demands a readiness on the part of boards and executive teams to ask questions of themselves and their employees that may result in uncomfortable or unexpected answers.

These answers showed, in 2016, both strengths and areas in need of improvement within and across firms. Informed by the Assessment results, and taking into account also the BSB’s remit and its facilitative, impartial and non-regulatory role, our work over the coming year will be shaped around three themes:

- understanding and helping to address an apparent mismatch in many firms between the values espoused by the firm and the way that some employees see business being done;

- helping to develop a culture within the banking sector of responsibility and accountability rather than of blame. Good customer and client service requires a culture in which poor performance and behaviour have consequences, certainly; but it also requires one in which mistakes are learned from, ideas encouraged, professionalism prized and a diversity of views valued and fostered; and

- identifying practical steps to help promote personal resilience and well-being among employees, so that employees working in UK banks and building societies are able to serve their customers, members and clients well.
In exploring these issues the BSB will not only lead work but also, as appropriate, support or partner with organisations sharing similar or complementary aims, including in other jurisdictions and outside the banking sector.

We will also build on two areas of work initiated in 2016 around professionalism, and therefore of particular relevance to the second of our themes.

First, and following publication of our Statement of Good Practice on assessing fitness and propriety under the new Certification Regime, we will develop additional guidance on both Certification and Regulatory References.

Second, we will explore further the role of professional bodies and professional qualifications in banking, working with both firms and professional bodies through a new Professionalism Forum to be chaired by Sir Brendan Barber.

The commitment of employees at all levels in banks and building societies to serving their customers, members and clients is clear. Equally clear, however, is that the sector has a considerable way to go in demonstrating consistently the honesty, reliability and competence that BSB Board member Professor Onora O’Neill has described as constituting ‘trustworthiness’. Raising standards of behaviour and competence across the sector - and not being satisfied simply with tackling poor practice, but drawing on good practice to aim higher still - will require consistent, concerted and genuine effort.

The BSB will not itself raise standards in the banking sector. Only banks and building societies can do that. In providing impartial evidence and challenge, identifying good practice and facilitating learning from other sectors, the BSB can however help firms that are committed to managing their cultures, do better what they say they want to do.

The challenge of creating or maintaining a good organisational culture is not unique to banking, or indeed to the UK or the 21st century. The consequences of a poor culture in banking are however extraordinarily far-reaching, affecting the economy and society as a whole. For the UK banking sector, raising standards of behaviour and competence is not simply a challenge; it is a responsibility, and one that needs to be owned by every bank and building society today.
PART I: THE BSB AND ITS APPROACH

What is the BSB?

The Banking Standards Board (BSB) was established in April 2015 with the aim of helping to raise standards of behaviour and competence across the UK banking sector. It is a non-statutory, voluntary membership body open to all banks and building societies operating in the UK.

The BSB was set up following the report by the UK Parliamentary Commission on Banking Standards into the events that precipitated and exacerbated the financial crisis. Its Chairman, Dame Colette Bowe, was appointed by Bank of England Governor Mark Carney in November 2014 and its Board announced in April 2015. The new organisation opened its doors to membership from across the sector in January 2016.

The composition of the BSB’s Board reflects its remit and its focus on customer and societal outcomes. The organisation is funded by its members not to represent them, but to inform and challenge them; it speaks with and about, but never for, its member firms. A majority of BSB Board members are, accordingly, appointed from outside the sector. These non-practitioner members (who include the Chairman and Deputy Chairman, Sir Brendan Barber) bring expertise and authority to the Board and ensure its independence and impartiality. Practitioner Board members, meanwhile, are drawn from across the banking as well as the investor spectrum, and bring both a professional and personal commitment to the role.

Given the diversity of a sector that spans banks and building societies, foreign branches and subsidiaries, and retail and investment firms, the BSB engages with a wide range of both firms and partner organisations. We have over the past year worked with professional bodies, training providers, industry bodies, other industry organisations (e.g. the Fixed Income, Currencies and Commodities Market Standards Board), academic institutions, think tanks, regulators, policy makers and professional networks, both in the UK and globally. We aim to work creatively, effectively and efficiently. This includes avoiding duplication of what is already being done well, and stepping in to inform, facilitate, innovate and challenge, and (equally importantly) stepping back again as appropriate to avoid fragmentation or complexity.

Trustworthiness and culture

The BSB does not exist to encourage trust in the banking sector, but to help to raise the trustworthiness of the sector; a very different proposition. The onus is not on customers, members or clients to trust the firm, but on banks and building societies themselves to demonstrate through their actions that they are worthy of being trusted. These actions need to encompass the broad spectrum of competence, behaviour and culture.

When we talk about culture in this context, we mean the way that things get done within an organisation; the assumptions, values and expectations that shape the way in which people behave in a group (and which may be very different to how they behave in other groups, or on their own). These assumptions, values and expectations will influence the way in which people identify, communicate and respond to incentives. Similar objectives, strategies, business models, responsibility maps and reward structures may produce different results in firms with different cultures. Understanding and managing the culture of the firm it leads is therefore a core responsibility of any board. It is one that
cannot be delegated to regulators, policy makers or a specific function within the firm, such as compliance, risk or human resources.

The responsibility that boards of banks and building societies have for managing culture is, given the size and inter-connectedness of the UK banking sector and its centrality to the economy and society, particularly important. A successful, dynamic UK economy needs a strong, stable and trustworthy banking sector. High standards of behaviour and competence matter also for the wellbeing and professional pride of the many people who work in banks and building societies across every part of the UK. A banking sector that neither demonstrates nor aspires to high standards lets down its customers, members, clients, employees and investors and all who give the sector its ‘social licence’ to operate.

It is the boards of banks and building societies, with their primary responsibility for culture, that take the decision about whether to join the BSB. The BSB’s remit is to help, support and challenge its member firms and facilitate and encourage continuous improvement across the sector, informed by evidence about what results in good outcomes for customers, members and clients.

