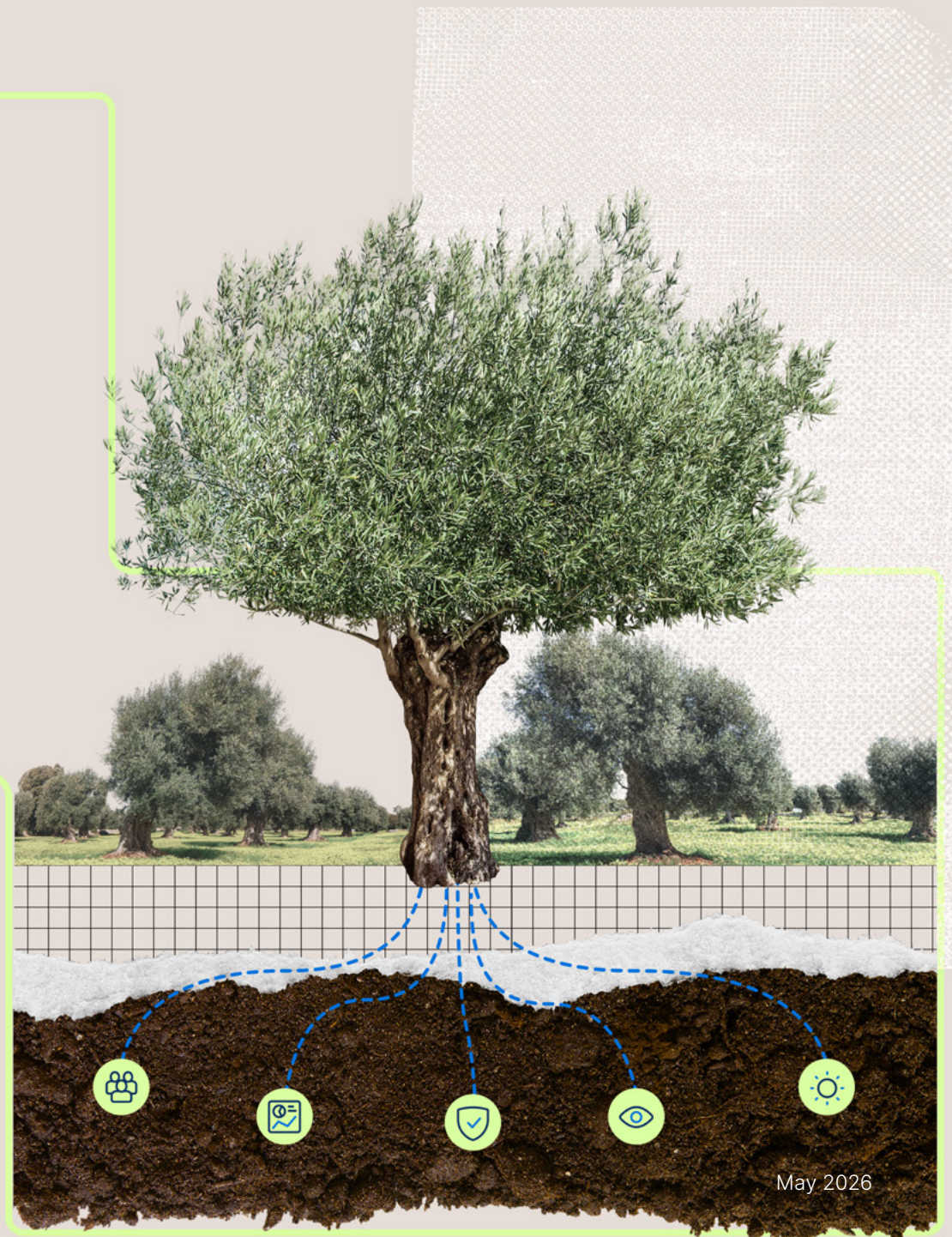


Governing culture in a complex world

Five principles for board oversight of organisational culture across leadership, strategy, risk, governance and accountability



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Foreword

Organisational culture is a critical driver of trust, resilience and long-term value.

Stakeholders rightly expect directors to proactively oversee, test and influence culture, and to act decisively where misconduct, unethical behaviour or cultural say-do gaps are evident.

While oversight of organisational culture has crystallised as a core governance imperative, the context in which boards oversee culture has changed significantly over recent years. Directors are grappling with economic and productivity challenges, an unpredictable geopolitical environment, and different ways of working.

The rapid adoption of artificial intelligence, automation and digital agents is reshaping how work is performed and decisions are made. At the same time, the rise in hybrid and remote working models as a result of the COVID-19 pandemic has altered how culture is experienced, reinforced and monitored. In more distributed, technology-enabled organisations, culture is less visible, harder to sense and more easily fragmented.

For many boards, the challenge is not acknowledging the importance of culture, but understanding the culture that actually exists, identifying gaps between espoused values and lived behaviours, and charting a clear path to the culture the organisation needs to succeed. This requires ongoing discipline, curiosity and judgement – and an appreciation of the role of the board and the levers at its disposal.

This resource sets out principles to help boards oversee culture effectively – without adding another prescriptive element to the board's already significant oversight role. In developing it, extensive consultation has been undertaken with directors across sectors, as well as experts and others with direct experience, so that it reflects relevant and practical insights. Thank you to everyone who has been involved.

Now more than ever, organisational culture that is aligned with strategy and values is a source of resilience and competitive advantage. We hope this resource supports directors in their important role.

Mark Rigotti FAICD
Managing Director and CEO
Australian Institute of Company Directors (AICD)

Overview

Governance of organisational culture is a core board responsibility. However, translating this responsibility into consistent, practical oversight can be challenging.

This resource sets out five principles for governing organisational culture, providing a clear, principles-based framework to embed culture in decision-making, oversight and accountability.

