

THE  
INVESTMENT  
ASSOCIATION

# CULTURE

A Practical Framework  
for Enduring Change

November 2025

**COVINGTON**

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# FOREWORD

Corporate culture quietly shapes performance, retention and innovation across every organisation – yet building and sustaining it effectively remains one of leadership’s greatest challenges. A healthy culture delivers clear benefits throughout a company, but when it goes wrong, the impact can be equally significant. That is why culture matters to our members, their investors and regulators alike.

Measuring culture is essential to managing it and this toolkit is designed to meet that need. It provides a practical approach to embedding culture operationally, helping firms understand, refine and strengthen their existing culture.

We are delighted to have partnered with Covington on this important initiative, which draws on their extensive expertise and insights in culture and conduct issues across financial services.

We hope this resource provides a practical framework for measuring and managing organisational culture, while also offering a foundation for deeper reflection on how to translate cultural aspirations into meaningful action.



## Karis Stander

Director, Culture, Talent & Inclusion, MD, Investment20/20

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## ABOUT THE IA

The Investment Association champions UK investment management, supporting British savers, investors and businesses. Our 250 members manage £10 trillion of assets and the investment management industry supports 124,800 jobs across the UK. Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers. Our purpose is to ensure investment managers are in the best possible position to:

- Build people’s resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs. The UK is the second largest investment management centre in the world, after the US and manages £5.1 trillion on behalf of overseas clients.

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# OVERVIEW

Monitoring the cultural direction of travel — as is the clear regulatory (and, increasingly, investor) expectation — is easier said than done. It is not obvious how organisations can (or should) get a practical handle around the inherently nebulous concept of culture — a question we have faced on innumerable occasions.

While there may never be a “perfect” methodology for measuring culture, this Framework demonstrates that there is an array of measures and techniques that organisations can usefully adopt in their quest to institute a meaningful, objectively monitorable, and operationally workable culture change programme.

We have observed a number of organisations already reaping significant rewards from thoughtful culture change programmes. A healthy organisational culture can — and indeed should — result in tangible and enterprise wide benefits. We hope that this Framework serves as an instructive reference guide — no matter how far your organisation (or prospect) has already travelled on a cultural journey.

## *Preface*

The purpose of this Framework is not to add to the already extensive body of academic literature on cultural theory. Rather, this Framework applies a concerted practical lens through which organisations can constructively approach this important subject in operational practice.

This Framework seeks to help bridge the theory / practice divide by offering a practical toolkit, informed by recent insights, trends, and real life case studies (amongst other things). The Framework is not, and cannot be, prescriptive. It is intended as a helpful practical resource for those organisations keen to understand **how culture and its direction of travel can be measured and monitored in a meaningful way.**

This Framework draws upon many years’ worth of learnings and experiences (especially, but not exclusively, within the financial services industry) — of what has worked well, and, conversely, what has not worked so well (or indeed at all!).

While ultimately each organisation should determine its own optimal approach to cultural change and oversight, we hope that this Framework provides a helpful starting point and much food for thought.

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Self-Assessment



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# 1. INTRODUCTION

*“It is the responsibility of everyone in financial services to focus on culture, and we expect leaders in firms to manage the drivers of behaviour in their firms to create and maintain cultures which reduce the potential for harm.*

*We are working to promote healthy cultures across the industry. Firms’ cultures have been a major root cause of conduct failures, and our work supporting firms in delivering real and sustainable culture transformations will help prevent harm caused by inappropriate behaviours.*

*Culture is at the heart of how we authorise and supervise firms, as well as look for improvements where they are needed”.*

— Financial Conduct Authority (“FCA”), 2023<sup>1</sup>

As these quotes succinctly illustrate, culture remains high on the regulatory agenda and, indeed, is likely to feature prominently for the foreseeable future. However, culture is by no means the exclusive concern of regulators. As considered later in this Framework, many influential international bodies, such as the Financial Stability Board (“FSB”) and the Group of 30 (“G30”), regard the closely intertwined topics of culture, conduct, and governance as key priorities. In short, the regulatory focus on culture — **and, in particular, an organisation’s cultural direction of travel** — is not a jurisdiction-specific phenomenon.

Moreover, there is a view that most, if not all, recent major prudential or conduct failings within financial institutions shared the common characteristic of underlying cultural failings, as a significant root cause. See, for example, comments made by the Chief Operating Officer of the FCA in February 2025:

*“[...] Time and again, when we investigate failures of consumer protection or market conduct, what do we find? The same root cause: failings in culture and governance. That is no coincidence. Because it is culture that drives conduct. Culture that shapes decisions and actions at every level. And those decisions, whether they’re made on the trading floor or in the boardroom, directly impact outcomes for consumers, markets and our economy”.*<sup>2</sup>

Notwithstanding the hundreds of millions of pounds’ worth of fines paid, companies across a myriad of industries that have experienced cultural and conduct failings can all testify that the single most profound consequence is, usually, the reputational damage suffered. The reputational implications of highlighted cultural failings cannot be overstated.

Increasingly, the culture of **investee companies** and **M&A targets** — whatever their sector or industry — is an explicit (and significant) consideration for **investors** and **prospective acquirors**, respectively. For instance, “cultural fit” and “alignment of values” now feature prominently in many M&A due diligence exercises.

It is also interesting to note the rising number of specific culture risk factors in IPO prospectuses — a theme that we expect to continue.

Additionally, the importance, and ongoing assessment, of corporate culture has for some time now featured in **corporate governance codes for listed companies**. In the UK, for example, listed company boards “should assess and monitor culture”.<sup>3</sup>

In summary, a healthy corporate culture can be regarded as a valuable asset, a distinct source of competitive advantage, and essential to the creation and protection of long term value and sustainability.

<sup>1</sup> [Culture and governance | FCA](#)

<sup>2</sup> [Culture is contagious | FCA](#)

<sup>3</sup> [UK Corporate Governance Code \(2024\)](#), Section 1, Provision 2; in support of Principle B (The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture).

## INTERLINKAGE BETWEEN CULTURE, CONDUCT AND GOVERNANCE

*“Strong governance underpins a healthy culture”*

— Sir Winfried Bischoff, Chairman, Financial Reporting Council 2016

Culture, conduct, and governance are inextricably linked. “A key observation drawn ... was how the relationship between governance frameworks, culture and conduct mutually influence one another in both positive and negative ways. A culture that values appropriate conduct can reduce incidents of misconduct, including by supporting and reinforcing governance frameworks. Conversely, a culture that tolerates or rewards misconduct or drives misconduct underground can undermine the effectiveness of those frameworks and harm organisations, consumers and markets”.<sup>4</sup>

**Leadership, decision making, values and behavioural norms** are commonly cited as key cultural influencers.

Additionally, an organisation’s culture is subject to various **internal and external** factors that can contribute towards poor or questionable conduct. For instance, a difficult (external) business environment may serve to increase the temptation for employees to behave inappropriately, in order to attain challenging objectives. Similarly, from an internal perspective, a domineering leadership style can profoundly (negatively) impact the surrounding working environment, potentially leading to a toxic atmosphere and, in turn, to a lack of psychological safety, amongst other things.

## OBJECTIVES OF THIS FRAMEWORK

**This Framework is intended as a practical guide to help inform approaches to culture — with a view to achieving beneficial and, importantly, sustainable change.** Its purpose is not to prescribe — rather, to provide a valuable source of learnings, insights, tools, and ideas; designed as a thought provoking guide (or toolkit) to assist organisations, acquirers, and investors in the formulation of their own bespoke approach. The emphasis throughout this Framework is on **practicalities**.

**While culture may be regarded as an inherently nebulous concept that does not readily lend itself to definition or measurement, this Framework aims to demonstrate that there are indeed various ways in which an organisation’s cultural trajectory can be monitored and influenced in practice.**

## CONTEXTUALISATION

Any consideration of culture must be undertaken against a proper contextual backdrop.

It is important to recognise that culture insights and learnings will continue to evolve over time.

Culture change is not a one off project, but a continuous endeavour in which all organisation personnel have a degree of responsibility and a role to play.

Culture within organisations can — and often does — vary across teams, divisions, and jurisdictions.

Culture has both reflective and aspirational elements.

<sup>4</sup> FSB, *Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors*

## 2. DEFINING CULTURE

There is no universally accepted definition of 'organisational culture'. However, culture is often colloquially interpreted as: "the way we do things around here"; "how we behave when no one is looking"; or "the way that we act, speak and make decisions without thinking consciously about it".

Culture is defined by the FCA as "*the typical, habitual behaviours and mindsets that characterise a particular organisation*".<sup>5</sup>

However defined, culture will invariably "*play an important role in influencing the actions and decisions taken by employees within a firm and in shaping the firm's attitude towards its stakeholders, including supervisors and regulators. It also may allow or encourage misconduct by individuals, or large numbers of employees, particularly if instances of misconduct are overlooked. Insisting on clarity in individual responsibilities reflects the priority that the firm places on a culture of good conduct and the need for accountability*".<sup>6</sup>

### ELEMENTS OF CULTURE

Culture is often seen as comprising two elements: (a) **conduct and behaviours**; as influenced by (b) **values and ethics**. Values and ethics will include unspoken rules, norms, and subconscious beliefs that lie beneath the surface. Clearly, it will be important for organisations to ensure that articulated values and corporate **purpose** and **strategy** are fully aligned and reconcilable.

While conduct and behaviour are readily observable, values and ethics are typically not. However, that does not mean that they are unimportant. In fact, they will profoundly influence conduct and behaviour.

### ESTABLISHING VALUES

As a fundamental starting point, organisations must identify a set of institutional **values** that support their overall **purpose** and business strategy, and that every employee (and the organisation itself) is continually expected to observe and respect. Some organisations will already have values statements or equivalent with which personnel are required to comply at all times. In theory at least, all business conduct is supposed to be entirely consistent — both in letter and spirit — with an organisation's stated values.

Values statements will commonly feature concepts such as: respect; professionalism; trust; integrity; transparency; inclusivity; diversity; client centricity; collaboration; innovation; open mindedness; and progressiveness. Each organisation will determine which specific set of values best reflects its own aspirations. There is no correct answer, as such.

In appropriate cases, it can also be helpful for an organisation to articulate its practical expectations (to sit alongside a particular value). For example, if a stated cultural value is "responsiveness", then an accompanying expectation could be: "*The organisation will respond credibly and robustly to material issues or incidents. In particular, any such issues will be expected to have been escalated appropriately; notified (as necessary) to the regulator in a timely manner; duly prioritised; and managed at a suitable level of seniority within the organisation's governance framework*".

A benefit of expressing expectations is that they are, to some degree at least, measurable.

Values must then of course be **communicated and regularly reinforced** — both internally and externally.

<sup>5</sup> [Getting culture and conduct right - the role of the regulator | FCA](#)

<sup>6</sup> [FSB, Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors](#)

# 3. FINANCIAL SERVICES REGULATORY EXPECTATIONS

For some time now, culture and conduct have been attracting significant regulatory attention across the globe, including in the United States, the Eurozone, Australia, Hong Kong, and Singapore.

## A. UNITED KINGDOM

### FCA

The FCA has long been a standard bearer for culture and conduct — having issued numerous targeted initiatives and pronouncements over recent years, including the Senior Managers & Certification Regime (“**SMCR**”).

The FCA has been (and continues to be) very clear in its expectation that all regulated firms are monitoring their cultural direction of travel: “*We are interested in the direction of travel of firms’ cultures and whether indicators suggest that progress is being made*”<sup>7</sup> and “*We expect firms to continue to focus on driving positive cultural change*”<sup>8</sup>.

The FCA has clarified that its approach to supervising the industry’s culture journey will also focus on assessing and addressing drivers of culture. “*We also know that firms’ culture shapes the conduct outcomes for consumers and markets. We therefore aim to assess and address the drivers of culture. This includes looking at firms’ leadership, purpose, governance and approach to managing and rewarding its employees*”<sup>9</sup>.

### SMCR

The following passage neatly summarises the interplay between SMCR and culture:

*“We haven’t introduced a Prescribed Responsibility for culture as we consider every individual in a firm to be accountable for the firm’s culture, from the governing body down. This reinforces our own focus on culture and governance, and is one of our top priorities for firms ... In addition, all Senior Managers have a particular role to play in driving an appropriate culture and should take accountability for their actions, shaping the firm’s culture by taking accountability for their own behaviour and taking reasonable steps to manage the behaviour of those in their area of responsibility ... Culture will also be reinforced by applying the Conduct Rules throughout every level of a firm. The Conduct Rules aim to drive up standards of individual behaviour in financial services and shape a firm’s culture, standards and policies as a whole”*<sup>10</sup>

## NON-FINANCIAL MISCONDUCT

The FCA has been expressly clear of late that it considers non financial misconduct, such as harassment, sexual discrimination, or bullying, to fall squarely within its supervisory remit — in particular, as regards the potential impact on an organisation’s culture and on the “fitness and propriety” of relevant individuals.