While every firm shares responsibility for the trustworthiness of the sector of which it is a part, the starting point for each individual firm and the challenges it faces will, of course, be different. For some, the challenge may be about changing and improving their culture; for others, maintaining that culture in a context of changing technology, markets, customer preferences, demographics, competition or other external factors; and for others, aligning local, national and global cultures, or creating the ‘right’ culture in a newly established firm (or not losing it as the firm expands or restructures). The particular combination of challenges facing each board and executive team will be as individual as the firm, and will itself change over time.

If every firm is different, some of the issues each faces will nevertheless be shared. Banks and building societies can learn from each other, as well as from firms in other sectors, about how to address such issues in the most effective and efficient way; challenging themselves, identifying good practice and building better business models for their customers, members and clients. The BSB’s work with firms on the way in which they implement the new Certification Regime (described later in this Review) provides just one example of the value of a collective approach to raising standards.

Work to raise standards and demonstrate trustworthiness requires not only determination but also information. Boards and executive teams need evidence that can help them to identify what needs to be done, prioritise competing demands, determine actions and timescales, and establish a baseline against which progress can be measured. Alongside its policy work, the BSB’s focus in 2016 has been on beginning to build this evidence base; in particular, through designing and carrying out an Assessment exercise with (in 2016) 22 member firms. This Assessment enables each bank or building society to assess better its own culture – or, more accurately, some of the outcomes of that culture, in terms of the characteristics therefore demonstrated by the firm – and to understand the factors that are shaping it.

The Assessment methodology is described in Part II of this review and in more detail on the Annual Review Portal. The results provide an impartial perspective not only of firms but across firms; highlighting areas of good practice, identifying where further work is needed to raise standards and demonstrate trustworthiness, and, over time, allowing change in either direction to be measured.
PART I: THE BSB AND ITS APPROACH

The 2016 Assessment found evidence of good practice and strengths in and across firms, in particular with respect to competence, risk management and employees’ willingness to go the extra mile for their customers. It also found areas where improvement is needed, not only in the sense of individual firms learning from existing good practice, but also where the range of results suggests scope for all firms to learn and improve.

The findings of the 2016 Assessment - and the wide variation in results across firms - are discussed in Part II of this Review and in greater depth on the Annual Review Portal. Informed by these findings, and taking into account where and how its non-regulatory, impartial role and its facilitative remit can be used to greatest effect, the BSB will focus over the coming year on three key themes:

• understanding and finding ways to help to address what appears in many firms to be an apparent mismatch between the values espoused by the firm and the way that some employees see business being done;

• helping to develop a culture within the banking sector of responsibility and accountability rather than of blame; and

• identifying practical steps to help promote personal resilience and wellbeing among employees.

We return to these themes and the work that will support them, in the final section of this Review. First, however, we consider the framework that underpins the BSB’s policy and assessment work; a framework based not on a template of what a ‘good’ culture in banking should look like, but around the characteristics that we would expect to be associated with any good organisational culture.

The BSB framework

The BSB’s assessment and policy work are together intended to provide member firms with the evidence, support and challenge that will help them to achieve and maintain high standards of behaviour and competence, individually and collectively. Underpinning this dual approach is a framework of nine characteristics, both ethical and professional, that we would expect to lead to good outcomes for members, clients, employees or investors and the economy and society as a whole; characteristics that we would therefore expect to be associated with any good culture in banking.

Our Assessment does not assess firms against a template of what a ‘good’ culture looks like. There is no uniquely good (or bad) organisational culture against which all others can be measured, and firms with very different cultures can produce equally good or bad outcomes for customers and clients and more broadly.

We do not, therefore, set out to measure or rank culture directly. Rather, we ask how far each of our nine characteristics is demonstrated by the firm and relative to other firms. We would expect a firm that strongly exhibited our nine characteristics to be better equipped and more likely to serve its customers, members and clients well, than one in which these elements were lacking; a hypothesis that we will test as we extend and develop our work.
The nine characteristics against which firms are assessed are honesty, respect, openness, accountability, competence, reliability, responsiveness, personal and organisational resilience, and shared purpose.

If these characteristics appear obvious and fundamental, that is precisely as it should be. They are characteristics that customers, members or clients should be able to take for granted as being not only present, but present to a very high degree in any bank or building society that they entrust their money to or deal with, irrespective of the firm’s size, business model, market segment, age, ownership structure or location. Furthermore, given the importance of the banking sector to the economy and the systemic nature of the sector, the public as a whole also has the right to expect the same of every bank or building society operating in the UK, whether or not they engage with it personally and directly.
PART I: THE BSB AND ITS APPROACH

Assessing firms against our nine characteristics and exploring areas of both strength and weakness, reveals issues relevant to both individual firms and to firms collectively. At the individual firm level, the results of the Assessment are given to each board and discussed with the firm. The BSB does not publish firms’ Assessment reports. It is the responsibility of each board and executive team to decide how to act on and share (e.g. with employees and regulators) the contents of their report.

Member firms join the BSB and engage in the Assessment in order to learn and continuously to improve. Participation in the Assessment, with its cross-firm benchmarking and detailed reporting, demands a readiness on the part of board members and executives to be self-critical and to ask questions of themselves and their employees that may elicit unexpected and unwelcome answers. A far more comfortable option would be to avoid asking such questions in the first place. BSB membership is voluntary; it is also challenging.

While individual firm reports are owned by the firms concerned, the BSB is committed to publishing evidence of what it finds at the cross-firm level, and identifying the issues and themes that in turn inform its policy work. Analysis of the evidence from the 2016 Assessment is summarised in Part II of this document and set out in more detail on the Annual Review Portal.

The Assessment is, by its nature, undertaken with firms individually. The BSB’s policy work, in contrast, focuses on collective challenges that may not necessarily be shared by all firms but will be common to many.

Drawing on evidence from the Assessment and elsewhere, the BSB works with firms to understand better the issues identified and to develop appropriate policy responses including Statements of Good Practice. These are not, it should be noted, standards of a type that can be met by meeting minimum requirements or of a comply or explain type. Rather, they set out what ‘good’ looks like in terms of outcomes, and thereby challenge and help firms continually to raise their game. This is an approach that, to be effective, requires firms to be genuinely committed to a culture of continuous improvement; a commitment consistent with the voluntary nature of BSB membership.