Grounded in director experience and contemporary governance practice, it supports boards to govern culture in a changing world.

Five principles for governing organisational culture



Principle 1: Leadership - Set the tone from the top

Set expectations from the top. Align leadership behaviour, incentives and board conduct with the desired culture.



Principle 2: Strategy - Integrate strategy and culture to drive performance

Integrate culture and strategy so that they are mutually reinforcing. Define the cultural attributes needed to deliver strategy and performance.



Principle 3: Risk - Embed culture into risk management processes

Embed culture into risk management. Support a speak-up mindset, constructive challenge and alignment with risk appetite.



Principle 4: Governance and oversight - Establish processes and structures to support oversight

Use structures, data and direct insight to actively monitor, test and triangulate culture across the organisation.



Principle 5: Accountability and transparency - Promote trust and confidence

Apply consistent consequences and take a principled approach to disclosure. Reinforce trust, credibility and standards.

Context and scope

What do we mean by organisational culture?

To support effective oversight of organisational culture, the board requires a clear framework.

Culture is central to contemporary governance, however it is sometimes seen as a nebulous concept. It can be conceptualised as the collective behaviours and mindsets within an organisation, driven by a set of norms and values that directly impact decision-making. At its simplest, culture is often understood as the 'way things are done' – how people behave when no one is looking.

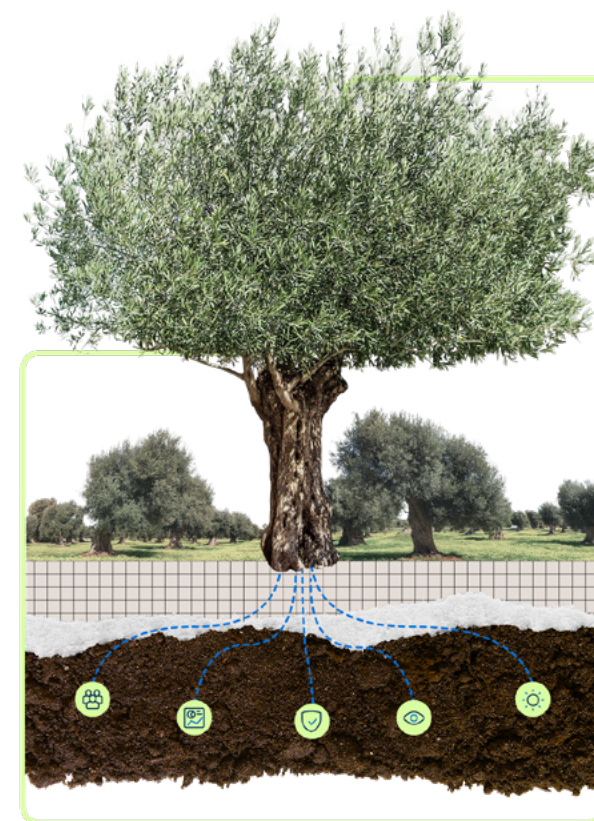
Within overall organisational culture, there will be different emphases – such as innovation culture, risk culture, safety culture, performance culture and compliance culture. These cultural dimensions coexist and interact, and cannot be meaningfully separated from each other.

An organisation may exhibit sub-cultures with different emphases across divisions, teams or geographies. This is natural and can be a strength, provided they are aligned with strategy and values.

Culture looks different for each organisation and will depend on the organisation's mission or purpose, values, industry, size, and lifecycle position, among other things.

That said, there are common positive hallmarks including:

- clarity of purpose and values, and alignment with decision-making;
- clear expectations of acceptable standards of behaviour and demonstrated accountability;
- a focus on mitigating risk of poor treatment of customers, particularly vulnerable customers; and
- cultural orientation towards 'should we' rather than 'can we' questions.¹



¹ This was highlighted by the [prudential inquiry](#) by the Australian Prudential Regulator Authority (APRA) into the Commonwealth Bank of Australia (CBA) across 2017 to 2018.

The evolution of organisational culture as a governance priority

There is clear evidence that organisational culture, when aligned with strategy and values, meaningfully drives performance. In particular, it fosters employee engagement, motivation, and retention while aligning behaviours with strategic priorities – ultimately supporting productivity, innovation, and financial outcomes.²

Directors recognise that organisational culture is central to performance, sustainable long-term value creation and reputation. Notably, AICD's [Director Sentiment Index](#) identifies workplace culture and leadership quality as two of the most important factors for boosting productivity.

From a risk and ethics perspective, culture influences judgement and behaviour beyond formal controls.

As Commissioner Kenneth Hayne AC put it in the final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission): “Failings of organisational culture, governance arrangements and remuneration systems lie at the heart of much of the misconduct examined in this Commission. Improvements in the culture of financial services entities, their governance arrangements and their remuneration systems should reduce the risk of misconduct in future. Culture, governance and remuneration march together. Improvements in one area will reinforce improvements in others; inaction in one area will undermine progress in others.”³

Over the past decade, the focus on culture as a governance priority has developed, influenced by regulatory focus, royal commissions, and various governance and culture inquiries across sectors.

Against this backdrop, there have been important legal and regulatory shifts in Australia that go directly to culture, including in relation to whistleblowing, management of psychosocial risk and prevention of sexual harassment.

Risk culture was spotlighted by APRA's Prudential Inquiry into CBA (with the final report released in May 2018 representing a seminal analysis of governance, culture and accountability within the CBA group) and subsequently by the Financial Services Royal Commission.

Several other royal commissions including the Royal Commission into Aged Care Quality and Safety and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability also interrogated the link between organisational culture and governance failures which resulted in harm.