For more detail on recent developments in connection with non-financial misconduct, please refer to the Investment Association’s “[Conduct in Financial Services – Practical Insights and Learnings](#)”

## ENFORCEMENT ACTIVITY

A number of enforcement cases — against both organisations and individuals — have been underpinned by findings of serious cultural shortcomings. Organisations (and their senior managers) must therefore appreciate that the risk of enforcement for significant cultural failings is very real.

<sup>7</sup> [FCA, Business Plan 2017/18](#)

<sup>8</sup> [FCA, Letter to Remuneration Committee \(2022\)](#)

<sup>9</sup> [Our approach to supervision | FCA](#)

<sup>10</sup> [PS18/14: Extending the Senior Managers & Certification Regime to FCA firms – Feedback to CP17/25 and CP17/40, and near-final rules](#)

## B. UNITED STATES

A host of US regulatory authorities have, of late, issued pronouncements related to culture and conduct. The Federal Reserve Bank of New York, OCC, SEC, FINRA, and the CFPB have all markedly increased their focus in this area — in particular, with respect to the cultural direction of travel.

### FEDERAL SENTENCING GUIDELINES

U.S. Federal Sentencing Guidelines contain an expectation that organisations will have a corporate culture of compliance, as well as the structures appropriate to supporting that culture.

### FEDERAL RESERVE BANK OF NEW YORK (“FRBNY”)

Of the various US agencies, the FRBNY, in particular, has issued numerous pronouncements on the importance of a strong culture. In June 2019, the FRBNY announced the formation of the Education and Industry Forum on Financial Services Culture – a private sector group, sponsored by the FRBNY.

### SEC

The SEC’s Division of Examinations aims to: promote compliance; prevent fraud; identify and monitor risk; and inform SEC policy. In announcing its examination priorities for 2021, the SEC emphasised that it considers culture and “tone at the top” to be key to effective compliance programmes.

## C. EUROZONE

Numerous European regulatory authorities have heightened their respective focus on conduct and culture in recent times — for instance, the DNB (Holland), ECB, and EBA.

## D. AUSTRALIA, HONG KONG, AND SINGAPORE

Australia, Hong Kong, and Singapore each have their own individual accountability regimes — introduced with a view to raising conduct standards and, ultimately, driving positive cultural change.

In March 2017, the Hong Kong Monetary Authority initiated a bank culture reform by promoting the adoption of a holistic framework for fostering a sound culture within banks, with particular attention given to three pillars, namely governance, incentive systems, and assessment and feedback mechanisms.

The reform encourages banks to develop a culture that supports prudent risk management and incentivises proper staff behaviour that will lead to positive customer outcomes and high ethical standards in the banking industry, so that banks put their safety and soundness as well as the interests of depositors and customers at the centre stage in the pursuit of commercial interests.

Equally, culture is a core area of supervisory focus for the Australian Prudential Regulation Authority (“APRA”), which, incidentally, also adopted a self assessment model. In November 2019, APRA published an information paper outlining an ambitious and comprehensive agenda for transforming governance, culture, remuneration and accountability across the industries it regulates.

## E. INFLUENTIAL INTERNATIONAL REPORTS / PRONOUNCEMENTS

Aside from the national initiatives designed to raise the culture bar, various international quasi-regulatory bodies have made important and influential contributions.

The **G30** has an eminent membership, comprising a host of financial industry luminaries. In 2015, the G30 published its seminal work on culture, *Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform*. This 2015 report was (and still is) widely heralded, far beyond the confines of the banking sector, as an instructive guide for both institutions and their supervisors. Amongst other offerings, it poses a list of questions for national supervisors to consider when assessing organisations' cultures..

In 2018, the G30 issued a follow up report, entitled *Banking Conduct and Culture: A Permanent Mindset Change*. As with the 2015 report, the core insights, guidance, and practical pointers are no less relevant to non bank institutions.

The **FSB** has authored several informative reports on risk culture and misconduct risk, amongst other topics. In 2014, the FSB published its *Guidance on Supervisory Interaction with Financial Institutions on Risk Culture*. This was followed in 2018 by the illuminating *Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors*.

**Interestingly, these reports predominantly target both supervisors and firms — which should help firms to understand the types of questions and issues a supervisor is likely to have in mind when assessing their culture. In turn, this intelligence can be used to inform the direction and focus of firms' culture change initiatives.**

The key themes and takeaways from these influential reports are addressed later within this Framework.

## 4. THE INVESTMENT AND TRANSACTIONAL PERSPECTIVES

Recently, we have witnessed a steady stream of high profile corporate scandals. While these incidents span different sectors and regions, and manifest in various ways, **cultural failings** commonly feature as a key underlying root cause. The potentially catastrophic (even existential) reputational and financial repercussions, including lost shareholder value, cannot be overstated.

### AN INSTITUTIONAL INVESTOR'S PERSPECTIVE

It is perhaps unsurprising, therefore, that leading institutional investors continue to ramp up their focus on investee company culture on the premise that “a company with a healthy corporate culture is seen as a safer and more attractive company to invest in, partner with, and work for. Approximately one third (and rising) of investors now reportedly deem culture to be a “very important” factor in their investment decision making. In a similar vein, we note growing investor demand for greater transparency from investee companies on culture related metrics (and objective analysis thereof).

For some investors, culture is now such an important consideration as to warrant dedicated sections in their annual stewardship reports.

As a starting point, the following questions will likely feature in an investor’s consideration of an investee company’s culture:

- *Do the board and senior management articulate a clear corporate purpose?*
- *How does the company reinforce its cultural and ethical expectations?*
- *Are the company’s whistleblowing procedures sufficiently robust?*
  - *What do the whistleblowing statistics reveal?*
- *Are the company’s values aligned with its business model(s)?*
- *How is the board measuring and monitoring culture (over time)?*
  - *How (and by whom) are relevant metrics analysed?*
  - *How has the board responded to any adverse findings?*
- *How engaged is the board in relation to culture?*
- *How transparent is the company regarding its culture?*
- *Is the company’s remuneration model aligned with a healthy culture?*
- *What steps does the company take to promote “psychological safety” across the workforce?*
- *How does the company respond to employee breaches of procedures, conduct codes, etc?*
  - *How is consistency ensured?*
  - *Does the company ensure that senior personnel are held to the same standards as other employees?*
- *How does the company ensure that the right tone is set across all managerial levels?*
- *Does the company utilise an employee engagement survey with culture centred questions (e.g., willingness to speak up, if necessary)?*
- *What evidence is there that the company is actually “walking the [cultural] walk”?*

Any negative or unpersuasive responses may be viewed as “red flags” and worthy of further investigation.

## A TRANSACTIONAL PERSPECTIVE

Integration risk is generally seen as one of the greatest risks inherent in M&A transactions. Indeed, many an unsuccessful merger has been primarily attributed to an inadequate focus on integration risk.

In the context of prospective mergers or acquisitions, “cultural fit” and “alignment of values” are featuring with increasing frequency (and prominence) on key due diligence issues lists. In practice, such issues will often fit within the broader focus on integration risks and considerations. Due diligence exercises are now explicitly covering a variety of culture related metrics and information — such as: consideration of culture within the governance framework; employee survey results; whistleblowing statistics; response to breaches (by both the organisation and employees); and social media scanning.

If cultural risk is to be taken seriously, these questions should represent a helpful starting point in turning the spotlight onto the most culturally revealing areas.

Assuming that the results of the cultural due diligence exercise are, on their face, satisfactory, prospective acquirors might usefully go on to consider the following questions:

- *How confident are we that we can achieve a cultural fit within a reasonable timeframe?*
- *What is our strategy for addressing culture if we proceed?*
  - *How will this be managed and overseen?*
- *How will we go about reconciling any differences and/or filling any perceived gaps?*
- *How will we monitor the effectiveness of cultural integration?*

This Framework aims to equip organisations with a toolkit full of insights, learnings, and practical experiences to inform their approach to culture change. The Framework contains a culture self assessment framework, which can be used to assist organisations in benchmarking their current cultural standing and identify areas in which further work may be required.

## 5. KEY CULTURAL INFLUENCERS



This Section 5 highlights some of the key cultural influencers, informed by practical insights and on the ground experience.

As will become apparent, there is a considerable degree of inter linkage and overlap between many of these influencers. Accordingly, they should be viewed collectively in the round.

### DEFINITION, ASSESSMENT, AND ARTICULATION

No organisation can credibly claim to aspire to a healthy culture if it has not first defined (and properly communicated): (a) what it means by culture; together with (b) the influencing values that it espouses.

However, while a sensible definition of culture and a sound set of articulated values are a necessary starting point, they are merely words, which, crucially, must then be translated into routine and widespread organisational practice.

The importance of this translation process cannot be overstated. Whether through the medium of a values statement or otherwise, institutional values must be **communicated, referenced, reinforced, and demonstrated consistently and continuously** across all areas and levels of the organisation.

While it will be for each organisation to determine precisely how this is achieved, observed practices include:

- *Corporate pledge statements — often found in client reception areas, on external websites, email footers, and on boards placed throughout the organisation*
- *The concerted promotion of culture, values, and ethics within recruitment literature and application / process forms, and also incorporated into appraisal forms, approaches to performance reviews, incentive and compensation systems, and considerations for advancement and promotion. Integration of cultural considerations into the organisation's systems for retention, compensation, and promotion is often among the most complex processes the organisation will undertake in*

*order to create and enforce a healthy culture, but this step is also among the most important and, potentially, among the most rewarding*

- *Periodic CEO and CIO communications, for example:
 
  - *Reinforcing the importance of high standards of conduct and the organisation's values*
  - *Highlighting any recent examples of good and poor practices observed*
  - *Commenting on any high profile conduct or culture related issues affecting peer organisations (and conveying the clear message that such conduct would not be tolerated within this organisation)**
- *Regular town hall sessions at which culture and values can be reinforced, perhaps, for example, by running through any recent conduct related incidents or near misses*
- *Practical introductory training to ensure that values are clearly understood from the outset as well as ongoing training to enforce and further embed cultural values*
- *Culture and conduct posters (physical and/or on the intranet) — conveying, in a user friendly manner, important messages to staff. For example:
 
  - *“Don't be a bystander, speak up” — promoting the organisation's whistleblowing and speak up arrangements*
  - *“When can I use WhatsApp at work?”*
  - *“What should I do if I am in a workplace relationship?”*
  - *“When can I email work home?”*
  - *“The good and bad of office banter”*
  - *Case studies positively celebrating exemplary staff conduct*
  - *Communication of any recent (and typically anonymised) examples of internal misconduct*
  - *Hard hitting / provocative statements, followed by some commentary on the organisation's expectations in such situations — for instance, “Promise me that you won't tell my manager that ...”**

## CONDUCT AND VALUES TRAINING

Conduct and values now feature regularly in many organisations' training programmes. As with all training, its effectiveness and impact will correlate directly with the overall quality of content and delivery.

More generally, face to face sessions are increasingly used to provide attendees with an opportunity to engage, challenge, and ask questions.

There is also a trend towards use of tailored scenario based learning during which thorny and grey situations and moral conundrums are discussed in detail. Content that highlights the “personal versus organisation” interests dilemma has proven to be particularly effective. For instance, scenarios that draw out any distinction between: what a person would (out of a desire to self-protect or out of convenience) be inclined to do in the circumstances; and what they should (ethically, and in the long-term interests of the organisation) do.

An organisation's approach to training can itself represent an insightful cultural indicator, as well as serving as a helpful mode of risk control for the organisation. Alongside the quality of the content and delivery, it is also important for organisations to take (and be seen to take) a robust approach to non attendance or non completion — especially if the training has been labelled “mandatory”. Training that is fundamental to the organisation's integration of cultural values should be mandatory for everyone.

In practice, training records are likely to be one of the first items requested by a regulator when investigating potential individual misconduct. Incomplete records run the risk of signifying a lack of institutional focus on regulatory compliance and inadequate controls, from which negative cultural inferences could potentially be drawn.

## DEMONSTRABLE AND GENUINE BOARD / EXCO FOCUS AND ENGAGEMENT

Culture and conduct now generally represent an increasingly meaningful segment of Board and ExCo agendas.

Some institutions have gone so far as to establish dedicated culture or conduct sub committees, while others have formally extended the remits of pre existing committees to explicitly cover oversight of culture and conduct.

In any event, Boards are encouraged to incorporate culture and conduct as periodic agenda items. Management should be held to account for ensuring that outcomes are aligned with the organisation's values.