In developing its policy work the BSB aims to be innovative, challenging, impartial and collaborative, making full use of the flexibility afforded to it by its non-regulatory status. We will work not only with firms but also with other organisations e.g. those representing consumers, and partner with or support other bodies as appropriate to avoid duplication and produce better outcomes.

Over time, we would look for the benefits of the establishment and spread of good practice to be reflected in the Assessment results and the extent to which the nine characteristics of our framework are demonstrated collectively by participating firms. The BSB framework therefore both underpins our Assessment and informs and provides a longer-term success measure for our policy work.

The policy areas that were our focus in 2016 and in the context of which our first Statement of Good Practice has been published, are described in Part III of this Review. First, however, we consider the 2016 Assessment exercise and the evidence from it.
PART II: THE 2016 ASSESSMENT

The 2016 Assessment

The Assessment exercise asks how far the nine characteristics of the BSB framework are demonstrated within a firm. Repeated annually, it provides boards with an impartial, evidence-based picture of the culture of their firm; not only over time and across different business areas, but also relative to other firms. These multiple perspectives, combined with other internal and external data used by firms, equip boards and executive teams better to gauge progress, set priorities and learn from good practice both within the firm and (including through our policy work) across firms.

The Assessment approach was developed by the BSB, working with leading academics in the fields of organisational psychology and ethnography from the London Business School and the London School of Economics and with strategy consultants. It comprises both a quantitative element (generated from an employee Survey) and a qualitative dimension (including e.g. focus groups, interviews and board questions) that allows the Survey results and any broader themes to be explored in more detail. All participating firms engage in the Survey, the data from which provides benchmarked results by firm and business area.

The BSB piloted a qualitative exercise with ten firms in 2015, described in our last Annual Review. Building on this, we conducted in 2016 our first systematic Assessment comprising both quantitative and qualitative elements. 22 member firms participated in the Survey and 14 of these in both the quantitative and qualitative elements of the Assessment1.

The five parts of the Assessment in 2016 were:

- **BSB Employee Survey 2016**: The Survey consisted of 37 questions, each relating to one of the nine characteristics of the BSB framework. The questions tested both observations and beliefs. To reduce acquiescence bias, questions were phrased both positively and negatively and (apart from a standard set of questions at the start and the end) asked in a randomised order. Respondents were not aware of which question related to which characteristic. The Survey was run in all firms on a stand-alone basis (i.e. not combined with an internal staff survey or any other exercise) to avoid firm-specific framing effects that might bias answers. The BSB worked with each firm to identify sample sizes sufficient to produce statistically representative results across different business lines and functions. The Survey was sent to around 82,000 people working in 22 banks and building societies across the UK at all levels, and more than 28,000 responses were received;

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PART II: THE 2016 ASSESSMENT

- **Board questionnaire**: a small number of high-level questions about the firm’s purpose and culture were sent from the BSB Chairman to the Chairman of each of the 14 firms that took part in both the Survey and the qualitative component of the Assessment;

- **Board member (non-executive) interviews**: 26 non-executive directors from the 14 firms taking part in the qualitative component were interviewed to gain a better understanding of their perspectives on their firm’s purpose and culture, as well as any relevant contextual factors. Those interviewed in 2016 included Chairmen of Remuneration Committees and/or of Culture (or related) Committees;

- **Executive interviews**: interviews were held with 114 senior employees at the 14 firms engaging in the qualitative exercise. As part of this, and prior to the Survey results being shared, interviewees were asked to position their firm – where it was, and where they thought it should be – on a range of issues relating to the BSB Assessment characteristics. The interviews then explored themes emerging from the Survey results, and included a more general discussion to understand the context at each firm; and

- **Focus groups**: 104 focus groups involving more than 800 junior and middle-ranking employees were held among the 14 firms participating in the qualitative exercise. These discussions provided the opportunity to explore potential causes of firm-specific issues (both challenges and strengths) emerging from the Survey data, and to draw out differences and similarities between firms to inform cross-firm analysis.

Each firm received its own Survey results, including (assuming that response rates were high enough to be statistically representative of the relevant populations, and, where at least seven firms could be compared) a comparison of its score on each characteristic and question with the range of scores of all participating firms. These comparisons were provided not only at firm level, but also (where relevant to the firm) for retail banking, investment banking and functions, and at the next level down (e.g. within retail banking, for retail branch, private banking, commercial banking etc).

Comparisons in each case included a rank and quartile against the equivalent category across all relevant firms, though without revealing the identity of any individual firm. The results for retail banking at Firm A, for example, were compared with those for retail banking at all those assessed firms with a retail banking business.

Those firms that took part in both the Survey and the qualitative elements of the full Assessment received a more extensive report containing the fuller findings and analysis.

We will review and, as appropriate, refine the Survey questions in the light of this first year’s experience. The Survey overall (and the nine characteristics of the underlying framework) will, however, remain consistent to allow a dynamic picture to be built up over time, both at the individual firm level and across and within firms. The qualitative elements of the Assessment may, in contrast, vary from year to year depending on the themes explored and the most appropriate way of approaching these. We will also, as the Assessment work develops, introduce or pilot new approaches and measurement techniques and incorporate additional firm or third-party information, to ensure that the exercise remains as valuable as possible for firms and their employees, customers, members and clients.
PART II: THE 2016 ASSESSMENT

Evidence from the 2016 Assessment

The 2016 Assessment provided two types of information; quantitative (from the BSB Survey), and qualitative (from interviews, focus groups and board responses to BSB questions).

The Survey results offer a perspective on firms at a particular point in time. As this was the first such Survey, they cannot in isolation tell us about the direction or pace of change. They do, however, provide a baseline against which change can now be measured; something we will report on in next year’s Annual Review, when we will be able to look across both the 2016 and 2017 data.

This section of the Annual Review sets out observations and supporting evidence from the 2016 Assessment. A wider set of data and evidence can be found on the Annual Review Portal.