Over the same period, high-profile reviews into companies across various sectors identified governance issues and workforce culture concerns, including, in some cases, harmful behaviours such as bullying, sexism and racism. Notably, the landmark Respect@Work inquiry in 2020 revealed widespread and pervasive sexual harassment in Australian workplaces.

These inquiries act as warnings for directors of problems that often lie hidden in plain sight.

The pace of change is accelerating. Boards today oversee culture in an environment transformed by embedded hybrid and remote working models, intergenerational workforce expectations, sustainability considerations, and artificial intelligence (AI). These forces have fundamental impacts on organisational culture.

Together, these developments mean stakeholders are paying closer attention to organisational culture and the board's role in overseeing it. Looking ahead, effective board-level oversight of culture will only become more critical as AI, automation and digital agents continue to influence how work is performed, decisions are made, and accountability is exercised. Boards will play a key role in overseeing alignment between technology adoption, organisational values and ethical standards.

[Ethics in the boardroom 2nd edition: A decision-making guide for directors](#), developed jointly by the AICD and The Ethics Centre, provides directors with practical tools to work through related ethical issues.

² See, for example, JP Kotter and JL Heskett, *Corporate culture and performance* (New York: Free Press, 1992); B Laker, '[Culture is a company's single most powerful advantage. Here's why](#)', Forbes, 23 April 2021; Australian Council of Superannuation Investors (ACSI), [The Financial Materiality of Sustainability Issues](#) (May 2025), p6.

³ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, [Final Report](#) (2019), p412.

Legal and governance requirements

There are a number of legal and regulatory requirements in Australia – across state and federal jurisdictions – that relate to the board’s role in organisational culture, including as examples:

- core directors’ duties to act with care skill and diligence; to act in good faith in the best interests of the corporation and for a proper purpose; not to improperly use information or position; and to disclose and manage conflicts of interest;
- whistleblower laws;
- work health and safety (WHS) laws in relation to management of physical and psychosocial hazards in the workplace; and
- the positive duty on employers to take reasonable and proportionate measures to prevent workplace sexual harassment and a broader set of harmful behaviours including sex discrimination, sex-based harassment, hostile work environments based on sex, and victimisation.

This list is not exhaustive – there are numerous other laws and regulations that relate to culture including prudential regulation. Regulators view organisational culture as a material governance issue and a key driver of conduct and risk outcomes, and it is incorporated into regulatory supervisory approaches.

In addition, governance principles in certain sectors make recommendations in relation to culture, including the [ASX Corporate Governance Principles & Recommendations](#) and the [Final Report and Principles](#) of the Expert Council on University Governance.

For completeness, it is also important to be aware that culture (as defined in the *Criminal Code Act 1995* (Cth)) can also be a means of establishing corporate criminal liability. Although there is little case law, if a corporation breaches a statutory provision, its conduct can be regarded as criminal if it had a poor compliance culture or even if the part of the organisation to which the breach could be sourced has a poor compliance culture.

Additional AICD resources

- [Not-for-Profit \(NFP\) Governance Principles 3rd ed](#)
Provides a practical framework for supporting NFP governance, including a dedicated principle on Organisational Culture (Principle 8 of that resource).
- [Directors’ best interests duty in practice \(with supporting legal opinion\)](#)
Focuses on what the duty to act in good faith in the best interests of the corporation requires of directors in practice, including the relevance of stakeholder interests.
- [Directors’ oversight of company compliance obligations \(with supporting legal opinion\)](#)
Outlines directors’ duty of care and diligence in overseeing a company’s regulatory compliance obligations, including practical guidance and red flags.
- [Governing WHS psychosocial risks: A primer for directors](#)
Provides practical guidance on board oversight of psychosocial risks, including regulatory expectations, common hazards and governance red flags.
- [Positive duty to prevent workplace sexual harassment](#)
Sets out the board’s role in overseeing compliance with the positive duty, with a focus on governance, culture, risk management and accountability.
- [Corporate sector whistleblowing laws: A guide for directors](#)
Explains whistleblower protections and policy requirements, and highlights how boards can approach whistleblowing as a core governance and culture mechanism rather than a compliance exercise.

A practical framework for thinking about the role of the board

Boards have a key role in driving and overseeing organisational culture, while senior management is responsible for day-to-day implementation.

At a high-level, a board should set clear cultural direction and expectations around behaviours and decision-making, use the levers at its disposal to reinforce these behaviours, and regularly test and monitor that these expectations are being met through both reported metrics (formal) and observed enacted behaviours (informal). Where there are gaps between the desired culture and existing culture, boards will need to work with management to drive change.