Irrespective of the precise governance model adopted, it is essential that Boards and ExCo's are, and are seen to be, properly engaged in significant culture and conduct related matters. This may be viewed as the collective version of tone from the top. Both employees and regulators alike can, rightly, expect as much.

**One effective way for Board members to understand the organisational culture is to visit functions and business units in person, to gain first hand insight into the behavioural atmosphere and general working environment while reinforcing the message that senior management are genuinely engaged in these important areas.**

## EFFECTIVE LEADERSHIP

Staff look to more senior colleagues for behavioural cues. Accordingly, leaders at all levels play a vital role in ensuring that the right culture and values pervade the organisation.

**Tone from above is a fundamental pre requisite.**

It is crucial that the tone set by management is both fully aligned with stated organisational values and consistent across the enterprise.

While there is no magic formula, effective leadership will ordinarily involve:

- *Visible (and, importantly, sincere) sponsorship of policy changes and culture related initiatives more generally*
- *Leading by example — acting as inspirational role models for fellow colleagues*
- *Responsiveness — for example, routinely feeding back on issues raised by others; reacting constructively (and, within reason, sympathetically) to mistakes made; and proactively showing interest in relevant matters that have arisen*
- *Receptiveness to new ideas and challenge — demonstrating a clear (and genuine) eagerness to receive feedback (whether positive or negative)*
- *Promotion of a healthy scepticism that positively encourages and supports openness to challenge by providing alternative viewpoints*
- *A general ability (and perceived willingness) to listen — a crucial (albeit often overlooked) attribute. Listening up is equally as important as speaking up*
- *A keen sense of empathy, self awareness, and perceptiveness displayed consistently by those on whom others rely for leadership and guidance*
- *A willingness to explore and, if appropriate institute additional staff engagement and empowerment opportunities — such as town halls, one on one meetings, and workshops*
- *A concerted focus on employee development and career progression*
- *A strong appreciation of the different needs, expectations, and norms of younger generations*
- *A commitment to inclusiveness, fairness, transparency, and open communication*

Increasingly, organisations are contemplating (and, in some cases, implementing) training specifically focused on supporting and developing middle management. Not only do middle managers have an integral role to play in promoting (and overseeing the adherence to) values, but “*middle management is also a critical lynchpin in dealing with emerging influences on culture, given that they are closest to the daily operations*”.<sup>11</sup>

Training in this context is typically scenario based and centred around interactive role play workshops — with a view to providing a highly thought provoking experience for attendees. One particularly effective technique is to ask attendees how they would have felt if they had been involved in the various scenarios. Useful topics might include: self awareness, empathy, team dynamics, the importance of listening, younger generational expectations, and role modelling (taking into account others’ perceptions).

As with most training, periodic refresher sessions will help to keep these important issues at the forefront of management’s attention.

Self evidently, management must continually practise what they preach. Any perception of the contrary will often lead to resentment, mistrust, and general disengagement amongst more junior staff.

“**Skip meetings**” are another technique used to good effect. Skip meetings involve senior managers skipping a level and attending meetings with the direct reports of their direct reports (and potentially even more junior personnel). These sessions can, amongst other benefits, help to foster a positive perception of senior management; and heighten the sense of organisational self worth amongst junior staff. Non executive directors should also consider the importance of speaking to staff throughout the organisation.

<sup>11</sup> G30, *Banking Conduct and Culture: A Permanent Mindset Change* (2018)

## TRAINING THE CONDUCT ASSESSORS

Where managers are expected to make or participate in conduct related determinations — for example, as regards the significance of certain instances of non compliance by an employee in the context of a promotion decision — it is important that they (the managers) are equipped with the necessary skill sets to make such assessments.

Consistency of approach will also be vital to ensuring that the organisation is reaching (and is seen to be reaching) fair conclusions.

In practice, interactive, scenario based workshops can prove particularly effective. Scenarios centred around difficult grey areas, for which there is no obvious outcome, can often be the most impactful.

The ripple effect impact of poor workplace behaviour displayed by managers cannot be understated. As has been observed on numerous occasions in practice, the inappropriate conduct of one influential manager can create a toxic working environment, with employees left unmotivated, disgruntled, and, in some cases, feeling intimidated.

In many of these cases, the individual concerned was seemingly oblivious to colleagues perceiving their conduct and overall demeanour negatively.

## EQUITY AND CONSISTENCY

In a similar vein, it is essential that senior personnel do not receive, and are not seen to be receiving, special treatment — “a rule for one and a rule for everyone else”. This becomes all the more important given that, as a general rule, the more senior an employee, the greater the standards of conduct that are expected. For example, any perception that a more junior employee is being scapegoated to save the skin of a senior manager would likely invoke the regulator’s ire and, quite possibly, lead to negative cultural inferences.

*“When management unevenly upholds standards of behaviour, it sends a powerful message to all team members of what is important in reality, regardless of stated values.”<sup>12</sup>*

Indeed, an organisation’s handling of a tricky misconduct related situation involving a senior manager or rainmaker will invariably be interpreted (including by a regulator) as a key indicator of the firm’s culture. **Fairness and consistency of approach are paramount.**

Institutions have become more willing to act upon and (internally) **publicise conduct breaches**, with some signalling when conduct failings have led to terminations. The potency and impact of such communications should not be underestimated.

## INCENTIVES

As a general matter, an organisation’s incentivisation and compensation structure should align with its espoused culture and core values. This will invariably involve, amongst other things, the promotion of sound risk management and control.

Similarly, **annual performance reviews**, objective setting exercises, and **promotion processes** should be clearly linked to the organisation’s desired values, regulatory / policy compliance (at both individual and team level), respect of risk limits, and cooperation with internal control functions and supervisors.

While balanced scorecards are now commonly used, their cultural efficacy rests largely on the relative weightings attached to non financial / conduct metrics. The more significant the weighting, the greater the personal incentive and higher the chance of positive cultural change occurring over time.

Fundamentally, employees must understand that personal misconduct and/or non compliance will have **meaningful** hard repercussions — whether, for example, in the form of a significant bonus reduction, deferred promotion, or termination.

<sup>12</sup> G30, *Banking Conduct and Culture: A Permanent Mindset Change (2018)*

Similarly, there is no reason why above expectation conduct, collaboration, and compliance could (and should) not be expressly and **positively** rewarded. Balanced scorecard approaches do not have to be inherently negative exercises (in which there is only a prospect of downside, and no upside).

## RECRUITMENT PROCESS

Most recruitment processes will centre on the candidate's experience, credentials, and technical expertise. Until relatively recently, any concerted focus on values, ethics, and moral compass was conspicuous by its absence.

However, this tide is starting to turn, with some organisations now routinely incorporating values assessments into their hiring processes. Similarly, recruitment literature and advertisements also now expressly reference culture and values.

While, of course, no method will be entirely watertight, a technique now commonly employed is to **use one or two thorny ethical dilemma scenarios, on which candidates are asked for their views**. Clearly any such scenarios should not be too obvious or clear cut. There might not be a "right" answer as such, however, the manner in which a candidate views and addresses an issue may be indicative of whether their values are likely to be aligned with an organisation's culture. Some illustrative sample scenarios are included in **Annex 1**.

In the interests of **consistency and effectiveness**, interviewers should be properly trained on the mode of assessment of a candidate's performance in response to the scenarios, so as to spot any potential characteristic red flags.

At the same time, organisations must caution against allowing "cultural fit" to be used as a mechanism to perpetuate any lack of diversity by hiring only individuals who fit in with the majority and whose thinking aligns with groupthink. Candidate fit should apply to alignment of values, rather than alignment of thinking and experience.

## EFFECTIVE INTEGRATION OF LATERAL HIRES

On a related note, many institutions do not pay sufficient (or, in some cases, any) attention to the **effective integration of lateral hires**. Unmanaged, this can lead to cultural and wider problems, including resentment, unhelpful politicking, and a lack of collaboration.

Inherent within any new hire is the risk of a failure to integrate, resulting in a "them and us" sentiment and general misalignment of purpose. This is likely to be most pronounced in circumstances in which there has been a high level of recruitment activity.

Organisations that recognise such risk will typically institute formal integration programmes — with a view to ensuring that all opportunities are seized to smoothly and seamlessly integrate the new recruit into the organisation. Amongst other things, this will often include a **tailored induction programme**, featuring a schedule of coordinated face to face sessions with team members and other important stakeholders. Additionally, new recruits might be allocated an **integration mentor**, who will act as their first port of call for any queries or issues.

## FRONT OFFICE RISK AWARENESS

There has been increasing regulatory focus over recent years on the effectiveness of the first line of defence. This has been due, in part at least, to a perceived historical over reliance by the first line on the second and third lines of defence.

Necessarily, therefore, it is vital that those working within the front office (the first line) are, and remain, aware of the various risks (and attendant controls) inherent within their respective areas. Put another way, how can the first line of defence be effective if there is a general lack of awareness within as to the risks faced?

In practical terms, this is likely to translate into **regular front line risk awareness training programmes**. Some institutions are now going further and opting to embed dedicated risk managers in the front line. Whilst there is no single "right" solution, tailored (and ideally scenario based) training will invariably now feature in an institution's risk awareness programme.

## APPROACH TO, AND RELATIONSHIP WITH, REGULATORY AUTHORITIES

An organisation's approach to, and general relationship with, its regulators can often prove to be an instructive cultural indicator. Generally, a constructive rapport with an institution's regulators will be regarded as a signal that an institution takes seriously and prioritises regulatory compliance. Conversely, a strained or antagonistic regulatory relationship may well lead to adverse inferences being drawn as to whether the organisation really "gets it", resulting in fundamental concerns about the organisational mindset and potentially, in more intrusive ongoing supervision and scrutiny.

## STATURE AND PERCEPTION OF CONTROL FUNCTIONS

The stature and perception of control functions can serve as another indicator of the true organisational culture. If control functions enjoy the respect of business lines, participate in relevant committees, and are proactively consulted on new strategic initiatives or products, for example, they are likely to be at their most effective. Conversely, if control functions are regarded as an inconvenience (or even an irrelevance), this can be seen as signalling a negative institutional culture. Indeed, the seriousness with which an organisation treats its control functions can prove to be very telling in the wider cultural context.

Ideally, control functions will be universally viewed and respected as constructive facilitators and advisors, and as business partners.

## PSYCHOLOGICAL SAFETY, SPEAK UP AND LISTEN UP, AND WHISTLEBLOWING

**Whistleblowing** and **speak up** are commonly regarded as integral to a healthy organisational culture. Both are dependent on a good level of **psychological safety** in the workplace — whereby employees are encouraged to speak up, admit to mistakes, escalate issues, or share candid feedback, without fear of retribution or recrimination. **A culture of fear — perhaps driven by a domineering leadership style<sup>13</sup> — is simply irreconcilable with a healthy organisational culture.** Moreover, it is now widely accepted that organisations possessing a psychologically safe culture significantly outperform those that do not.

The emphasis on such a speak up culture has featured in many regulatory pronouncements and academic papers. In a report published in 2018,<sup>14</sup> the influential G30 explicitly propounds, as a key recommendation:

*"The promotion of an environment of 'psychological safety' that encourages employees to speak up and escalate issues or share feedback without fear of retribution. Formal mechanisms such as hotlines and escalation channels are only part of the answer ... these need to be complemented by other, softer avenues of dialogue to be truly effective. Examples include holding frequent forums for communication (for example, weekly town halls), avoiding excessive focus on mistakes and/or allocation of blame, and responsively following up on any issues raised within a reasonable time window. The importance of responsiveness cannot be overstated; employees will only raise concerns if they feel that their voice will be heard and that their concerns will be addressed in a timely manner and without retribution."*

<sup>13</sup> It should be noted that a domineering management style may, in certain circumstances, be exactly what a particular business needs in order to survive at a certain point in time, such as a crisis, when quick and decisive action is necessary.

<sup>14</sup> G30, *Banking Conduct and Culture: A Permanent Mindset Change (2018)*

It is equally important for organisations to have correspondingly effective **response mechanisms** and the innate ability to **listen up**. Employees appear to be increasingly prepared to blow the whistle externally / publicly when they do not feel they are being listened to or taken seriously. For instance, this might take the form of an “open letter”, a social media posting, or a direct report to a regulator and/or the media. Needless to say, any organisation facing such public accusations will need to respond in a measured and thoughtful manner. A blunt public denial has, in certain recent high profile cases, led to a flurry of further public whistleblows against the same organisation, causing significant further reputational damage.

Experience suggests that a lack of respectfulness and civility can directly result in an unhealthy, and sometimes toxic, working environment. Unchecked, such conduct can quickly ripple out, causing yet further damage to morale, focus, and productivity — and potentially, serve to the ultimate detriment of clients.