Overview of Survey responses

Survey questions took the form of statements, each relating to one of our nine characteristics and with which respondents were asked to indicate their level of agreement or disagreement. Their responses were used to calculate a score (ranging from 0 to 100) against each characteristic for the firm and for different business areas within it. A description of the survey and scoring methodology can be found on the Annual Review Portal.

The range of scores across all participating firms for each characteristic, as well as the distribution of scores within each range (indicated by the positioning of the quartiles), are shown in the Chart ‘Distribution of firm level scores by characteristic’. The considerable variation in ranges is evident also at the level of individual Survey questions, data on which is available on our Annual Review Portal.

Differences are of course to be expected in a large and diverse sector containing firms that vary by size, business model, market segment, history etc. They cannot, however, be attributed simply to particular attributes. For every firm of a certain type or model, there is likely to be another similar firm positioned quite differently on the results spectrum. What is however clear from the variation shown is that whatever general observation we may make about firms overall, there will always be individual firms in our exercise for which any such observations will be either overly positive or misleadingly negative. All banks and building societies are not the same, and each firm can learn lessons from others in the sector about achieving and maintaining high standards of behaviour and competence.
PART II: THE 2016 ASSESSMENT

The 2016 Assessment found examples of both good practice and areas where improvement is needed. The BSB is interested in helping member firms identify and learn from both. Drawing on evidence from all participating firms (and recognising, as noted, that the variation in results means that no general conclusion will capture the circumstances of each individual firm), we set out below number of observations from the 2016 Assessment.

Alignment between a firm’s values and the way that business is seen to be done

More than four in five employees surveyed across all firms find their firms’ values to be meaningful, and many focus group participants said that they understood and appreciated the purpose and values of their firm. Boards and executives emphasised the use of corporate values to encourage and incentivise good behaviour.

Only 65% of employees, however, agree that there is no conflict between their firm’s stated values and the way that the firm does business. 14% do see such a conflict, with this being more marked in systemically important institutions, and the remainder neither agreeing nor disagreeing.
PART II: THE 2016 ASSESSMENT

Of those employees who perceive a conflict, almost half also do not believe that senior leaders in their organisation mean what they say (compared with the 19% of employees in general who do not believe that senior leaders mean what they say).

Employees suggested various factors that might be contributing to this lack of alignment. Some raised concerns about their firms’ business model, suggesting that particular products did not necessarily meet customer needs. Others said that values were inconsistently applied internally, in particular where ongoing organisational change made elements that might be espoused by or implicit in the values (such as flexibility or simplicity) difficult. In firms that were small but growing, concerns often centred on maintaining the firms’ original purpose and values. In some larger or more complex organisations, corporate silos were seen as one factor inhibiting a sense of shared purpose.

This observation underpins one of the BSB’s key themes in 2017.

Responsibility, speaking up and challenge

Nearly three in ten employees across all firms would be worried about the negative consequences for them if they raised concerns, and one in seven do not feel comfortable challenging a decision made by their manager. One-third say that people in their organisation become defensive when their views are challenged.

Focus group participants who observed elements of a blame culture in their firm, tended to associate this with a less open environment. In some firms, employees identified hierarchy and a reluctance to upset line managers or senior colleagues as factors; in others, a highly supportive and consensus-based culture was seen as discouraging the raising of concerns or mistakes.
PART II: THE 2016 ASSESSMENT

37% of employees see others trying to avoid taking responsibility for actions or decisions, and in discussions, many linked this tendency with a fear of making mistakes. A lack of clarity over roles and responsibilities, particularly (but not exclusively) in larger organisations, was also seen as an exacerbating factor, making it unclear where ultimate responsibility lay.

This observation underpins one of the BSB’s key themes in 2017.

Wellbeing and pressure at work

Almost three in five employees across all firms say they feel under considerable pressure to perform at their work, and more than a quarter say that working in their firm has a negative impact on their health and wellbeing. A detrimental effect on personal health is most commonly reported by individuals working in investment banking and in systemically important institutions.

Many of the firms we assessed in 2016 have programmes in place to support the physical and mental wellbeing of employees. This support is valued by those working in these firms. Focus group participants nevertheless pointed to work pressures as having had a negative impact on their health and wellbeing, and suggested organisational change and restructuring, a lack of resource, and poor systems and processes as contributory factors. Many employees also noted the scrutiny (both external and internal) that they felt they came under, in a ‘no mistakes’ environment.

This observation underpins one of the BSB’s key themes in 2017.

Note: As these are both negatively phrased questions, the key is reversed so that the most favourable responses (i.e. positive) are green
PART II: THE 2016 ASSESSMENT

Competence

Four in five employees in general say that people in their organisation have the skills and knowledge to do their jobs well, and that they are encouraged continually to learn new skills and improve their role-specific knowledge. Nine in ten say they are encouraged to share learning and good practices with others. In focus groups some described the value of internal rotation programmes, as well as formal training, while others spoke positively about knowledge-sharing sessions.

Executives at several firms said that leadership skills were a clear current priority in training, as well as developing capability in managing technological change and data. Employees at several firms observed that time and work pressures restricted their ability to take up the training on offer.

Identifying risk, and respect for Risk and Compliance functions

More than nine in ten employees across all firms feel confident in their ability to identify risks in their area, and a similar proportion say that Risk and Compliance are respected functions in their firms. Over four in five say they are encouraged to follow the spirit of the rules (i.e. what they mean, not just the words). People at several firms spoke positively in focus groups about the risk culture programmes and campaigns their firms had been running, and boards and executives described how their focus on risk had increased in the wake of the financial crisis and conduct issues in banking.

In firms where employees noted that progress had been made in identifying risk, overall factors suggested as having contributed to this included: clarity over risk being the responsibility of everyone and not just of one part of the business; Risk and Compliance having improved their product and business knowledge to become more respected voices in challenging front-office colleagues; and leaders who were seen to demonstrate respect for control functions and to speak consistently about the need for such respect.

Where progress was less apparent, employees suggested that controls and compliance processes had been introduced in a way that added to strain on employees, that they were onerous in design, or that the reasons for their introduction had not been clearly explained. In some firms where a ‘no mistakes’ message had been strongly communicated, this was seen as having inadvertently constrained speaking up.