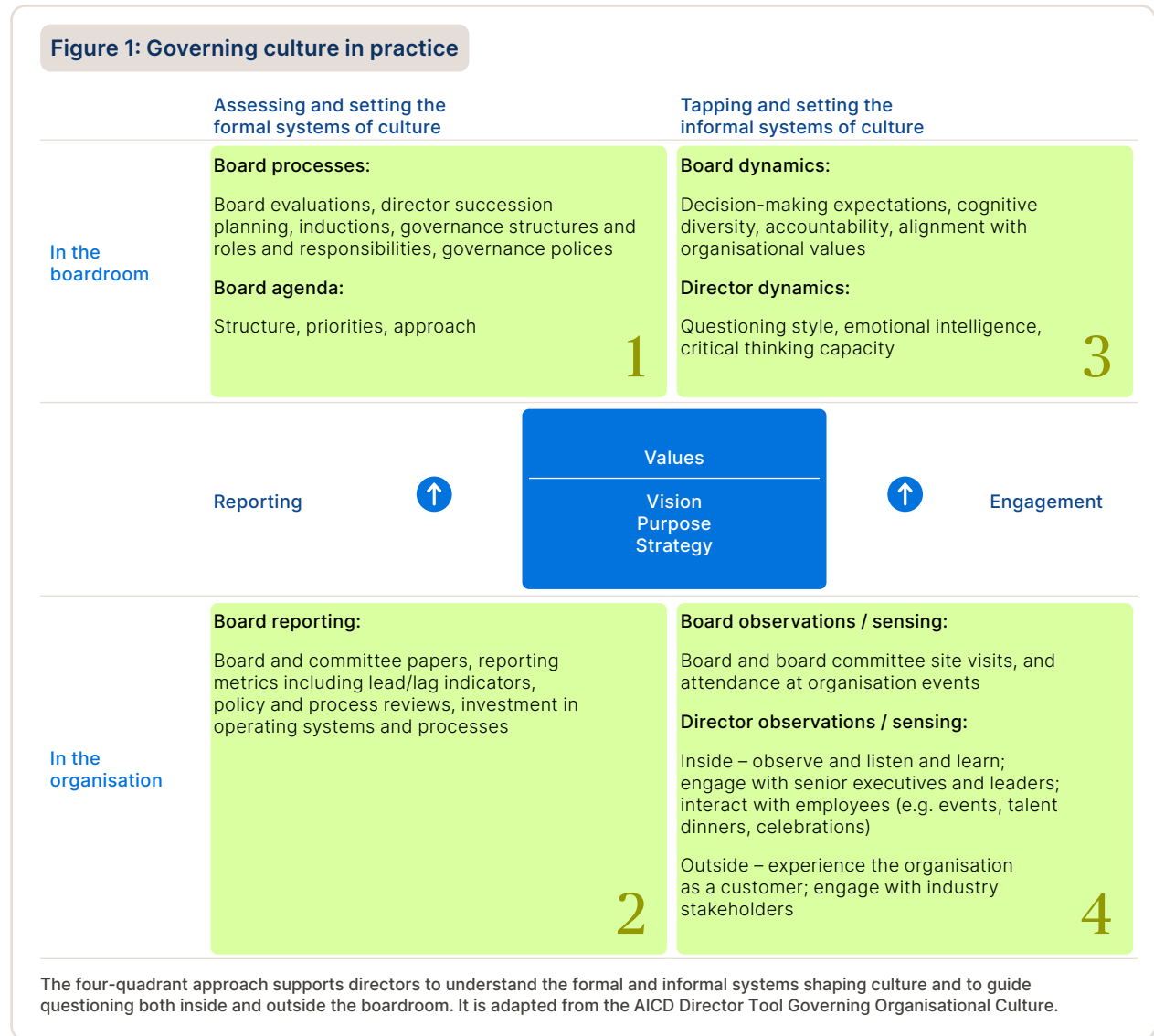
This is an ongoing, circular process – not a one-off exercise.

The four-quadrant approach to governing culture in practice as outlined in the [AICD Director Tool](#)⁴ highlights some of the broad formal and behavioural systems and processes that are relevant to culture and addressed throughout the five principles in this resource ([Figure 1](#)).

“The most effective boards understand that they are not simply overseers of culture - they are part of it.”

Dr Judith MacCormick FAICD

Figure 1: Governing culture in practice



4 About the author: Judith S. MacCormick FAICD, PhD and MBA (USyd and UNSW), Grad Dip Sci (ANU), BA.



Principle 1: Leadership – Set the tone from the top

Key points

- Boards define desired organisational culture, having regard to employee and other stakeholder perspectives; assess existing culture against that benchmark; and actively shape and oversee it using the levers at their disposal.
- One of the most significant influences the board has on culture is appointing the CEO, holding them accountable and removing them if necessary. Alignment with values, and the ability to drive desired behaviours, should be given appropriate weight in CEO succession planning and recruitment processes.
- Senior management is responsible for day-to-day implementation. It is the board's responsibility to set clear expectations of the CEO and other senior leaders about how they lead and conduct themselves. Reward and recognition frameworks are critical – what an organisation rewards sends a clear signal about what it truly values.
- The culture of the boardroom – including how the board interacts with management – sets the tone for the rest of the organisation. Chairs lay the groundwork for a strong board culture, including by calling out misaligned conduct or discourse and facilitating constructive and respectful discussion and debate.
- Be aware of hypocrisy risk – i.e. any say-do gaps between what the board and management say and what is done in practice.

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Boards that are intentional about driving culture work alongside management as a cohesive leadership team to align on what culture the organisation needs, in order to succeed. This includes developing an understanding of the current culture as a baseline and listening to employee and other stakeholder perspectives.

Defining the desired culture

Many directors see value in written culture statements, noting that they can provide clarity and draw together an organisation's purpose, vision and values. Other organisations may embed cultural expectations within codes of conduct and other core organisational policies or strategic plans. Some may not use 'culture' as a descriptor at all but instead focus on values, behaviours and standards. The key is clarity and a common understanding and language to anchor discussions about how things are done in the organisation, and what the organisation cares about.



“One of the challenges with the word 'culture' is that it can mean everything and nothing. Boards need to narrow it down to something people can actually understand, work with and act on.”

Catherine Livingstone AC FAICDLife

Culture will always be driven by organisational imperatives and involve a degree of balance (see [Principle 2](#) and [Principle 3](#)).

Indeed, it is overly simplistic and potentially unhelpful to treat culture as being capable of binary assessment (i.e. positive or negative).

The term 'toxic culture' is sometimes used to describe organisations where harmful behaviours are entrenched

or where stated values and conduct have significantly diverged. It is worth noting that culture rarely becomes toxic overnight – more commonly, misalignment develops over time. Even where organisational culture has positive features, there is a risk that weaknesses can develop without being properly checked or addressed by the board and management.