Clearly, **a delicate balance must be struck** between setting the right tone and achieving a sound culture. While it is important for misconduct to be treated (and, significantly, seen to be treated) robustly, organisations should avoid creating a culture of fear around honest and reasonable mistakes. It has been shown that increased monitoring and surveillance of employees will not necessarily or automatically fix the problem. Indeed, in some instances, the problem is exacerbated by diluting the sense of individual accountability.

There is a clear overlap between workplace respectfulness and certain facets of effective leadership, considered above.

A number of techniques are being employed in the quest to promote a respectful workplace environment. For example: the incorporation of “respectfulness” into values statements; reinforcement through regular conduct training; and the periodic communication of good and poor practice case studies centred around employee to employee behaviour.

Additionally, some organisations are also including specific respectfulness related questions in 360 degree assessment forms and employee engagement surveys.

## THE ROLE OF THE “BYSTANDER”

While much attention is paid to the implementation and maintenance of effective whistleblowing and speak up frameworks (which tend to focus predominantly on reporting post event, coupled with safeguarding the “reporter” from any adverse consequences), and to the importance of creating a “psychologically safe” environment in the workplace, there has to date been relatively little focus on the real time interventional role of the so called employee bystander.

However, there is a growing appreciation that — alongside diversity and inclusion and the avoidance of unconscious bias — bystander intervention and awareness can represent one of the most effective ways to help eradicate workplace misconduct.

*“With leadership support, bystander intervention training could be a game changer in the workplace.”*

*— Chai R. Feldblum, Co Chair of the Equal Employment Opportunity Commission’s Select Task Force on the Study of Harassment in the Workplace*

Bystander intervention techniques typically include:

- Directing and/or disrupting the situation
- Confronting
- Distracting
- Supporting the target
- Reporting the incident

Clearly, no two situations will be the same; and different scenarios will warrant different courses (or variations on a theme). By their very nature, many scenarios will be awkward and/or daunting for the observer. Inevitably, responding to such a scenario will require a large degree of tact and measured judgment.

Any enforcement of an active bystander policy will require careful consideration as to whether it was equitable for the company, in all the circumstances, to treat an employee's failure to actively intervene when witnessing misconduct as a breach of duty or act of misconduct in itself. In practice, it may be that employers only see fit to "enforce" an active bystander policy in limited situations, such as, for example, when an employee's failure to act is so serious in the particular circumstances that it is regarded as tantamount to collaboration with the perpetrator.

Where employees are expected to intervene in such situations, it is self evidently crucial that they are properly trained and equipped with the requisite knowledge, awareness, and skills to ensure that the incident is handled appropriately (both in real time and subsequently). For instance, relatable interactive videos (or even situations played out in person by actors) can be powerful and enduring ways in which to raise awareness and provoke thought. In this way, the impact of a bystander's actions (or inaction) in various scenarios can be clearly seen and felt by the audience. Moreover, as with many aspects of the process of embedding and enforcing the corporate cultural values, it is crucial that employees observe leadership intervening in situations that may involve misconduct or unethical behaviour. Often this will include the opportunity to observe leadership engaging with external stakeholders in a manner that reinforces the corporate culture values.

Ultimately, if exceptions are made to the organisation's values or practices with respect to creating psychological safety and encouraging appropriate bystander intervention, the organisation runs the risk of the exception becoming the rule. In order to avoid this scenario, it is critical that the organisation include in its cultural assessment process mechanisms to assess whether and to what degree exceptions are made, for example, if the individuals involved are of a particular level of seniority in the organisation.

## COLLABORATION

While collaboration is a value that will frequently feature in organisations' culture / values statements, it is often overlooked in reality. Effective inter team and inter office collaboration can serve as important cultural influencers, resulting in a genuinely held belief in a one organisation culture to which most organisations will aspire.

In practice, this is likely to require a **targeted programme**, which positively (and continuously) encourages organisational collaboration. This may include, for example, regular scheduled cross organisation or team secondments and collaboration related appraisal metrics.

## OUTSIDE-OF-WORK CONDUCT

A number of organisations are now explicitly referencing outside of work conduct within ethics codes and other relevant policies. The expectation is that employees also conduct themselves appropriately when outside of the office environment, in their personal lives and social dealings.

As has been observed on numerous occasions, outside of work misconduct can result in an individual no longer being deemed "fit and proper" to work in the financial services industry.

## RECENT OBSERVATIONS AND INSIGHTS

Poorly handled whistleblows have become something of a recurrent theme of late. In most cases this was inadvertent, but led to serious consequences, nonetheless. In the main, these consequences were attributable to one or more of the following failings:

- *Weak employee awareness of the organisation's whistleblowing process and procedures, due principally to a lack of periodic training (including at induction phase)*
- *Poor manager (and, in some cases, executive) awareness of the organisation's whistleblowing policy and associated protocol for handling whistleblowing — again, due principally to a lack of regular training*
- *Failure to identify whistleblowing (as distinct from a personal grievance)*
- *Lack of an internal whistleblowing protocol (in accordance with which whistleblowing investigations should be managed), resulting in uncertainty and inconsistency in approach (and inevitable inadvertent mishandling); covering, amongst other things: protocol for preserving confidentiality / anonymity; feedback mechanisms; reporting of outcomes; implementation of, and accountability for, follow on (remedial) measures*
- *Failure to explicitly consider (and document) the organisation's approach to preventing victimisation*
- *Absence of whistleblowing information / data for proper consideration within the organisation's governance framework*
- *No formal or clear allocation, within the governance framework, of accountability for overseeing the effectiveness and operation of the organisation's whistleblowing arrangements*
- *Whistleblowing information / data absent from the organisation's culture / conduct dashboard*

## STANDING BACK AND LEARNING LESSONS

No organisation is perfect. From time to time, every organisation will experience issues of one sort or another — for example, individual misconduct, systems and controls failings, or unforeseen market events.

While the nature and extent of any issue will clearly be of interest to any relevant regulator, **an organisation's response to the incident may well be just as significant** from the regulator's perspective. A robust and credible response, with the requisite sense of urgency (albeit not panic), is often perceived as a positive cultural indicator. Here is an organisation that “gets it” and evidently appreciates the importance of remediating the situation.

Positive responses are often accompanied (or immediately followed) by “root cause” and “lessons to be learnt” analyses. Again, such exercises will likely serve as instructive cultural indicators for regulators.

In a similar vein, some organisations will also, as a matter of course, specifically stand (and look) back to consider whether the issue signifies any potentially worrying ongoing (and more endemic) trends or themes.

Conversely, a perceived weak response runs a real risk of being viewed as indicative of a poor culture, which may, in turn, precipitate further adverse scrutiny. *“If they aren't taking this seriously, what else are they letting slip? We had better investigate ...”*.

## 6. MEASURING CULTURE



While cultural norms and beliefs are not explicitly measurable, it is possible to measure the behaviours and outcomes that culture drives. **This Section 6 explores how various indicators of culture can be measured in practice — both qualitatively and quantitatively.**

Several of the methods and metrics discussed will, most likely, already be captured in one form or another — so this should not necessarily be a case of revisiting the drawing board. However, it may be that any pre-existing data captured will need to be viewed through a different (culture) lens.

Relevant data generated or received will often be collated into a **dashboard**, which is then scrutinised and challenged within the organisation's governance framework. Amongst other things, a dashboard will typically include insightful commentary and explanation alongside any hard data. Any potentially troubling statistics, themes, or trends will be accompanied by further scrutiny, remedial recommendations, and possible escalation.

To maximise their value, metrics should be viewed holistically and over time, with a view to identifying any relevant trends or emerging themes.

### INTERNAL STAFF SURVEYS

Confidential staff engagement surveys are a popular and potentially useful way in which to capture culture related data. Their effectiveness will, however, very much depend on the quality and relevance of the questions posed, the objective analysis of results, and the institution of formalised feedback mechanisms.

As part of the staff engagement process, it is useful to intentionally seek out differing views in appropriate manner. Seeking the views of those who perhaps operate at the fringes of the organisation or who have expressed concern in the past can be an important step in creating a more holistic view of the organisation's culture, while having the added benefit of encouraging these individuals to report internally first. Legal risks should be appropriately considered, assessed, and, ideally, managed or mitigated whenever soliciting feedback on such matters.

Retaliation, the threat of retaliation, or staff concerns about the potential for retaliation also have the ability to significantly undermine the organisation's corporate culture efforts, and can also expose the organisation to significant legal risk. Separate training and engagement regarding anti-retaliation considerations are imperative to protecting the organisation's culture as well as its processes for measuring and assessing its culture.

Culturally effective surveys will invariably include questions, such as (on a scale of 1 to 10):

- *How comfortable would you feel in speaking up about a potentially sensitive compliance breach by a more senior colleague, if necessary?*
- *How readily would you own up to a personal compliance breach?*
- *Do management practise what they preach?*
- *Do the organisation's stated values ring true in reality?*
- *Is the organisation consistent and fair in its attitude towards non compliance?*
- *Would you recommend the organisation to a friend as a good place to work?*
- *Does your manager cultivate an inclusive environment at work?*
- *Is there anything else you would like to say about the organisation's culture?*

It is important for such surveys to be **confidential**, in order to stand the best chance of eliciting frank and honest feedback. Any employee doubts about confidentiality can significantly impact the reliability and overall usefulness of outputs.

The analysis of survey results, to help gauge the cultural direction of travel, is considered in Section 7. The results themselves will typically be collated and reported up to the appropriate committee within the organisation's governance framework (and possibly also to the Board). The further importance of feeding back to participants is covered in Section 7.

## FOCUS GROUPS AND INTERVIEWS

Employee engagement surveys can be supplemented with **targeted focus groups**, and **one-on-one interviews** — which may, for example, be conducted by Internal Audit or, alternatively, by an external specialist.

An effective way of engaging participants is through the use of tailored real world scenarios that are specifically designed to generate interest and debate. In general, the less clear cut the situation posited, the better, as there will likely be more meaningful discussion. Some sample scenarios are contained in **Annex 2**.

Focus groups usually involve a relatively small number of employees, between, say, 8 and 12. In order to obtain a broad cross sample of perspectives, groups might be divided by: role / function, seniority, geography, and length of tenure at the organisation. The greater the number of focus groups held, the greater the chance that the information obtained will be truly representative.

Focus groups can serve several useful purposes. First, if well run, they can provide an excellent gauge of prevailing employee sentiment. Second, they can be used as “subliminal education / refresher” exercises — where their stated purpose is not to educate, but rather to inform the organisation as it seeks to monitor its cultural direction of travel. Third, they can help to foster a sense of institutional inclusiveness and receptiveness to feedback (in other words, promoting an impression that the organisation is genuinely listening up). Finally, they can provide the organisation with the opportunity to identify (and then remedy) any awareness or other issues that happen to become evident.

One on one sessions offer a different, and more intimate, dynamic. When managed thoughtfully, they should be complementary to focus groups. These sessions might helpfully focus on aspects such as the interviewee’s perception of the organisation’s culture, together with any constructive suggestions for improvement.

The learnings and insights obtained from focus groups and one on one sessions are then summarised, prioritised, and reported upwards, as with the survey results.

## PERFORMANCE MANAGEMENT

Performance management processes need to reference the extent to which an individual behaves in a way that is consistent with the organisation’s stated values. Consideration should also be given to how this is weighted against non behavioural aspects. Culture related questions might usefully be incorporated into self appraisal forms too, perhaps through the mechanism of a free text section for feedback.

## EXIT INTERVIEWS

Exit interviews represent a potentially rich source of valuable intelligence for organisations. Employees may be more open and forthcoming when they are about to move on.

Exit interviews, therefore, provide an excellent opportunity to elicit views on the organisation’s culture.

As a practical matter:

- *Consideration should be given as to whether more robust information would be gathered by face to face confidential interviews*
- *Culture related questions should be systematically incorporated into the exit interview questionnaire (perhaps using some of the employee survey questions)*
- *Responses to these questions should be routinely documented and then, importantly, critically and **objectively** analysed*
- *As appropriate, relevant feedback should then be provided to those concerned*
- *Any significant information obtained should be escalated to the appropriate committee within the governance structure*

## SOCIAL MEDIA SCANNING

Social media posts by employees, clients, and former employees can prove illuminating. Accordingly, some organisations are now routinely monitoring for such sound bites — for instance, on Glassdoor.