Putting customers, members and clients at the centre of the business

Almost nine in ten employees across all firms see their colleagues go the extra mile to meet the needs of customers. Three-quarters say their firm puts customers at the centre of business decisions, with people working in non-systemically important institutions being particularly positive on this. At the same time, however, almost three in five employees feel constrained by internal processes and practices, and focus group participants said that this inhibited their ability to serve customers well.

Focus group participants at some firms felt that their organisations clearly put customers at the centre of business decisions. They noted that customer outcomes were a core consideration in meetings; that front-office employees felt empowered to act in the interest of customers; that ways to
PART II: THE 2016 ASSESSMENT

address emerging customer issues were rapidly built into working practices through regular calls across branches and through root-cause analysis of complaints; and that processes were built around customers rather than around existing systems.

In some firms, focus group participants noted that efforts to minimise conduct breaches included the use of scripts for some customer-facing employees (e.g. in call centres). They felt, however, that while scripts might technically mean that customers were being told all that was legally required, this approach did not necessarily facilitate good engagement with or outcomes for customers.

Participants in some focus groups also suggested that terms and conditions for products were often complex, and expressed frustration at the inability of their firms to simplify these in the interest of customers. At some (typically larger) firms, employees described having to use multiple systems to get a complete customer view, hindering the efficiency and effectiveness with which they were able to serve customers.

Nine out of ten employees across firms say that their colleagues act in an honest and ethical way. At the same time, however, 12% see instances where unethical behaviour is rewarded, 13% see it as difficult to get ahead in their careers without flexing their ethical standards, and 18% see people in their organisation turn a blind eye to inappropriate behaviour.

What these numbers clearly cannot tell us, is what constitutes the unethical or inappropriate behaviour that respondents may be referring to. This is a question we intend to explore in the 2017 Survey and in our work more broadly over the coming year.

Acting in an honest and ethical way

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PART II: THE 2016 ASSESSMENT

Remuneration and reward

The boards and executives of many firms told us that they had worked to link the remuneration process more strongly to behaviours in line with their firms’ values. This had in many cases included the removal of sales targets from frontline employees, the use of balanced scorecards, and/or taking into account behavioural objectives, as well as business targets.

Employees in many firms welcomed the greater importance of behavioural objectives in performance review and remuneration, and thought that the changes had resulted in better behaviour. They also said, however, that it was more difficult to assess and measure success in this way. In a small number of firms, focus group participants suggested that sales targets remained implicit through the retention of business targets for their managers.

Employees, executives and board members (including Remuneration Committee Chairmen) across many firms described remuneration policies at their firm and across the sector as too complex. Employees in several firms described their firms’ remuneration and reward policies as confusing and over-engineered, in particular with respect to the links between different elements of performance assessment, fixed pay and variable pay. Interviews with non-executive directors suggested that the primary focus of Remuneration Committees in several firms is on remuneration and reward for executives and the highest-paid employees.

More detailed findings from the 2016 Assessment on remuneration and reward can be found on the BSB website.

Systemically important and non-systemically important firms

Of our nine characteristics, the median score of non-systemically important institutions (i.e. smaller, less complex and less interconnected firms) is higher than that of systemically important institutions on honesty, reliability, resilience and shared purpose. On competence the opposite is the case, and there is little difference on other characteristics (respect, responsiveness, accountability and openness).

At the level of individual survey questions, employees in non-systemically important institutions are more likely than those in systemically important institutions to believe in particular that their firm puts customers at the centre of business decisions and that senior leaders mean what they say. They are also less likely to say that their work has a negative impact on their health.

As noted earlier, however, it is important to emphasise that when comparing systemically and non-systemically important firms, there are sufficient exceptions to each generalisation to demonstrate that being a firm of a particular size or type is neither a barrier to high standards nor a safeguard against low ones.

Gender

At a firm level there are few material differences between the average responses of women and men. On 34 of 36 Survey questions, the difference between the average scores of women and men is less than five points (see Chart ‘Scores by gender’ below).
PART II: THE 2016 ASSESSMENT

On the first of the two questions for which this is not the case, more men (three in ten) than women (one in five) think that their firm is primarily focused on short-term results. On the second, more women (one in five) than men (one in seven) see people turning a blind eye to inappropriate behaviour in their firm.

Employee perceptions tend to be positive on joining a firm, but decline thereafter. Investment banking, however, shows a different trajectory to retail banking and functions.

The most positive perceptions in our Survey are generally reported by those who have recently joined their firm. There is then a steep decline in subsequent years. In investment banking, perceptions begin to improve after about three years, in a U-shaped trajectory. In retail banking and functions, however, the downward trajectory in perceptions continues for about 15 years at the same firm before lifting only marginally. Notwithstanding the different trajectories, average scores across a career in retail banking may nevertheless be higher for some questions than average scores in investment banking, throughout.
PART II: THE 2016 ASSESSMENT

These differences between areas are particularly marked on questions relating to the authenticity of senior leaders, personal wellbeing and shared purpose. The first two of these are illustrated here.

Q1: ‘I believe senior leaders in my organisation mean what they say’

Q29: ‘Working in my organisation has a negative impact on my health and well-being’

Work in progress

With all such observations of differences in average responses between different categories of firms or individuals, correlation does not, of course, equal causation. That we can make observations, however well-founded, does not mean that we are thereby identifying root causes. Does, for example, a finding that perceptions tend to change with tenure in a different way in investment banking to retail banking, reflect the different natures of the two business areas? Or differences in the age, gender, seniority, pay, promotion, expectations, qualifications or turnover of the people working in each part of the sector? Or in the size, location or business model of their employers?

We will continue to analyse the data collected from this first BSB Assessment with a view to identifying relevant factors and root causes. Alongside exploring the data itself, we will also draw on relevant firm and third party information and external research.