That said, in Australia, there are fundamental norms that should form the basis of any organisational culture. In the final report of the Financial Services Royal Commission, Commissioner Hayne articulated six norms that continue to have broader relevance beyond financial services:

- Obey the law
- Do not mislead or deceive
- Act fairly
- Provide services that are fit for purpose
- Deliver services with reasonable care and skill
- When acting for another, act in the best interest of that other.

Also fundamental are employee safety and respect. Harmful behaviours such as bullying, sexual harassment, racism and other forms of discrimination are unlawful and highly corrosive to organisational culture.

We recognise that many not-for-profit organisations rely heavily on volunteers. In these circumstances, boards and management should clearly recognise and value volunteers as integral to the organisation, while reinforcing that cultural expectations and behavioural standards apply consistently.

Key board levers

In addition to their leadership role, boards have important levers at their disposal to influence culture. Most significant is the ability to appoint, monitor and remove the CEO. Boards also have oversight of executive reward and accountability systems, strategy and risk settings and governance policies and processes.

Internal leadership development and succession planning are equally important. Culture is built through the leadership pipeline, not just at the point of CEO appointment. Leadership development programs can strengthen cultural leadership capabilities over time. From a talent management perspective, boards will want to see senior leaders develop this ‘muscle’ well before they assume the CEO role.

These levers are addressed throughout this resource, along with approaches to the monitoring and measurement of culture.

As highlighted by the [Final Report for the Inquiry into the ASX Group \(ASX\)](#), leadership is critical in aligning people, processes and systems to achieve organisational congruence and deliver strategic priorities.

“Effective leaders establish a clear vision and set a compelling direction for the organisation. They shape the organisation’s culture, build and align high performing teams and make informed, timely decisions that balance immediate priorities with future needs.”

Final Report for the Inquiry into the ASX Group⁵

CEO appointment and succession planning

One of the most significant influences the board has on culture is appointing the CEO, holding them accountable and removing them if necessary.

Alignment with values, and the ability to drive desired behaviours, should be given appropriate weight in CEO succession planning and recruitment processes. This should be an intentional process that treats ‘cultural fit’ as alignment with organisational purpose, values and behavioural standards – not as ‘cultural similarity’ (which risks appointment of people ‘like us’).

Boards and relevant committees will need to work with management and any external search firm to incorporate considerations in relation to culture and leadership styles into the recruitment process. The judicious use of psychological testing tools and thorough reference checking can support this process.

Boards should be wary of CEO candidates who promise to transplant a previous workplace culture into a new setting without first understanding the different organisational settings and purpose. Workplace culture must not be treated as generic; it is highly contextual.

For all senior leaders, appropriate emphasis on culture should flow through induction and on-boarding processes, with sufficient time spent on values in action – how values translate into behaviours and guide decision-making. This also applies to the board itself (see the below section: [Boardroom culture and relationship with management](#)).

Leadership styles play a critical role in influencing culture, and will have different advantages and disadvantages. Boards should be alive to a CEO’s leadership style and the governance implications of particular characteristics. For instance, leadership approaches that are strongly command-and-control in nature, where authority is concentrated at the top, can weaken empowerment and discourage individuals from voicing concerns or questioning decisions. On the other hand, an overly consultative leader might be less effective in making difficult decisions and allow organisational drift or malaise.

⁵ [Final Report for the Inquiry into the ASX Group](#), 2026, p51.

Setting clear expectations of senior leaders

It is the board’s responsibility to set clear expectations of the CEO and other senior leaders about how they lead and conduct themselves, and their role in modelling and leading culture.

Boards that set clear behavioural standards and cultural direction – and hold themselves to those same standards – make it clear to the CEO and senior executives that these standards are non-negotiable and that they are accountable for modelling and leading culture.

This accountability extends to how they lead and manage their teams, address conduct issues, and cascade expectations throughout the organisation (recognising that culture is often driven by the middle layers of the organisation).

“

The CEO should be seen as the ‘Chief Standards Officer.’”

Craig Dunn

“...[I]t is rightly said that the ‘tone’ of the entity is, and must be, set at the top. But that tone must also be echoed from the bottom and reinforced at every level of the entity’s management and supervision; it must always ‘sound from above.’”⁶

Commissioner Kenneth Hayne AC, Final Report of the Financial Services Royal Commission

In some cases, boards may be tempted to overlook behaviour that pushes the boundaries of organisational culture and values if the management team is delivering strong returns or performance (especially if the behaviour does not clearly ‘cross the line’). However, there is a clear risk that, where misalignment is allowed to build up over time, a catalyst event will expose underlying cultural weaknesses. This can lead to a destruction of value and stakeholder or member confidence that is slow to rebuild. See [Principle 5](#) for further discussion on accountability.



⁶ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, [Final Report](#) (2019), p335.



Reward and recognition

What an organisation rewards sends a clear signal about what it truly values.

Remuneration practices, especially variable remuneration, should not only drive and reward performance outcomes, but promote the desired behaviours and ensure that results are obtained ‘in the right way’. It is essential to be clear with executives and other employees about the purpose of variable remuneration, the rationale for performance metrics (including non-financial metrics), and the importance of ‘how’ performance outcomes are achieved, not just what is achieved (i.e. expected behaviours).

Boards of ASX-listed entities, in particular, are expected by shareholders and proxy advisors to engage in appropriately rigorous analysis to justify executive remuneration outcomes, including through the lens of conduct and risk issues.