## OTHER QUALITATIVE SOURCES OF DATA

There is a broad range of other reference sources which can help to add further substance to any “point in time” cultural assessment:

- *Minutes of management, Board, and committee meetings — in particular, are they appropriately reflective of the organisation’s culture and stated values?*
- *Management presentations to the Board — are they fully aligned with the organisation’s culture and values?*
- *Transcripts of leadership communications — are the organisation’s values and culture sufficiently (and clearly) emphasised?*
- *Exit interview summaries — a potentially rich source of objective information*
- *Relevant Compliance and Internal Audit findings*
- *Relevant supervisory observations/actions*
- *Board self assessments and effectiveness reviews*

## QUANTITATIVE SOURCES OF DATA

Alongside this qualitative data, there are various sources of quantitative data which are likely to be instructive:

- *Whistleblowing and speak up data — including response rates*
- *Number and type of issues escalated to senior management*
- *Risk limit breach data*
- *Statistics relating to:*
  - *Staff engagement — for example, survey participation rates*
  - *Employee turnover*
  - *Absentee rates*
  - *Diversity*
  - *Process errors*
  - *Code of conduct / ethics breaches*
  - *Management action remediation timeframes and completion rates*
  - *Adverse media / press coverage*
  - *Employee relations incidents*
- *Dismissals and qualified Form Cs*
- *Training completion data (broken down by seniority and team)*
- *Compensation adjustments attributable to negative conduct / values scores*
- *Upwards compensation adjustments attributable to “above expectation” conduct / values scores*
- *Disciplinary actions (and related outcomes)*
- *Client complaints (and related outcomes)*
- *Financial Ombudsman Service cases involving the organisation (and the outcomes thereof)*
- *Litigation cases in which the organisation is involved*
- *Employee pro bono hours*

## RESPONDING TO FINDINGS

The manner with and timeframe within which an organisation responds to issues that have come out of the various sources of data can also be indicative of an organisation's culture. It may be beneficial to consider the following:

- *Issues or incidents, including near misses and warning signals — was the response sufficiently robust? Did it indicate a determination on the organisation's part to do the right thing?*
- *Complaints — are complaints treated seriously and objectively?*
- *Relevant Internal Audit or Compliance monitoring reports — were all action points closed off satisfactorily within an appropriate timeframe?*
- *Regulatory / supervisory concerns — were any such concerns handled appropriately and expeditiously, with the requisite oversight?*
- *Pertinent legal and regulatory developments — is the organisation sufficiently responsive and forward looking?*

The manner in which an organisation responds to any (actually or potentially) troubling outputs will vary according to the nature of the issue concerned. In some instances, a focused deeper dive exercise may be warranted. In others, a root cause analysis may be required. In some cases, the appropriate responsive action may be to specifically monitor certain areas — with a view to establishing whether there really is a problem (or not).

Any response(s) and their ultimate outcomes should be overseen within the organisation's governance framework.

## THE SUPERVISOR'S PERSPECTIVE

It is instructive also to understand the types of questions and considerations a regulatory supervisor will likely have in mind when assessing an organisation's culture — not least, as it can **help to inform the organisation's own approach to culture change**. The G30<sup>15</sup> has helpfully proposed a series of questions for supervisors to pose when assessing culture, which are incorporated at various points in the self assessment framework and are set out on a standalone basis in **Annex 3**.

<sup>15</sup> G30, *Banking Conduct and Culture: A Call for Sustainable Reform (2015)*

# 7. MONITORING CULTURAL DIRECTION OF TRAVEL



Section 6 outlined ways in which certain aspects of culture can be measured **at a given point in time**. This Section 7 considers how an organisation's cultural direction of travel can be monitored **over time**.

As discussed earlier, there is a clear expectation on organisations to continually monitor their cultural trajectory. It is therefore imperative that all CEOs and chairs be able to cogently and readily respond to the following question (which could easily and obviously be posed by a regulator): “*What measures are your organisation taking to monitor its cultural direction of travel?*”.

The approaches outlined below are by no means mutually exclusive, and indeed can be viewed as complementary to one another.

## STAFF SURVEYS

Confidential employee engagement surveys were highlighted earlier as a commonly used method through which organisations can gauge prevailing staff sentiment. As discussed, it is essential that the appropriate culture related questions are incorporated in the survey itself. However, it is equally important to ensure both that the results are **objectively** and **rigorously scrutinised** and challenged and that feedback mechanisms are in place to inform participants of key outcomes (and any related remedial measures being taken).

A simple case study below illustrates the point that organisations must be scrupulous and independent in their analysis of feedback results, so as not to lull themselves into a false sense of security.

It is important that feedback is provided to employees in order to demonstrate that the employer is truly listening and values their views. Conversely, not keeping employees in the loop strongly sends a countercultural message.

## CASE STUDY

An organisation is comparing this year's employee engagement survey results to last year's survey. Last year, 74% of participants confirmed that they would feel comfortable in speaking up if necessary. This year, the rate has risen to 76%. Instinctively, the organisation interprets this upwards rate movement positively — as evidence of its cultural direction of travel — and is inclined to leave it at that.

However, a truly objective analysis might instead have highlighted the fact that 24% of participants still did not feel able to speak up — a worryingly high percentage, given the cultural significance of the question. This might, in turn, have prompted some further internal investigation into the apparently troubling statistic — including, potentially, a deeper-diver review exercise.

## QUARTERLY SENTIMENT ASSESSMENTS

As a variation on a theme, a small number of organisations are additionally utilising quarterly (and, again, confidential) sentiment assessments across a random sampling of employees. In essence, participants are asked to select 10 words (from 50<sup>16</sup>) that best describe the organisation's culture.

The results are collated and compared against the organisation's values statement (or equivalent). This technique can provide useful periodic snapshots of the prevailing cultural sentiment and a gauge as to whether stated cultural values are resonating on the ground.

<sup>16</sup> Half positive and half negative.

## PERIODIC CULTURE REVIEWS / AUDITS

Periodic independent reviews — undertaken by Internal Audit or an external law firm or consultancy — provide another method of assessing cultural direction of travel.

As with any such exercise, the efficacy and usefulness of the review will correlate directly with the methodology employed and the comprehensiveness and quality of the investigation.

Typically, culture reviews comprise two core elements — **a desk based review** of relevant materials, and a series of **tailored focus groups and one on one meetings**.

The desk based review typically covers the sources of data discussed in Section 6. The focus groups and one on one meetings are similar in format, style, and content to those discussed in Section 6 — with a view to obtaining a representative sample of views from across the organisation. Again, the greater the number of focus groups and one on one sessions held, the more robust the overall exercise and the greater the chance that the information obtained can be seen as truly representative of prevailing sentiments and mindsets.

One distinct benefit of commissioning an external party to undertake the review is that the participants may feel more comfortable in conveying their true viewpoints to an objective third party and more convinced that their responses will remain confidential and non attributable.

An external reviewer should also be well placed to provide the organisation with objective market benchmarking and colour, to help organisations in determining their relative industry standing in this context. In any case, it is vital that those conducting the review are equipped with the requisite experience and skill sets — most obviously, people skills — in order to ensure open and frank employee engagement.

**The exercise will culminate in a report**, typically addressed to the organisation's Board (or relevant sub committee), which consolidates the findings and observations (including any apparent themes or trends) and contains practical recommendations to address any material issues highlighted.

If they are undertaken well, culture reviews can be insightful and instructive for the organisation concerned. Ideally, such exercises would be repeated every few years, to help ensure that the organisation's cultural trajectory and momentum are being maintained.

## GOVERNANCE

Some institutions have gone so far as to establish dedicated culture or conduct sub committees, while others have formally extended the remits of existing committees to explicitly cover culture and conduct. In any event, Boards are encouraged to incorporate culture and conduct as periodic agenda items.

While every organisation will adopt its own bespoke culture and conduct related governance approach, any model is likely to feature, at a minimum:

- *A well designed and calibrated dashboard which reflects (through statistics together with contextual commentary) the various metrics adopted as cultural indicators and, importantly, highlights any potentially troubling trends or themes*
- *Periodic reports from individuals designated with specific culture / conduct related responsibilities*
- *Any relevant reports from Internal Audit*
- *Any relevant supervisory updates on culture related issues*
- *The reports of any culture review / audit commissioned*
- *Briefings / updates from HR and Compliance on any significant culture or conduct related incidents arising over the previous period*
- *Any updates on relevant outstanding remedial or corrective actions*

## INTERNAL AUDIT

The Internal Audit function often plays a role in the ongoing measurement of culture. It may include an assessment of culture in all its audit reports. Internal Audit may also regularly perform a “look-back” exercise, during which it assesses whether, over the prior period, the organisation and its staff actually acted in line with the stated values and expectations.

In practice, this is likely to involve the selection of a number of the organisation’s stated values, against which the organisation’s actual conduct over the prior period can be compared. In other words, this exercise aims to test whether the organisation is *actually* walking the walk.

This exercise would culminate in the production of an Internal Audit report, containing observations, any lessons to be learnt, and practical recommendations, as appropriate. The report should be sent to, and considered by, the relevant governance committee.

## HOW DOES THE ORGANISATION ADDRESS POTENTIAL ISSUES?

Again, the manner in which an organisation responds to any (actually or potentially) troubling outputs will vary according to the nature of the issue concerned. In some instances, a focused deeper dive exercise may be warranted. In others, a root cause analysis may be required. In some cases, the appropriate responsive action may be to specifically monitor certain areas, with a view to establishing whether there really is a problem (or not). Self-evidently, there is little point in measuring and monitoring if an organisation does not also take the responsive actions which are required in the circumstances.

Any response(s) and their ultimate outcomes should be overseen within the organisation’s governance framework.

# 8. CULTURAL SELF-ASSESSMENT FRAMEWORK



Section 8 contains a one-stop practical guide intended to assist organisations to benchmark their current cultural (and conduct risk) standing. The self assessment framework can be used at enterprise, division, department, or desk level, with such modification or tailoring as appropriate.

This self-assessment framework draws heavily upon the import of the foregoing sections, culminating in a series of questions, categorised by topic, for

organisations (and their accountable individuals) to address. Further elaboration on the questions and comments can be found in the previous sections.

Each section of the self assessment framework is designed to allow organisations to gather organisation specific evidence, which can then be uploaded and attached to the relevant areas. This overview report can be used to provide a current state of play for senior managers and highlight areas where further work is (or may be) required.

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
<b>DEFINITION AND ARTICULATION</b>		
1.	<p>Has the organisation defined culture in a readily identifiable and understandable manner?</p> <p>Has the organisation articulated its purpose and outlined its core values and beliefs?</p>	<p>Staff should be able to relate clearly to any definition.</p> <p>Part of this will involve considering how the exercise to define purpose and core beliefs was carried out. For example: Was it a top down process? Was it an internally or externally supported exercise?</p> <p>What is the level of buy in, and does this differ between levels of seniority / geographical locations / business areas?</p>
2.	<p>Are the organisation's stated values and beliefs supportive of and aligned to the business strategy and business model?</p> <p>Are these values and beliefs sufficiently broad?</p> <p>Are they taken seriously and applied consistently across all areas of the organisation?</p> <p>Is there consistency in strategy, business model, target returns, risk appetite, incentives, performance assessment, desired conduct, and values to support the desired behaviours and outcomes?</p>	<p>For example, do these values and beliefs include diversity, inclusion, respectfulness, supportiveness, and collaboration?</p> <p>Can values and beliefs meaningfully be applied across the whole organisation?</p>
3.	<p>Does the organisation articulate any practical expectations that accompany each of its stated values?</p>	<p>In other words, a brief description of how (in relatively general terms) the organisation (or its employees, as applicable) is expected to meet those values in practice. If the organisation does not explicitly articulate them in this way, does it make its expectations known in other ways — for example: training, job descriptions, performance management guidelines?</p> <p>This can assist with the measurement / monitoring of adherence to stated values.</p>

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
4.	<p>Are values communicated, referenced, reinforced, and demonstrated consistently and continuously across all areas and levels of the organisation?</p> <p>Are we “missing any tricks”?</p>	<p>Methods might include regular town hall sessions; periodic CEO and CIO communications; and culture and conduct posters conveying important messages to staff.</p> <p>Team meetings provide an obvious forum in which to promote values.</p>

## CONDUCT AND VALUES TRAINING

5.	Do culture and conduct feature regularly in the organisation’s training programme?	This has become an effective pre requisite and is clearly the regulatory expectation.
6.	Are training and development programmes anchored in cases relevant to the organisation, delivered by management, and regularly refreshed?	
7.	Does the organisation recognise the benefits that tailored interactive and scenario based face to face training (including by management) can deliver?	There is a clear trend towards such training, not least because of the opportunity for attendees to interact and ask questions.
8.	<p>Does mandatory training really mean mandatory?</p> <p>Does the organisation take a robust approach to completion of training and the maintenance of training records?</p>	Incomplete training records and/or a failure to ensure that all required employees have completed the relevant training could well serve as negative cultural indicators — from which further (and wider) negative inferences can be made.