The findings from each Assessment exercise also inform our policy agenda, helping to suggest areas where a collective endeavour by firms to raise standards and identify good practice could benefit the banking sector’s customers and clients. Before exploring the policy priorities for 2017, however, we consider first the policy initiatives already embarked upon in 2016, themselves shaped by the pilot qualitative Assessment exercise in 2015.
PART III: POLICY WORK IN 2016

Our policy work in 2016 focused on three issues in particular:

• helping firms to make a success of the new UK Certification Regime so that it is used by firms to raise professional standards across the sector and produce good outcomes for customers, members, clients and society;

• exploring the role of professional qualifications and professional bodies in raising standards across the banking sector; and

• learning from and collaborating with organisations in other sectors and jurisdictions, with a view to raising standards in banking.

All three remain areas of policy focus for the BSB in 2017, informed by the 2016 Assessment and alongside (and supporting) the new themes suggested by the latter. These thematic priorities for 2017 are set out in Part IV of this Review. First, however, we consider our policy work in 2016.

Helping firms to make a success of the Certification Regime

The new Certification Regime commenced on 7 March 2016. It requires senior managers to attest annually to the ‘fitness and propriety’ (F&P) of individuals who are managing significant risks. These employees, along with almost all employees in a bank or building society, are also required to act in accordance with new Conduct Rules introduced on the same date.

While the new regulation is clear in its requirement that firms assess the F&P of certified individuals, it leaves the detail of how this should be done largely to firms themselves. In this, it presents firms, therefore, with the collective opportunity to generate far-reaching and positive change through the raising of professional standards across the sector. The new regulatory requirements of the Certification Regime are, seen through this lens, a starting point rather than an end in themselves.

Furthermore, and as noted earlier in this Review, regulatory baseline standards need – in order for their intended objectives to be achieved – to be accompanied by professional and ethical standards that are owned and maintained by the firms and individuals being regulated. This is something that the identification of good practice at a sectoral level can support and promote.

Given the importance of the new regime to standards of both behaviour and competence across the banking sector, and given also its collective dimension, the BSB began in early 2016 to explore with its members the scope for firms to learn from each other about effective implementation of the new regime and to identify areas where consistency of approach could be beneficial.

Following these initial discussions, a Certification Regime Working Group drawn from BSB member firms was convened in January 2016 to help to develop a common understanding of the policy and operational issues associated with the Certification Regime and to establish good practice guidance and examples. The Working Group met nine times in 2016, and its membership expanded and diversified over this period. Working Group members can be heard discussing the rationale for and work of the group in the BSB Certification Podcast.
PART III: POLICY WORK IN 2016

The BSB published a consultation document proposing good practice guidance on assessing F&P in June 2016. Following consideration of the responses by the Working Group, this was followed on 28 February by the BSB’s first Statement of Good Practice on Fitness and Propriety Assessment and Supporting Guidance, covering:

- definitions of honesty and integrity, reputation, competence and capability, and financial soundness,
- sources of information to help to assess F&P, and
- an assessment record template.

These documents establish some good practice principles for assessing F&P and provide firms with tools for conducting high quality assessments. The aim of this guidance is to encourage and help firms to use the Certification Regime as a means of raising professional standards – fostering professional pride in those being certified, and encouraging high standards of behaviour and continuous learning – and to help to ensure that F&P assessments are fair, inclusive, consistent and transparent.

Firms are under no legal or regulatory obligation to comply with a BSB Statement of Good Practice or with Supporting Guidance. Rather, such Statements and Guidance are intended to provide BSB members (and others in the sector) with the ability to reference their own policies and procedures against an informed statement of what ‘good’ looks like in the relevant context, thereby raising standards across the sector and changing expectations of what is regarded as acceptable or ‘good enough’. This first BSB Statement of Good Practice and Supporting Guidance represents a pooling of knowledge and experience, and combines pragmatism with aspiration. It will be kept under review and revised as appropriate to ensure it remains relevant and stretching.

The work of the Certification Regime Working Group on assessing F&P continues, and we propose to publish further Statements of Good Practice and Supporting Guidance for consultation during 2017 covering issues such as:

- identifying and evaluating risks and issues related to Certification i.e. circumstances which, should they materialise, could call into question whether an individual is fit and proper to perform their role;
- assessing the F&P of individuals working outside the UK or moving to the UK from overseas; and
- factors to consider when sharing information about Certified individuals when they move between firms (linked to recent requirements for firms to provide ‘regulatory references’).

Professionalism in banking

The Parliamentary Commission on Banking Standards (PCBS) concluded in its 2013 report, Changing Banking for Good, that an apparent lack of constraints on the behaviour of individuals working in banking had contributed substantially to the failures witnessed in the financial crisis. There was a pressing need to make ‘individual responsibility in banking a reality’ and achieving this was the
PART III: POLICY WORK IN 2016

responsibility not solely of regulators and policy makers, but also of the banking sector itself and everyone within it.

The new Certification Regime, described in the previous section, was one of the key regulatory changes introduced to meet the PCBS’ recommendation that steps be taken to strengthen individual responsibility and accountability in banking. As noted, however, the way in which the sector approaches implementation of the new regime – whether as an opportunity to promote professionalism, or a compliance issue to be managed at least cost and risk – will have a crucial bearing on its success. Responsibility for setting and maintaining standards of behaviour and competence across the banking sector rests, first and foremost, with firms themselves. It was in this context that we began, in 2016, to consider whether there was scope for professional qualifications, and professional bodies as a whole, to play an enhanced supportive role.

To provide an evidence base for this initial thinking we asked the Inter-Disciplinary Ethics Applied (IDEA) centre at the University of Leeds to:

• examine the current role and perception of professional bodies and qualifications in banking, and to explore whether these were changing at all in the light of regulatory developments, or might change if the qualifications on offer were perceived differently in terms of content and/or status;

• set out how professional bodies in the UK banking sector operate, and how this compares with professional bodies in other sectors; and

• explore whether, from the perspective of both firms and professional bodies, there would be value in professional bodies taking on a wider range of roles (again, drawing on experience in other sectors).