“Remuneration and incentives, especially variable remuneration programs, tell staff what the entity rewards. Hence, remuneration and incentives tell staff what the entity values. Remuneration both affects and reflects culture. As the Commission’s work has shown, and is now not disputed, poor remuneration and incentive programs can lead, and have led, to poor customer outcomes.”⁷

Commissioner Kenneth Hayne AC, Final Report of the Financial Services Royal Commission

Although variable remuneration will rarely feature in NFP contexts, there are other ways to reinforce the desired culture through reward and recognition. AICD’s [Not-for-Profit \(NFP\) Governance Principles](#) outline a number of ways NFP boards can oversee and drive a focus on employee and volunteer recognition, including through establishing a clear approach (which may cover the types of recognition available and the link to performance and desired outcomes and behaviours), leading by example (i.e. actively participating in the recognition process), empowering managers, encouraging peer-to-peer recognition, making recognition public and seeking feedback on the organisation’s approach.

⁷ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, [Final Report](#) (2019), p335.

Boardroom culture and relationship with management

“

The whole organisation is ultimately capped by the culture of the board - it is absolutely critical.”

Audette Exel AO FAICD

What leaders do and say sets the tone for the rest of the organisation. As the highest leadership body in an organisation, the board’s behaviour, decisions and priorities send clear signals to management about what is valued and what is expected.

Effective boards lead by example, demonstrate respect and accountability, foster psychological safety⁸ and engage in constructive discussion and debate. They also hold themselves to the same standards they expect throughout the organisation.

Directors should not be afraid to dissent, raise concerns, challenge misconduct, and speak openly. The chair should facilitate contributions from all directors, and guard against the risk of any dominant voices, including their own.

“

A chair is the conductor of an orchestra. If the flautist can’t be heard, the chair should ask them to play louder or indeed invite them to play a solo.”

David Gonski AC FAICD*Life*

Boards should always be alert to the risk of hypocrisy – that is, where their words and actions do not align with the organisation’s professed culture, values or purpose.

As Didier Elzinga, Executive Chair of Culture Amp put it: “Boards are custodians for organisational purpose – they should always come back to ‘why are we here?’ and ‘what do we stand for?’”

“

Boards need to spend time together thinking about how they show up - and how they engage with each other and management. It is important to create an environment that is open, transparent and respectful while still expecting high-performance.”

David Thodey AO FAICD

Board evaluations

Board and individual director evaluations, including 360-degree feedback reviews, can support directors in understanding and constantly improving boardroom culture. Being an effective role model requires an understanding of others’ perceptions and an open mind about what can be done differently.

As non-executive director and chair Craig Dunn notes: “It’s important to be clear on the standards expected of directors and test that they are being met. In any board review, including an externally facilitated board review, it can be helpful to include a specific focus on the standards upheld by the board during the period including their alignment to the behaviours and habits expected throughout the organisation.”

In many instances of governance failure, these processes may have occurred, but not raised sufficiently probing questions to elicit responses around culture, and/or the questions may not have been answered candidly by the directors and management.

⁸ Psychological safety has been described as ‘feeling safe to take interpersonal risks, to speak up, to disagree openly, to surface concerns without fear of negative repercussions or pressure to sugarcoat bad news. Psychological safety nurtures an environment where people feel encouraged to share creative ideas without fear of personal judgment or stepping on toes’: McKinsey & Company, ‘What is psychological safety?’, 17 July 2023. Psychological safety is distinct from psychosocial safety, which refers to workplace factors that can cause psychological and physical harm, arising from job design, the work environment, interpersonal relationships or behaviours, or organisational governance and management. See AICD and King and Wood Mallesons’ [Governing WHS psychosocial risks primer](#) for further detail on psychosocial hazards and the board’s role.

Board composition

Cognitive diversity strengthens boardroom culture and decision-making by promoting constructive challenge and reducing groupthink and other cognitive biases. When directors bring different professional and personal backgrounds, lived experiences, perspectives and ways of thinking to the table, discussions are broader and richer, and decision-making is more robust.⁹

In an increasingly complex world, cognitive diversity is more important than ever as it can help boards to challenge assumptions, anticipate change, and navigate highly fluid environments – including in relation to organisational culture.

Boards can promote cognitive diversity by regularly assessing the mix of directors' skills, experiences and perspectives, and embedding diversity considerations in board composition and succession planning processes.

“Diversity is not about tokenism. It is about inclusive leadership that reflects the Australia we serve. When different voices are respected and heard, organisations make stronger decisions and build deeper trust. Culture is the real test of diversity: who is heard, how challenge is received, and whether different perspectives shape decisions.”

Dr Terri Janke

A mix of skills as well as industry experience at the executive-level supports robust board decision-making and constructive challenge of management. For example, directors with a 'people' background (human capital, organisational culture and customer skillsets) can help bring these considerations to the fore in discussions and decisions.

Board composition dynamics

There are a number of different board composition dynamics that may create specific challenges for effective oversight of organisational culture. For example:

- **Excessively long director tenures**, which can entrench groupthink and reduce openness to challenge or change. Over time, long-serving directors may become overly familiar with management or established practices, diminishing the board's willingness to question assumptions, test alternative perspectives or respond to emerging cultural risks.
 - **Mitigating actions: Establish clear tenure and renewal expectations; undertake regular board and individual director performance evaluations (periodically externally facilitated); and actively manage board succession to maintain an appropriate mix of skills, perspectives, tenure and independence.**
- **Founder CEOs** can be a powerful cultural asset, often embodying purpose, vision and entrepreneurial drive. However, the concentration of influence associated with founder leadership can make it more difficult for boards to exercise objective oversight, challenge performance or strategy, and address cultural blind spots. This dynamic may also complicate succession planning and inhibit open dissent.
 - **Mitigating actions: Strong independent leadership at board-level, typically through an independent chair or lead independent director; clear role clarity between governance and management; disciplined oversight of management, including regular in-camera discussions; timely and structured succession planning – including planning for founder transition; and strong board processes grounded in mutual respect and a shared understanding that good governance enables, rather than constrains, long-term success.**
- **Highly mission-driven boards**, particularly in charities and other NFPs. While deep commitment to purpose can strengthen focus and motivation, it may also blur the boundaries between governance and advocacy. This can limit independent oversight, reduce critical challenge, and make it harder for boards to identify or address cultural issues objectively.
 - **Mitigating actions: Reinforce role clarity between governance and management; emphasise evidence-based decision-making alongside values-driven purpose; appoint directors with complementary skills beyond the mission domain; and undertake regular board effectiveness reviews to test independence, the quality of challenge, and decision-making.**

⁹ J Bourke, 'Which two heads are better than one: the extraordinary power of diversity of thinking and inclusive leadership', 2nd ed (AICD, 2021).