## DEMONSTRABLE (AND GENUINE) BOARD / EXCO FOCUS AND ENGAGEMENT

9.	<p>Do the Board and ExCo focus adequately on the embedding of values and conduct by devoting adequate time to these issues?</p> <p>Do culture and conduct routinely feature on Board and ExCo agendas?</p> <p>Do the Board and ExCo receive regular comprehensive reporting on culture and conduct issues from a variety of sources, and do they act on them as necessary?</p> <p>Do the Board and ExCo Terms of Reference include oversight of values and conduct? How are these matters reflected in their work?</p>	A negative response is becoming increasingly difficult to justify.
10.	<p>Do (or should) we have a dedicated Culture and Conduct committee?</p> <p>Or, at the very least, should we extend the remit of a pre existing committee to explicitly cover oversight of culture and conduct?</p>	One committee within the governance framework should have culture and conduct within its formal remit and oversight.

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
11.	<p>Are the Board and ExCo properly engaged (and, importantly, seen to be so) in significant culture and conduct related matters, including participation in the internal communication of the desired behaviours?</p> <p>Are the Board and senior management adequately focused on understanding the culture that exists and seeking adherence to the organisation's values and conduct as a strategic imperative for the organisation?</p> <p>For instance, do Board members periodically visit, in person, the functions and business units?</p>	<p>Even if they are, is there room for improvement?</p> <p>For many, personal visits by Board members to functions and business units are seen as easy wins and good corporate practice.</p>
12.	<p>Is the Board's focus on culture and conduct evidenced in practices such as transparency for material transgressions, and owning the responsibility for identifying and dealing with problems?</p>	
13.	<p>Is an important part of the Board's annual evaluation of the CEO and his or her direct reports championing the desired culture and effectively overseeing the embedding of the desired conduct and values and any remediation programme?</p>	
14.	<p>Does the Executive team demonstrate sound understanding of how a chosen remediation programme will achieve results, and does it have ways to measure progress?</p>	

## EFFECTIVE LEADERSHIP

15.	<p>Does the organisation actively promote tone from above (and not just from the top)?</p> <p>Is this reflected in all relevant internal policies, pronouncements, and communications?</p>	<p>Managers below top level have an equally (and, arguably, even more) important role to play in the setting of tone.</p> <p>Team meetings are an obvious forum in which tone can be regularly reinforced.</p>
16.	<p>Do the relevant management bodies and committees have Terms of Reference that explicitly refer to responsibility for oversight of values, conduct, and culture issues; and is sufficient regular management time, energy, and focus devoted to these issues?</p>	
17.	<p>Do senior managers visibly and sincerely sponsor policy changes and culture related initiatives more generally?</p>	<p>Actions will invariably speak louder than words.</p>

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
18.	Do the relevant management bodies and committees have Terms of Reference that explicitly refer to responsibility for oversight of values, conduct, and culture issues; and is sufficient regular management time, energy, and focus devoted to these issues?	
19.	Are managers consistently acting as inspirational role models?	This can be a useful question to include in employee engagement surveys.
20.	Do managers regularly solicit honest feedback from other team members (including juniors)?	This can be a useful question to include in employee engagement surveys.
21.	Do managers commonly share their views on recent (internal and external) incidents or near misses?	This can be a powerful way of setting tone and articulating cultural expectations in a practical context. Team meetings provide an obvious opportunity.
22.	Do managers routinely provide feedback on issues escalated by others? How is this monitored?	Issues cannot be allowed to simply disappear into the ether. Feedback is a critical part of any well functioning escalation process.
23.	Do managers react constructively (and, within reason, sympathetically) to mistakes made?	This can be a useful question to include in employee engagement surveys.
24.	Is management receptive to new ideas, challenge, and innovative thinking?	Demonstrating a clear (and genuine) eagerness to receive feedback (whether positive or negative) and listen up. This can be a useful question to include in employee engagement surveys.
25.	Do management advocate the adoption of a healthy scepticism that positively encourages and supports openness to challenge by providing alternative viewpoints?	This can be a useful question to include in employee engagement surveys.
26.	Do managers routinely and consistently display a keen sense of empathy, self awareness, and perceptiveness towards others?	Have managers received specific training on these important areas? This can be a useful question to include in employee engagement surveys.
27.	Are there any additional opportunities to further promote staff engagement and empowerment? Are we missing any potentially obvious opportunities?	When did we last specifically consider this? This can be a useful question to include in employee engagement surveys.

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
28.	Do management focus sufficiently upon employee / talent development and employee career progression? Do management truly appreciate the importance of such development / progression for employees?	In this context, it can be helpful for the topic of career development to feature within employee engagement surveys.
29.	Do middle managers receive tailored culture related training, given their integral role in promoting (and overseeing adherence to) organisation values?	Middle managers should be able to fully appreciate what is expected of them from a cultural perspective.
30.	Are managers (at all levels) periodically trained on behavioural skills? If not, on what basis are we comfortable that managers are actually equipped with these important skill sets?	For instance, including: self awareness, empathy, team dynamics, the power of listening, younger generational expectations, and role modelling (taking into account others' perceptions).
31.	More generally, is the importance of strong behavioural skills across management properly appreciated within the organisation?	For example, do behavioural skills explicitly feature within conduct scorecards?
32.	Do the CEO and Executive team demonstrate persistent championing of the desired conduct and values throughout the organisation? Do management routinely practise what they preach?	These questions could usefully feature in employee engagement surveys. They might also usefully be explored within an Internal Audit review.
33.	Should we institute skip meetings? Are there any other techniques / measures that we might usefully adopt in order to foster a greater sense of inclusivity and collaboration?	Involving senior managers skipping a level and attending meetings with their direct reports of their direct reports. Ideally, the Board / relevant committee should be thinking creatively and proactively about possible further measures.

## TRAINING THE CONDUCT ASSESSORS

34.	Are those managers charged with participating in / making conduct related determinations equipped with the necessary skill sets? How is this achieved?	Amongst other things, this should help to ensure a degree of consistency of decision making. Scenario-based workshops can serve as an effective training technique in this context.
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## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
<b>SUCCESSION PLANNING</b>		
35.	Do the organisation's succession planning processes include explicit consideration of conduct and values related skills and know-how?	<p>An individual occupying a senior post must possess, amongst other things, the requisite people skills, alongside their business focused capabilities.</p> <p>Many instances of poor workplace environments and cultures can be attributed back to a leader who lacks the necessary human attributes and emotional intelligence and/or does not exhibit the organisation's espoused values.</p>
<b>EQUITY AND CONSISTENCY</b>		
36.	<p>Is the organisation scrupulous about ensuring fairness and consistency of approach?</p> <p>Is this demonstrated and communicated in practice?</p>	<p>For example, between employees of differing seniority, each of whom has been involved in the same misconduct related incident.</p> <p>Again, this is an area on which Internal Audit could usefully focus.</p>
<b>INCENTIVES</b>		
37.	Is the organisation's compensation structure appropriately aligned with espoused cultural values (including the promotion of sound risk management and control)?	Any answer other than an affirmative will be extremely difficult, if not impossible, to justify.
38.	<p>Are the Executive team and midlevel managers assessed and compensated on how well they promote and assess conduct and values issues in their teams?</p> <p>Do the CEO and Executive team objectives include conduct, values, and cultural matters?</p>	
39.	<p>Similarly, are performance reviews, objective setting exercises, and promotion processes clearly linked to the organisation's desired values, regulatory compliance (at both individual and team level), respect of risk limits, and cooperation with internal control functions and supervisors?</p> <p>Are annual appraisals and penalties applied to breaches of cultural norms, values, and principles, and not just to breaking specific rules of legal requirements?</p>	Again, a negative response will be extremely difficult, if not impossible, to justify.
40.	Is the Executive team reviewing in detail the top leadership group, and is there use of tools such as 360-degree assessment?	

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
41.	<p>Does the organisation use a balanced scorecard with input from Compliance, Risk Management, and Human Resources?</p> <p>Does the balanced scorecard attach sufficient weighting to non financial / conduct metrics, including how results are achieved?</p> <p>When was this last assessed?</p>	<p>This is an area attracting increasingly regulatory scrutiny.</p> <p>Organisations should consider how readily (and credibly) they could explain the existing conduct weighting.</p>
42.	<p>Is the threat of meaningful sanctions with material consequences for misconduct / non compliance / poor alignment with conduct and values truly appreciated by staff? Or is it perceived as an empty threat?</p> <p>How is this message conveyed (and reinforced) in practice?</p> <p>Does the CEO and Executive team incentive regime have material financial consequences for managers whose oversight (and living) of desired values and conduct is weak?</p>	<p>There is a clear expectation that organisations will deal robustly with significant instances of misconduct and non compliance. For example, through bonus reductions, deferred promotion, or termination.</p> <p>Regulators will be especially interested in how organisations deal with non compliance or misconduct by senior (high-revenue generating) employees. This will often serve as a key cultural indicator.</p>
43.	<p>Is there sufficient focus on positively rewarding and celebrating above expectation conduct and compliance (particularly in difficult circumstances)? Or does the organisation's model operate as an inherently negative exercise?</p>	<p>This should, arguably, provide a more balanced overall assessment of conduct and compliance.</p>

## HR PROCESSES AND PROCEDURES

44.	<p>Are culture, conduct, and ethics positively promoted within all HR processes and procedures (e.g., recruitment literature and application / process forms)?</p>	<p>A negative response will be increasingly difficult to justify. It is important for the organisation's culture to be properly supported by effective HR procedures at all stages.</p> <p>HR literature can also be useful in communicating the organisation's culture. This literature will only be helpful for prospective recruits to appreciate the importance placed by the organisation on culture, ethics, and conduct, and for those wanting to progress to be reminded of it.</p>
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## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
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### RECRUITMENT AND PROGRESSION

45.	Does the organisation routinely seek to emphasise, assess, and place material weight on values, ethics and moral compass, and consistent demonstration of the desired behaviours as part of the standard recruitment and progression processes (including for senior management and the CEO)?	For instance, through the use of thorny ethical dilemma scenarios, on which candidates are asked for their views.  At the same time, organisations should caution against allowing cultural fit to perpetuate any lack of diversity, by hiring and/or promoting individuals who fit in with the majority and whose thinking aligns with groupthink.
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### EFFECTIVE INTEGRATION OF LATERAL HIRES

46.	Does the organisation pay sufficient attention to the effective integration of lateral hires?  How does the organisation safeguard against the risks of a them and us culture developing; together with a general misalignment of purpose?	Unmanaged lateral integration can serve as a key contributor to adverse cultural issues.  In practice, effective measures might include: a tailored induction programme, including a schedule of coordinated face-to-face sessions with team members and other important stakeholders; and/or an integration mentor, who can act as the first port of call for any queries or issues.
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### FRONT OFFICE RISK AWARENESS

47.	Is front line accountability clear? Do front line management and staff demonstrate understanding of, and the ability to identify, values and conduct issues and act accordingly? Do front line management demonstrate the ability to deal with breaches and to assess staff performance? Does the organisation run periodic front line risk awareness training? If not, how does the organisation ensure that front office personnel are sufficiently well attuned to risk identification and management, so as to act as an effective first line of defence?	All organisations are expected to possess an effective first line of defence, which is not overly reliant upon the second and third lines.
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### RELATIONSHIP WITH REGULATORY AUTHORITIES

48.	Does the organisation have a good rapport with its regulators? Does the organisation approach its regulators openly and constructively?	
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## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
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### STATURE AND PERCEPTION OF CONTROL FUNCTIONS

49.	<p>How are the organisation's control functions perceived internally?</p> <p>For example, are they seen as respected facilitators and partners; or, conversely, as a hindrance to the business?</p>	<p>This can often be an instructive cultural indicator; and is a useful question to incorporate within employee engagement surveys.</p> <p>Clearly, the organisation should understand the underlying cause of any prevalent negative perceptions.</p>
50.	<p>Is there a clear second line of defence for values and conduct with demonstrated input from Human Resources, Compliance, and Risk Management?</p> <p>Do Compliance and Human Resources functions have stature and a proactive preventive mindset in dealing with conduct and culture issues?</p>	

### PSYCHOLOGICAL SAFETY

51.	<p>Is the notion of respect properly embedded within values statements and related communications?</p>	<p>For example, respectfulness can be reinforced through conduct training.</p> <p>It might also usefully feature in employee engagement surveys.</p>
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### WHISTLEBLOWING