This independent research, published on 3 October 2016, discussed the current context and identified a number of factors that might be constraining the use of professional qualifications and the role played by professional bodies in the UK banking sector. These included:

• the low profile of professions within the banking sector currently;

• the need to establish banking qualifications, or a tiered framework of qualifications, which would give (and be recognised as giving) a thorough grounding in the fundamentals of banking;

• the difficulty of navigating the professional body sector, the number of qualifications and the lack of clear pathways and links to career progression within firms;

• the relationship between banks or building societies and professional bodies, which is one of ‘customer and supplier’ rather than of partners forming a ‘community of interest’; and

• the lack of a recognised and clearly defined role for professional bodies beyond the provision of qualifications.
PART III: POLICY WORK IN 2016

The research also indicated potential benefits for firms, professional bodies and other relevant parties in working together to develop pragmatic solutions that would apply across the sector or appropriate parts of it.

The professional bodies operating in the UK banking sector recognise many of these issues. Action on the part of individual bodies may, however, be constrained by capacity and coverage. Professional bodies vary greatly in size, ranging from fewer than 4,000 members to over 150,000 globally; they may also focus on specific segments of the sector. Collaboration and coordination would appear to be key ingredients in ensuring that professional bodies are able to play as full a role as possible in raising standards across the sector. The BSB welcomes in this context the creation by the Chartered Banker Institute, the Chartered Institute for Securities and Investment and the Chartered Insurance Institute of a new Chartered Body Alliance, and the joint commitment of the organisations to working together to promote professionalism in financial services.

Progress will require the strong engagement and support not only of professional bodies themselves, but also of the banks and building societies whose employees are (or could be) their members. To help to facilitate concrete steps, and following engagement with both professional bodies and firms following the publication of the IDEA report, the BSB will establish in May 2017 a new Professionalism Forum chaired by Sir Brendan Barber. Proposed membership of this Forum will include BSB member firms, professional bodies in the banking sector, other training or qualification providers and subject matter experts (as well as, in an observer capacity, the Financial Conduct Authority, the Prudential Regulatory Authority and the FICC Market Standards Board).

The Professionalism Forum will, over the course of 2017 and early 2018, explore how the challenges identified in the IDEA research, together with other issues identified by the group, can most effectively be addressed. It will engage in this context with other bodies with an interest in professional standards of behaviour and competence in banking, including those representing the interests of customers and clients; and it will take into account views and perspectives from across the sector and around the UK.

The Forum is intended to have an action-oriented and facilitative approach; supporting work that is already underway or planned, exploring areas where new initiatives or impetus would be helpful, and identifying collectively how progress can most effectively be made. Where appropriate, proposals will be developed and published for broader consultation. Equally, where new initiatives are identified that are consistent with the Forum’s direction of travel but can be taken forward by individual or groups of Forum members, these should not need to wait for the Forum’s overall work to conclude before getting underway.

Learning from other sectors and jurisdictions

The boards and executive teams of UK banks and building societies are not the only senior figures faced with the question of how to attain and maintain high standards of behaviour and competence within their firms and their sector. Challenges relating to trustworthiness are not confined to the banking sector, or indeed to the UK or the 21st century. Banks and building societies can learn both from each other (as in the Certification Regime Working Group) and from organisations in other sectors or jurisdictions.
PART III: POLICY WORK IN 2016

An important part of the BSB’s remit is to facilitate such learning and help identify relevant experience that can be applied in a UK banking context to the benefit of customers and clients.

After an initial event in late 2015 with Sir Brendan Barber, who spoke about his experience both as a former General Secretary of the Trades Union Congress and as Chairman of the Advisory, Conciliation and Arbitration Service, the BSB held breakfast seminars for member firms in 2016 with non-banking sector speakers including:

- **Sir Martin Narey**, who drew on his experience in both the prison service and the charity sector to discuss the challenges of moral leadership and leadership in adversity;

- **Professor Martin Elliott**, Professor of Cardiothoracic Surgery at University College London and Paediatric Cardiothoracic Surgeon at The Great Ormond Street Hospital for Children, who spoke about the challenge of establishing a culture of accountability rather than blame, the importance of mistakes, and the insights he had gained from other sectors and applied in his own organisational context; and

- **Mark England**, Team GB’s Chef de Mission at the Rio Games, provided a behind-the-scenes view of Team GB’s success in Rio and shared his thoughts on integrity in sport and the importance of a common culture.

**Joris Luyendijk**, author of *Swimming with Sharks*, also joined BSB members to discuss his exploration of the banking sector’s culture from conversations with those working in the sector.

March 2016 also saw the first FT Banking Standards Conference, a collaboration between the BSB, the FT Live and The Banker at which more than 450 participants explored the challenges and priorities for the sector in raising standards. CEOs and Chairmen from a range of UK firms spoke alongside BSB Board members, regulators and senior figures from professional institutes, law firms, consultancies and other organisations.

As well as learning from the experience of individuals in other sectors or who have approached banking from an ‘external’ perspective, we have drawn directly on techniques more generally associated with other sectors or industries to inform our work with firms.

Long-term observational ethnographic methods are one way of gaining valuable insights into culture and behaviour (and the variations in culture and behaviour) within organisations. In July 2016 and in conjunction with Dr Daniel Beunza, Assistant Professor of Management at the London School of Economics, the BSB ran a seminar for member firms, introducing ethnography as a discipline and considering how it might be applied within banks and building societies. Firms’ interest in exploring this further was such that we went on to organise a four-part workshop series for member firms, taught by Dr Beunza, in early 2017.
PART III: POLICY WORK IN 2016

Banks and building societies – and, of course, the BSB itself – can learn not only from other sectors but also from other jurisdictions. We have in this context engaged and worked in 2016 with firms, regulators, policy makers and academics elsewhere in Europe and in the US, South East Asia, Australasia and South Africa. Sharing thinking and ideas with overseas counterparts has helped inform the development of our own work and that of others. The BSB’s rising profile internationally has, meanwhile, helped underline the importance attached to culture within the banking sector across jurisdictions, and highlighted the (in global terms, unusual as non-statutory) initiative being undertaken by the UK sector through the BSB.

A particular area of interest for the BSB over the past year has been the relationship between law, regulation and ethics; a subject on which we have been working closely with both the UK judiciary and leading academics, as well as through our growing international networks. We have also engaged with the European supervisory authorities\(^3\) as part of their consultations on fitness and propriety and more recently with the UK Financial Conduct Authority in the context of its consultation on its own mission.