Board and management dynamic

A related dynamic is the relationship between board and management, which both directly influences organisational culture and supports board visibility. At its best, it is characterised by connection, trust and candour, and constructive challenge and debate.

Achieving the right balance can be a delicate exercise. Boards need to foster a relationship of trust and openness with management – including so that bad news flows freely and that where required, the board and management can work together to address issues (including those relating to culture) – and also continually test and validate that trust.

“... a Board must have a high degree of trust in the executives that it has appointed. However, the degree of trust needs to be continually tested and validated through appropriate metrics and constructive challenge by directors who collectively must have appropriate levels of expertise and experience.”

Final Report of the Prudential Inquiry into CBA¹⁰

Interpersonal styles matter and, in general, a relational, human and curious approach will be more effective than an adversarial approach in enabling information to flow freely between board and management.

“Directors should seek to get the best out of people, to be curious and to enquire genuinely – don’t just fly over the forest once a month.”

Ian Hamm FAICD

Chair/CEO relationship (and committee chair/ executive relationships)

The chair/CEO relationship is critical in achieving desirable organisational culture outcomes.

At its best, the relationship is anchored by mutual trust, respect, clear communication and a balance of support with appropriate challenge.

It is beneficial to establish up-front how the chair and CEO intend to work together, the relevant expectations, and the cultural norms they will model. Regular check-ins are essential to help align on issues, anticipate challenges, and foster honest dialogue (without pre-determining issues before they go to the board for discussion, as this can deter contributions from other board members and stifle effective decision-making). ‘No surprises’ is a mantra for many boards – this supports board discussions and decision-making in the context of formal board meetings.

At the same time, chairs need to remain objective about CEO performance and triangulate information available to them – including how the person behaves in different contexts. Ultimately, the chair and all directors will need to set aside any personal relationship with the CEO to determine what is in the best interests of the organisation.

Some chairs like to invite senior executives (beyond the CEO and CFO) to attend board meetings to facilitate open and transparent discussion and more readily read signals across the executive leadership team as a whole.

It is also important to recognise the importance of direct relationships between committee chairs and their corresponding executives – for example, the audit committee chair and chief financial officer, risk committee chair and chief risk officer, and people and culture / remuneration committee chair and chief people officer. These relationships are important direct touchpoints with management and can provide deeper insight into culture, leadership and risk.

“Talk to the CEO’s direct reports at least twice a year and always ask how they are doing, how their team is doing, and what the board can do to improve how it works with management. Those discussions can give you valuable insight into the culture and how things are really working day to day.”

Catherine Livingstone AC FAICD*Life*

¹⁰ APRA, [Prudential Inquiry into the Commonwealth Bank of Australia](#) (April 2018), p14.



LEADERSHIP

Key questions for boards

Intention and clarity

Does the board have a shared, explicit view of desired culture (or an alternative common language to discuss how things are done), as well as the levers it will use to shape it?

Senior leadership

Do the CEO and senior leaders consistently model the behaviours the board expects – especially under pressure?

CEO succession

Is alignment with values and leadership style given real weight in CEO and senior executive appointment and succession decisions?

Reward and recognition

Do remuneration and recognition practices clearly reinforce how results are achieved, not just what is achieved?

Boardroom culture

Does the board model respectful challenge, accountability and openness, and hold itself to the same standards it expects?

Board-management dynamic

Does the board strike the right balance between trust in management and ongoing testing and challenge?

Red flags

- Culture discussed inconsistently or only in abstract terms
- Culture treated as a management issue rather than a board responsibility
- Poor behaviour excused because of performance or results
- Cultural expectations fade during periods of stress or change
- Cultural leadership assessed superficially or late in the process
- Over-reliance on track record from a different organisational context
- Reward and recognition frameworks do not reflect values or culture considerations
- Limited board visibility of incentive structures below executive level
- Behaviour in the boardroom misaligned with values or expected standards of behaviour
- Superficial board reviews
- Limited open debate, dominant chair and/or excessive deference to perceived seniority of directors, intra-board factions or unresolved tensions
- Too close a relationship between the board (especially the chair) and CEO, or conversely a relationship that has broken down
- Management proposals are rarely rejected or materially reshaped
- Management push-back framed as ‘don’t you trust us?’



Principle 2: Strategy - Integrate strategy and culture to drive performance

Key points

- Culture and strategy are interdependent. At best, they are mutually reinforcing and, at worst, pulling in different directions.
- Boards and management need clarity on the cultural attributes required to execute the organisation's strategy. Maintaining alignment between strategy and culture is fundamental to performance and long-term sustainability.
- Culture is a relevant consideration in all strategic initiatives. This extends to an organisation's work models and approach to digitalisation, as well as structural transactions such as mergers and acquisitions (M&A) or joint ventures.
- In the context of M&A, boards should apply a comparable level of scrutiny to cultural due diligence as to financial and legal due diligence, and oversee management's delivery of agreed cultural integration outcomes against clear metrics and timeframes.

STRATEGY

Strategy and culture are intertwined. Culture provides the environment in which strategy either succeeds or falters, and strategy in turn shapes and reshapes culture through the choices leaders make every day.

