

Appendix A - Culture-monitoring implementation note

Purpose: to assist a board to design and describe a culture-monitoring mechanism under draft Recommendation 3.3. The prompts are adaptable to the entity's circumstances.

Design component	Minimum board consideration
1. Culture questions	Identify the cultural conditions that matter to strategy, risk appetite, legal obligations and stakeholder outcomes.
2. Information sources	Select lead and lag indicators from workforce, conduct, whistleblowing, customer, risk, audit, operational and direct-engagement sources.
3. Escalation pathways	Define material events, trend thresholds, recurring issues and remediation delays that reach the board or a committee.
4. Board interpretation	Consider the indicators together at each review, test inconsistencies between them, and record where the board's view differs from management's interpretation of the same information.
5. Board action	Record the board's questions, required actions, accountable owners and review dates.
6. Periodic review	Reconsider the questions, indicators, thresholds and reporting process as strategy, risk and operating conditions change.

Illustrative disclosure

Entity-specific example

The Board monitors culture through a board-approved framework linked to the entity's values, strategy and risk appetite. It considers workforce, conduct, whistleblowing, customer, risk and audit indicators together at each scheduled review, alongside escalation of defined material events and trends. The Board reviews recurring issues and remediation progress and records actions arising from its review. The framework and indicators are reviewed periodically as the entity's circumstances change.

This example describes the operation of the mechanism. Each entity would determine the indicators, thresholds, committee roles and reporting frequency appropriate to its circumstances.

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