We look forward not only to continuing this thinking but also, in this context, to a planned discussion on ‘Worthy of trust? Law, ethics and culture in banking’ between William C. Dudley, President of the Federal Reserve Bank of New York, Mark Carney, Governor of the Bank of England and the Right Honourable Lord Thomas, Lord Chief Justice of England and Wales at a BSB event hosted by the Bank of England on 21 March 2017 (shortly after the publication of this report). Different perspectives on the event’s theme from a range of contributors as well as the proceedings themselves will also be available on the BSB’s website following the event.

\(^3\)The European Securities and Markets Authority, the European Banking Authority and the European Central Bank
PART IV: THE YEAR AHEAD

Themes and priorities for 2017

The findings from the annual Assessment exercise – issues on which progress is needed, examples of good practice that could set a standard for the sector as a whole, or observations that are surprising or raise questions that deserve an answer – help shape the BSB’s policy agenda and work priorities.

Our first Annual Review published in March 2016 identified six thematic areas for the BSB’s work, informed by our pilot assessment of the previous year (a qualitative exercise with no Survey element and conducted with ten firms). These 2016 themes encompassed purpose, values and culture; culture and conduct; leadership and key person risk; incentives and reward; challenge and speaking up; and the provision, take-up and effectiveness of training and support.

The quantitative, survey element of the 2016 Assessment combined with the much larger scale of the exercise overall (meaning that the results are statistically representative rather than indicative) allows us now to build on and refine last year’s themes and bring greater focus to our approach.

Not every finding that emerges from an annual Assessment will or should, of course, prompt a BSB response. Some issues may be addressed most effectively at the level of the individual firm, and BSB input would add limited value. Others might benefit from collective consideration but be outside the BSB’s proper scope, or beyond its capacity or capability at any given time. Still others might be appropriate and feasible, but more appropriately or effectively addressed by trade associations, professional bodies, regulators, forums such as the FICC Market Standards Board or organisations such as the Lending Standards Board. Where work is already being done well or where another organisation is better placed to fill a gap, the BSB will partner with or support other organisations as appropriate.

The BSB’s work priorities are, therefore, shaped not only by what we regard as important (on the basis of the evidence available) and appropriate (given our aims), but also by what we consider we can do well and where we will add most value.

Taking all of this into account, and drawing on the 2016 Assessment findings, the BSB’s work in 2017 will focus on three thematic areas. Further information on each of which can be found on the Annual Review Portal:

* understanding and helping to address an apparent mismatch between the values espoused by the firm and the way that some employees see business being done. This will include:

  - considering how we can develop our understanding of this issue through the 2017 Assessment, and in particular through the qualitative elements of this exercise;
  
  - exploring the alignment of values and strategy, including issues relating to remuneration and reward (and picking up themes that emerged also from the 2015 pilot assessment around sales targets and incentives); and
PART IV: THE YEAR AHEAD

- working with the Institute for Business Ethics on relevant issues including those relating to reward strategy.

• helping to develop a culture within the banking sector of responsibility and accountability rather than of blame. This will include:

  - developing Statements of Good Practice on implementation of the Certification Regime;
  
  - examining where further cross-sector work on issues such as Regulatory References and the Individual Conduct Rules can help firms establish a consistent approach and support employees to take responsibility and challenge the behaviours of others through the work of both the existing Certification Regime Working Group and the new Professionalism Forum;
  
  - exploring - through the Professionalism Forum - the roles of professional bodies and educational bodies providing qualifications in supporting constructive challenge and professional judgement (through, for example, the development of critical thinking skills, the provision of well-developed and supported codes of ethics, or advice lines) and promoting competence at all levels, including through apprenticeships;
  
  - refining our Survey questions to enable us to explore this theme in more detail in 2017;
  
  - supporting the Lending Standards Board in its development of standards on business lending, helping promote responsibility and accountability in this area.

• Identifying practical steps to help promote employee well-being and resilience. This will include:

  - working in partnership with the Bank Worker’s Charity, as well as with other subject matter experts and organisations including the Trades Unions, to explore in particular:

    • the relationship between motivation and well-being at work, and
    
    • how to create an environment that is both supportive and promotes autonomy.

As well as projects that are specific to all three themes, each will also be supported by new and ongoing cross-thematic work including, for example, initiatives to facilitate learning from other sectors, and the series of workshops that we are running with the London School of Economics to help member firms to develop in-house skills in ethnographic techniques.

The importance of partnership and collaboration to achieve results, has already been noted. In the way that we take forward work within each of these themes in 2017, we will focus on:
PART IV: THE YEAR AHEAD

- expanding our direct engagement and dialogue with organisations representing customers, members, clients or investors and different parts of civil society;
- deepening our UK and international networks to share ideas with, learn from and collaborate with a wide range of private and public sector organisations and networks; and
- beginning to incorporate relevant data collected by firms and third parties into our evidence and analysis.

For both the BSB and its member firms, the past year has been both a landmark and a start; a period of beginning to create an evidence base, test new approaches and establish baselines against which change can be measured. The 2016 Assessment provided a snapshot that allowed member firms, for the first time, to assess themselves in the context of managing their cultures, relative to others in the sector. In 2017, data from the second Assessment will allow member firms to draw comparisons not only across their organisation and with other firms, but also over time. As the evidence base becomes broader and deeper with each year’s exercise, we will be able to present an ever more detailed and accurate picture about and across firms in our Annual Review.

Having run the Assessment in 2016, we are also confident that this approach could be applied across the non-UK operations of global banking groups or, indeed, within organisations that are not banks. We are also happy to talk with firms outside the UK banking sector about our work over the past year, lessons learned and the potential wider applicability of our approach.

High standards of behaviour and competence in banking matter; and they matter for bank and building society customers, members, clients, investors and employees, as well as for the general public, the economy and society as a whole. Maintaining a culture that supports high standards is the responsibility of every firm with a banking licence, and all firms share collective responsibility for the culture of their sector. The BSB exists to help, challenge and support the sector in meeting its responsibility. Success – and trustworthiness – is in the hands of firms themselves.