52.	<p>Is there a culture of welcoming escalation or self-identification of issues, including the expectation of such conduct, and are there sanctions for wilful blindness?</p>	<p>It is generally accepted that a speak-up culture is a foundational pillar of a healthy organisational culture. Indeed, it is difficult, if not impossible, to conceive of a situation in which an organisation could credibly claim to possess (or aspire to) a strong culture, while simultaneously failing to maintain sound, effective and widely known speak-up (or whistleblowing) arrangements. "Without the latter, how can you possibly achieve the former?".</p> <p>A series of high-profile whistleblowing cases have focused minds on this integral area — not least because of its inextricable link to culture.</p>
53.	<p>Is the organisation's whistleblowing policy sufficiently clear and broad in scope — including (but not limited to), in respect of the trigger for its application?</p> <p>Does the policy offer an appropriate choice of reporting channels (which may, for example, include a third party hotline provider)?</p>	<p>These are important questions that all organisations might usefully consider.</p>

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
54.	<p>Are we confident that there is a sufficient degree of procedural awareness amongst our employees? Is mandatory whistleblowing training provided at induction stage and periodically thereafter? Would we be confident that a randomly selected junior employee would be familiar with the organisation's whistleblowing policy (including, where it is located on the intranet)? If our employees were surveyed on their understanding of the organisation's whistleblowing arrangements, would we feel concerned as to the outcome?</p>	A lack of awareness has proven to be a common issue, in practice.
55.	<p>Are all managers clear as to the process for responding to a whistleblow and dealing constructively with escalation? And would all managers readily identify a whistleblow in the first place? Is any tailored manager training regularly provided?</p>	Again, a lack of awareness has proven to be a common issue in practice.
56.	How confident is the organisation that employees would readily be able to distinguish between a personal grievance and a whistleblow scenario?	Managers may consider adopting the above question as a useful survey question.
57.	<p>Is whistleblowing MI regularly considered by an appropriate committee / body within the organisation's governance framework? Does this feed into the organisation's culture / conduct dashboard?</p>	Organisations should consider how they could justify a negative response.
58.	Is any whistleblowing MI objectively and critically analysed? How?	If not, how does the organisation ensure that its whistleblowing arrangements are working as intended etc.?
59.	Who is ultimately accountable for oversight of the effectiveness and operation of the organisation's whistleblowing arrangements?	Clear accountability is a prerequisite.
60.	<p>Does the organisation have an internal whistleblowing investigation procedure / protocol, in accordance with which such investigations are to be conducted? If not, how does the organisation ensure consistency and appropriateness of response? Is there a prescribed format for reporting the outcomes of whistleblowing investigations? Does the organisation's whistleblowing policy work alongside, and consistently with, its disciplinary policy (as they may need to be applied in parallel)?</p>	Organisations should respond to all scenarios posed in the questions above consistently and appropriately.

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
61.	<p>Has the organisation adequately documented and embedded its approach to the prevention of victimisation?</p> <p>Is the organisation comfortable that it would not fall foul of the (strict) no detriment rule?</p> <p>Is the Board satisfied that whistleblowing is treated seriously, and that staff who raise internal flags are suitably protected and celebrated?</p>	
62.	Does the organisation need a clear policy / procedure(s) relating to the secure storage of whistleblowing information?	
63.	<p>Should the organisation have an internal protocol governing the manner in which substantiated whistleblowing allegations are addressed (including governance and oversight thereof)?</p> <p>In any event, who is accountable for this?</p> <p>How does the organisation ensure that lessons are learnt, if necessary?</p>	
64.	Does whistleblowing feature appropriately (or at all) in second and third line reviews?	

## STRIKING AN APPROPRIATE BALANCE

65.	<p>Has the organisation articulated which factors will be relevant to the question of whether a mistake will be tolerated? (Recognising the need to strike an appropriate balance between treating (and being seen to treat) misconduct robustly, while at the same time fostering an environment in which employees are encouraged to own up to mistakes and to speak up more generally)</p>	<p>For instance: self-disclosure; level and experience of employee concerned; frequency; previous compliance record; impact or potential impact of the mistake.</p> <p>Has this potential tension been explicitly considered (and addressed) within the governance framework?</p>
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## THE ROLE OF THE “BYSTANDER”

66.	<p>Do we recognise and appreciate the potentially integral interventional role played by the employee bystander?</p> <p>If not, how are we confident that we do not have a significant lacuna in our culture strategy?</p>	
67.	Have we focused sufficiently (or at all) on real time bystander intervention, or has our focus been exclusively / predominantly on the post event reporting of issues?	

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
68.	<p>Do we effectively convey our expectations of employees who happen to witness relevant misconduct (both involving and not involving human “victims”) — not only in terms of post event reporting, but also real time intervention?</p> <p>Should we explicitly reference these expectations in relevant internal policies / codes?</p> <p>Would it be helpful to calibrate our expectations in terms of self interest (and the temptation to turn a “blind eye”) versus the “greater good”?</p> <p>Do relevant training materials include tricky bystander related scenarios (both with and without human “victims”)?</p> <p>Have we explored the pros and cons of introducing a duty to intervene or report, rather than having a mere expectation?</p>	
69.	<p>Do we provide effective (and regularly refreshed) employee training (at all levels) on bystander intervention techniques?</p> <p>If not, how do we realistically expect our employees to react appropriately?</p>	
70.	<p>Is senior management “on message” by reinforcing the importance of the role of employee bystanders?</p> <p>a. Is this demonstrably reflected in, say, management communications or at town hall meetings?</p> <p>b. Are successful interventions celebrated (albeit it on an anonymised basis)?</p>	
71.	<p>Are our anti retaliation controls sufficiently robust so as to positively facilitate and encourage bystander intervention?</p> <p>Do our employees have confidence in these controls? How do we know?</p> <p>Are we taking anti retaliation monitoring sufficiently seriously? Are we utilising all available techniques? How do we know?</p>	
72.	<p>Is our HR function appropriately trained to advise on whether any disciplinary action against a passive bystander is warranted?</p>	
73.	<p>How can we best measure and monitor the effectiveness of our bystander intervention efforts?</p> <p>How do we integrate this information into our broader culture programme and related governance and oversight?</p>	

## KEY CULTURAL INFLUENCERS

No.	Question	Commentary
<b>COLLABORATION</b>		
74.	Does the organisation dedicate sufficient focus to cross-organisational and cross-team collaboration?	Effective inter team and inter office collaboration can serve as important cultural influencers. In practice, this is likely to require a targeted programme, including, for example, regular scheduled cross organisation or team secondments and collaboration related appraisal metrics.
<b>OUT-OF-WORK CONDUCT</b>		
75.	Does the organisation's code of ethics (or equivalent) expressly clarify that high standards of out-of-work conduct are also expected?	An individual's out-of-work conduct is, for example, potentially relevant to their ongoing "fitness and propriety", as evidenced by a number of high profile enforcement case bans.
<b>STANDING BACK AND LEARNING LESSONS</b>		
76.	<p>Does the organisation always seek to respond robustly and comprehensively to any identified issue(s)?</p> <p>If deficiencies are identified, does the organisation look at whether similar issues exist in related areas of the organisation?</p> <p>Is there a formalised process, with accompanying governance oversight, in place? Otherwise, how does the organisation ensure the appropriateness of the response?</p>	<p>An organisation's response will likely be seen as a key cultural indicator — whether positive or negative.</p> <p>Robust responses will often include, as a matter of course, "root cause" and "lessons to be learnt" analyses.</p> <p>Not only must the organisation understand the nature and extent of any issues that have crystallised, equally, the organisation must understand why they occurred and whether the issues may in fact be more systemic.</p>

## MEASURING CULTURE

No.	Question	Commentary
<b>INTERNAL STAFF SURVEYS</b>		
77.	Does the organisation use an annual (and confidential) employee engagement survey with a range of culture – and conduct-related questions?	Well designed surveys are a good way to gauge the cultural temperature. The vast majority of organisations will now use them.
78.	Does the organisation critically and objectively analyse the survey results (including cross year comparisons)?	The effectiveness of a survey exercise will rest heavily on the manner in which the results are analysed.
79.	Does the organisation routinely feedback to participants in a meaningful way?	Organisations should feedback as a matter of course — not least, so as to ensure continued buy in of employees and to help reinforce the message that the organisation is indeed listening and being inclusive / communicative.
<b>FOCUS GROUP AND INTERVIEWS</b>		
80.	Does the organisation run targeted scenario-based focus groups and one-to-one meetings, with a view to gauging prevailing culture and mindset?	Such sessions can serve several useful purposes — including: as subliminal education / refresher exercises; to foster a sense of institutional inclusiveness; and to provide the organisation with the opportunity to identify (and then remedy) any awareness or other issues that may become evident.
<b>PERFORMANCE MANAGEMENT</b>		
81.	Does the organisation routinely incorporate culture related questions into annual appraisal forms?	Another potentially useful (and convenient) means of gathering intelligence.
<b>EXIT INTERVIEWS</b>		
82.	Are culture related questions systematically incorporated into the exit interview questionnaire? Are responses to such questions documented and critically and objectively reviewed? Is feedback provided to those concerned (as appropriate)?	Exit interviews provide an excellent opportunity to elicit valuable and unvarnished views on the organisation's culture.
<b>SOCIAL MEDIA</b>		
83.	Does the organisation monitor any social media for any posts that can provide useful insight?	While not essential, this can be an illuminating and useful exercise.

## MEASURING CULTURE

No.	Question	Commentary
<b>OTHER QUALITATIVE SOURCES OF DATA</b>		
84.	<p>Does the organisation routinely review the following through a culture lens:</p> <ul style="list-style-type: none"> <li>• Board and committee minutes (are they appropriately reflective of the organisation's culture and stated values?)</li> <li>• Management presentations to the Board (are they fully aligned with the organisation's culture and values?)</li> <li>• Social media posts by employees, clients, and former employees (which can be particularly instructive)</li> <li>• Transcripts of leadership communications (are the organisation's values and culture sufficiently and clearly emphasised?)</li> <li>• Exit interview summaries (a potentially rich source of objective information)</li> <li>• Board self-assessments</li> </ul>	<p>This is a non exhaustive list of potentially instructive qualitative sources of information.</p>
<b>QUANTITATIVE DATA SOURCES</b>		
85.	<p>Is there robust and comprehensive data to identify alignment with conduct and values by the business and functional units and individuals?</p> <p>Are second line and third line (that is, Internal Audit) providing senior management reporting to assist in understanding where the organisation is at on conduct and values issues and how any remediation programme is working, and to support governance and oversight responsibilities?</p> <p>Does the organisation capture and critically review the following data sources:</p> <ul style="list-style-type: none"> <li>• Whistleblowing and speak up statistics</li> <li>• Number and type of issues escalated to senior management</li> <li>• Risk limit breach statistics</li> <li>• Statistics relating to: <ul style="list-style-type: none"> <li>– Staff engagement — for example, survey participation rates</li> <li>– Employee turnover</li> <li>– Absentee rates</li> <li>– Diversity</li> <li>– Process errors</li> <li>– Code of conduct / ethics breaches</li> </ul> </li> </ul>	<p>This is clearly a non-exhaustive list, but should nevertheless represent a sensible starting point for any organisation.</p>

## MEASURING CULTURE

No.	Question	Commentary
	<ul style="list-style-type: none"> <li>– Management action remediation timeframes and completion rates</li> <li>– Adverse media / press coverage</li> <li>– Employee relations incidents</li> <li>– Dismissals and qualified Form Cs</li> <li>• Training completion statistics (broken down by seniority and team)</li> <li>• Compensation adjustments attributable to negative conduct / values scores</li> <li>• Upwards compensation adjustments attributable to “above expectation” conduct / values scores</li> <li>• Disciplinary actions (and related outcomes)</li> <li>• Client complaints (and related outcomes)</li> <li>• Financial Ombudsman Service cases involving the organisation (and outcomes thereof)</li> <li>• Litigation cases in which the organisation is involved</li> <li>• Employee pro bono hours</li> </ul>	

## ORGANISATION’S RESPONSE

<b>86.</b>	<p>In what manner, and within what timeframe, has the organisation responded to:</p> <ul style="list-style-type: none"> <li>• Issues or incidents, including near misses and warning signals</li> <li>• Complaints</li> <li>• Regulatory / supervisory concerns</li> <li>• Pertinent legal and regulatory developments</li> </ul>	<p>Institutional response will often represent a key culture bell weather for the regulator. Indeed, the robustness of response will commonly be viewed with the same degree of interest as the nature of the issue or incident itself.</p> <p>In some instances, for example, a focused deeper dive exercise may be warranted. In others, a root cause analysis may be required; and/or targeting monitoring over a period.</p>
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## THE SUPERVISOR’S PERSPECTIVE

<b>87.</b>	<p>Do the organisation’s Board and/or ExCo regularly assess culture and conduct? Do they address the questions set out at <b>Annex 3</b> when doing so?</p>	
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## MONITORING CULTURAL DIRECTION OF TRAVEL

No.	Question	Commentary
<b>STAFF SURVEYS</b>		
88.	<p>Does the organisation conduct annual surveys of its staff asking culture related questions?</p> <p>Does the organisation compare current results with those of previous years in a meaningful and objective way?</p>	<p>The majority of organisations now use such surveys. They can provide a helpful indicator of cultural trajectory.</p> <p>Comparing current results with those of previous years can be instructive — but the importance of objective and critical scrutiny cannot be overstated.</p>
<b>QUARTERLY SENTIMENT ASSESSMENTS</b>		
89.	<p>Could / should the organisation also use quarterly confidential sentiment assessments, across a random sampling of employees?</p>	<p>In which participants are asked to select 10 words (from a list of 50 — half positive, half negative) that best describe the organisation’s culture.</p> <p>This technique can provide useful periodic snapshots of the prevailing cultural sentiment and a gauge as to cultural trajectory.</p>
<b>PERIODIC CULTURE REVIEWS / AUDITS</b>		
90.	<p>Does the organisation commission periodic independent culture reviews (or audits)?</p> <p>If not, has the organisation at least considered the potential merit(s) of doing so?</p>	<p>Undertaken thoughtfully (and through a carefully crafted methodology), such reviews can provide another effective and instructive method of gauging cultural direction of travel.</p>
<b>GOVERNANCE</b>		
91.	<p>Does the organisation’s governance model feature, at a minimum:</p> <ul style="list-style-type: none"> <li>• A well-designed and calibrated dashboard reflecting (through statistics and accompanying contextual commentary) the various metrics adopted as cultural indicators; and, importantly, highlighting any potentially troubling trends or themes</li> <li>• Periodic reports from individuals designated with specific culture – and conduct-related responsibilities</li> <li>• Any relevant reports from Internal Audit</li> <li>• Any relevant supervisory updates on culture-related issues</li> <li>• The reports of any culture review commissioned</li> <li>• Briefings from HR and Compliance on any significant culture – or conduct-related incidents arising over the previous period</li> <li>• Any updates on relevant outstanding remedial or corrective actions</li> </ul>	<p>This is a non exhaustive list intended as a helpful starting point.</p>

## MONITORING CULTURAL DIRECTION OF TRAVEL

No.	Question	Commentary
<b>INTERNAL AUDIT</b>		
<b>92.</b>	Does the Internal Audit function undertake periodic “look-back” exercises?	The purpose is to assess whether, over the prior period, the organisation and its personnel acted in line with stated values and expectations.
<b>ADDRESSING ISSUES</b>		
<b>93.</b>	Does the organisation monitor the effect of any measures put in place to address any (actually or potentially) troubling outputs?	

# ANNEX 1

## SAMPLE RECRUITMENT SCENARIOS

### SCENARIO 1

- a. You overhear a colleague (X) whispering over the phone that he had enjoyed a “fantastic day at the races yesterday and won a grand — we’re all entitled to pull a ‘sickie’ once in a while, aren’t we?!”
- b. You oversee a colleague (Y) manipulating a batch of taxi receipts (by inflating the figures), which she then submits to the finance department for personal reimbursement.
- c. One evening, you spot a colleague (Z) taking some cash from the desk drawer of his boss (who is away on holiday). No one else was around at the time.

#### QUESTIONS

- How do you view each of these scenarios?
- How do they compare in terms of relative seriousness?
- How would you have responded? Would your response differ dependent upon the status (junior / senior) of X, Y, or Z?

### SCENARIO 2

Your line manager requests a favour — she is incredibly busy and asks you to complete her mandatory online Anti Bribery & Corruption training module. She provides you with her log-in details.

#### QUESTIONS

- How do you view this situation?
- How would you respond?

### SCENARIO 3

In what (if any) circumstances might it be appropriate to refuse to take on a new work assignment?

# ANNEX 2

## SAMPLE FOCUS GROUP SCENARIOS

### SCENARIO 1

You are at a weekly informal team meeting when one member of the group makes a derogatory and sexist comment about a client.

#### QUESTIONS

- How would you respond?
- How should you respond?

#### TALKING POINTS

- This scenario raises issues relating to diversity, inclusivity, and psychological safety.
- It focuses on the importance of fostering an inclusive culture within the team, including in less formal communications.
- Considerations include:
  - Does it make any difference that the comment was made at an informal meeting?
  - How robust should the response be?
  - Should you respond in real time (so your views are clear to others) or is it better to speak to the relevant individual separately?
  - How would / should your response differ if others in the team respond with similar, derogatory comments?

### SCENARIO 2

You overhear a conversation amongst some junior team members, during which they bemoan a “them and us” team dynamic and reference the “do as I say, not as I do” philosophy of management.

Privately, you agree with these sentiments.

#### QUESTIONS

- How would you respond?
- How should you respond?

#### TALKING POINTS

- This scenario indicates apparent discontentment within the ranks.
- It aims to draw out any tension between the manager’s true feelings and how he would be expected to respond.
- Considerations for the manager:
  - Can I legitimately turn a blind eye to this? (No one knows that you have overheard)
  - Should I interject to say that I happen to agree with the sentiments expressed?
  - If not, how do I go about dealing with this?
  - How would I deal with the potential sensitivity of communicating this to the MDs?
  - How would I react if the response back from the MDs were, “This is nonsense — they’re just being oversensitive millennials”?

## SCENARIO 3

You are starting to suspect that a (married) senior member of your team is in a personal relationship with an associate (also in your team).

### QUESTIONS

- What, if anything, should you do?

### TALKING POINTS

- This scenario deals with the delicate subject of relationships at work.
- It is intended to focus attention on the various issues that such relationships raise, for instance:
  - Conflicts of interest
  - Potential impact on team morale
  - Compliance with applicable internal ethical requirements
- Considerations for the manager:
  - Is it my business or responsibility to get involved at all with this?
  - In any event, I only suspect and have no actual evidence — so maybe I should do nothing?
  - Is this something that I should be escalating or trying to deal with myself?

## SCENARIO 4

You find a document that has been left on the printer. It consists of an email chain between two of the juniors in your team, with one telling the other that he is scared of the MDs in the team and does not feel comfortable raising his serious concerns with any of them.

### QUESTIONS

- What issues does this scenario raise?
- What would you do?
- What should you do?

### TALKING POINTS

- This scenario centres around speaking up / culture of fear or intimidation.
- It is intended to focus minds on the importance of psychological safety within the working environment — a fundamental cultural pre requisite.
- It also involves potential sensitivity with broaching the subject with the MDs concerned.
- Considerations for the manager:
  - Is this something I should seek to deal with myself (if at all)?
  - Do we really have an issue within the team? If so, how should it be addressed?
  - Is any issue confined to the MDs or is it more prevalent?

## SCENARIO 5

You receive a notification from Compliance and HR to the effect that two of your direct reports have not completed their mandatory online AML training by the deadline, despite receiving four reminders.

### QUESTIONS

- How would you respond?

A day after speaking with these direct reports, you observe one standing over the shoulder of the other and seemingly assisting him to complete one of the online training modules.

### QUESTIONS

- What, if any, issues does this scenario present?

### TALKING POINTS

- This (two-part) scenario concerns the importance of training and employee attitudes towards regulatory compliance.
- It (implicitly) highlights the importance of a manager setting the right tone and example.
- The scenario also indicates a potential lack of integrity exhibited by team members.
- Considerations for the manager:
  - How big a deal is this really?
  - Am I practising what I preach?
  - How robust should my response be in the circumstances?
  - Am I setting the right tone, given that my direct reports appear to think that this is acceptable behaviour?

## SCENARIO 6

You are feeling under pressure at work and the markets seem to be consistently moving against you. Last year wasn't great, and this year is shaping up to be worse from a revenue perspective. You are feeling agitated and stressed, and your tolerance thresholds are low.

A junior team member approaches you on the trading floor for some advice about an issue that you consider to be trivial. You tell him in no uncertain terms that he must "man-up" and start to take some responsibility.

### QUESTIONS

- What, if any, issues does this scenario raise?

### TALKING POINTS

- This scenario highlights the importance of self awareness and empathy, as well as role-modelling and setting the right tone.
- [Appreciating that this is often easier said than done] Managers must make every conscious effort to ensure that their workplace conduct, and demeanour are not capable of being perceived negatively (or counter culturally) by others — even if there was no actual intention to create such a perception.
- Managers must understand that managing is a critical component of their corporate responsibility.
- This scenario occurs on an open trading floor — the ripple effects of the manager's actions could be profound.
- Considerations for the manager:
  - Can I see that my conduct here was inappropriate?
  - How will I try to ensure that this will not reoccur?
  - More generally, do I have a self awareness issue that I should seek to address? Am I sufficiently and continually alert to the way in which my actions might be perceived by others?

# ANNEX 3

## G30 QUESTIONS FOR SUPERVISORS TO POSE WHEN ASSESSING CULTURE (AND A FIRM'S ADHERENCE TO ITS VALUES AND CONDUCT)

1. Are the Board and senior management adequately focused on understanding the culture that exists and seeing adherence to firm values and conduct as a strategic imperative for the firm?
2. Is this evidenced in practices such as transparency for material transgressions, and owning the responsibility for identifying and dealing with problems?
3. Are the firm's values and conduct statements taken seriously, and is there consistency among strategy, business model, target returns, risk appetite, incentives, performance assessment, desired conduct, and values to support the desired behaviours and outcomes?
4. Does the Board focus adequately on the embedding of values and conduct by devoting adequate time to these issues, receiving regular comprehensive reporting on these issues from a variety of sources, acting on those as necessary, and itself participating in the internal communication of the desired behaviours?
5. Do the Board and committee charters include oversight of values and conduct? And how are these matters reflected in the work of the Board and its committees?
6. Do the relevant management bodies and committees have charters that explicitly refer to responsibility for oversight of values, conduct, and culture issues; and is sufficient regular management time, energy, and focus devoted to these issues?
7. Do the CEO and Executive team demonstrate persistent championing throughout the firm of the desired conduct and values?
8. Are the Executive team and midlevel managers engaged, and are they assessed and compensated on how well they promote and assess conduct and values issues in their teams?
9. Does the CEO and Executive team objectives include conduct, values, and cultural matters?
10. Is an important part of the Board's annual evaluation of the CEO and his or her direct reports championing the desired culture and effectively overseeing the embedding of the desired conduct and values and any remediation programme?
11. Does the Executive team demonstrate sound understanding of how a chosen remediation programme will achieve results, and does it have ways of measuring progress?
12. Does the CEO and Executive team incentive regime have material financial consequences for managers whose oversight (and living) of desired values and conduct is weak?
13. Does the firm celebrate those who live the firm values and desired conduct in difficult circumstances?
14. Is there evidence that the firm is using a balanced scorecard with input from Compliance, Risk Management, and Human Resources, and with significant weight on how results are achieved?
15. Is there robust and comprehensive data to identify alignment with conduct and values by the business and functional units and individuals?
16. Does the Executive team review in detail the top leadership group, and is there use of tools such as 360 degree assessments?
17. Are annual appraisals and penalties applied to breaches of cultural norms, values, and principles, and not just to breaking specific rules of legal requirements?

18. When deficiencies are identified, does the firm look at whether similar issues exist in related areas of the firm?
19. Is there evidence of robust internal sanctioning, with material consequences for staff in the event of poor alignment with conduct and values?
20. Do the firm's promotion and hiring processes (including for senior management and the CEO) place material weight on compatibility with the desired values and conduct and consistent demonstration of the desired behaviours?
21. Is front-line accountability clear?
22. Do front-line management and staff demonstrate an understanding of, and the ability to identify, values and conduct issues and act accordingly?
23. Do front-line management demonstrate the ability to deal with breaches and to assess staff performance?
24. Are training and development programmes anchored in cases relevant to the firm, delivered by management, and regularly refreshed?
25. Is there a clear second line of defence for values and conduct issues with demonstrated input from Human Resources, Compliance, and Risk Management?
26. Are second line and third line (that is, Internal Audit) providing senior management reporting to assist in understanding where the firm is at on conduct and values issues and how any remediation programme is working, and to support governance and oversight responsibilities?
27. Do Compliance and Human Resources functions have stature and a proactive preventive mindset in dealing with these issues?
28. Is there a culture of welcoming escalation or self-identification of issues, including the expectation of such conduct, and are there sanctions for wilful blindness?
29. Have managers been trained in how to constructively deal with escalation?
30. Is the Board satisfied that whistleblowing is treated seriously, and that staff who raise internal flags are suitably protected and celebrated?



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November 2025

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