Relationship between strategy and culture

Strategy is the way an organisation defines its goals in pursuit of organisational purpose, and how it aligns its activities and resources to achieve them. It is inherently linked with risk (see [Principle 3](#)).

American leadership and executive onboarding expert George Bradt writes: “If [culture and strategy] are not aligned, the practical behaviours, relationships, attitudes, values and environment of your culture win out over your theoretical strategy every time. Forget ‘sink or swim’. Think ‘sync or lose’. What makes this so challenging is that your organisation and ways of working get in the way. The only successful approach is to align strategy, culture, and organisation, and operations all at the same time.”¹¹

Strategy and culture are sometimes experienced within organisations as oppositional forces. This is because strategy often involves change – making different choices than an organisation has historically made. Cultures on the other hand have often evolved over time, driven by a set of norms and values. This can create tension, as entrenched norms resist change.

A key finding of the Inquiry into the ASX Group was that capability and cultural barriers were hindering transformational change, with its final report recognising that while sound governance structures and comprehensive frameworks are important, “equally, if not more important, are the organisational capabilities and culture that shape how the organisation delivers on its purpose and strategic objectives to meet stakeholder needs.”¹²

In organisations with a strong and aligned culture, strategy can be easier to set and execute because people across all levels share a common understanding of priorities, expected behaviours, and the organisation’s purpose. In this way, culture becomes a key enabler of strategic success rather than a barrier.

Alignment on cultural attributes is needed to support strategy

Defining desired organisational culture involves clear alignment between the board and management on the cultural attributes needed to support strategy.

As Culture Amp’s Didier Elzinga notes: “The focus should be on what culture the organisation needs to drive performance in support of the purpose and strategy.”

Formulating a coherent strategy requires any organisation to confront the facts in both its external and internal environments, and then make choices (sometimes difficult ones) about how to respond. Without a culture that supports the testing of assumptions and robust, respectful debate, any organisation will find it hard to make sense of, design and commit to trade-offs needed to develop and execute strategy.

“What you want to do and how you want to do it will be different in different organisations. Culture needs to fit strategy.”

Penny Bingham-Hall FAICD

¹¹ G Bradt, [‘Why aligning strategy and culture is theoretically easy but practically so challenging’](#), Forbes, 29 May 2018.

¹² [Final Report for the Inquiry into the ASX Group](#), 2026, pp50-53.

There are many examples of different strategic priorities that require different emphases in culture. The examples below illustrate how culture might support distinctive strategic objectives – recognising, of course, that many attributes will overlap across contexts, and organisations will generally need a combination to succeed.

- **Where digital transformation and AI adoption are strategic priorities**, a supportive culture may focus on building data literacy and curiosity, and encourage employees to use data, challenge assumptions, experiment with new tools, and iterate rapidly.
- **Where safety is a core strategic priority**, a supportive culture may reinforce vigilance and collective responsibility, with a focus on reporting of hazards and near misses, shared accountability for risk management, and heightened awareness of operational risks.
- **Where sustainability is a strategic priority**, a supportive culture may emphasise long-term thinking, engagement with key external stakeholders and building understanding and buy-in across the organisation.
- **Where innovation is a strategic priority**, a supportive culture may prioritise stretch aspiration and ‘big thinking’, treat failures and successes as opportunities for learning, and value speed over perfection.

“Growth goals need to be shamelessly ambitious. Aim higher than you can draw a straight line to. If you already know how to reach your goals, you don’t need to think differently and try new approaches.”

Alison Deans FAICD

Organisations may also find it a useful exercise to consider which cultural attributes would hamper strategic execution. For additional information on metrics that may support board visibility and assessment of these attributes, see [Principle 4](#).

The overall takeaway for boards, regardless of organisational context, is that maintaining alignment between strategy and culture underpins performance and long-term sustainability.

Shaping an innovation culture

Boards are grappling with how to drive innovation and growth in an environment characterised by rapid and accelerating change, as well as increased regulatory complexity.

[AICD’S Innovation in the boardroom study](#), produced in collaboration with the University of Sydney Business School, identified a number of drivers for developing a culture of innovation.

Tips:

- Clarify the board’s expectations on innovation and calculated risk-taking
- Give management room to explore ideas and experiment
- Model curiosity at board level
- Treat investment in research and development as a continuous priority and regularly review progress
- Learn from start-ups and adjacent industries and engage with external eco-systems to avoid missing emerging trends
- Listen to external perspectives and different ways of doing things (e.g. a start-up might have a very different interpretation of what it means to move with pace compared to a large, established organisation)
- Lift directors’ own technology and digital literacy through ongoing professional development
- In strategy sessions, question legacy thinking and imagine how outsiders might approach the organisation

Culture as a relevant consideration in strategic initiatives

Directors now oversee culture in a transformed environment, characterised by embedded hybrid work models and use of AI and automation – both examples of strategic issues that involve cultural considerations.

Hybrid and distributed work

While typically driven by management, hybrid and work-from-home models are not merely operational or HR settings – they are strategic choices that shape how an organisation competes for talent, controls costs, and designs collaboration to support its long-term goals.

In knowledge-intensive and digitally enabled environments, flexibility can be a source of competitive advantage. Conversely, poorly designed arrangements can fragment culture, hamper innovation and slow decision-making. There is no one-size-fits-all approach, and much will turn on roles and industries.

Boards should look to management to outline the rationale for the organisation's approach (or any shift in it) and its implications, as well as legal and regulatory considerations. Where possible, this should be based on data-driven insights and include reporting on culture risks such as:

- employee disconnection from organisational purpose and values;
- reduced social cohesion and informal learning;
- uneven visibility, supervision and performance management;
- workplace health and safety obligations in remote settings; and
- potential perceptions of inequity between roles with differing levels of flexibility, in promotion opportunities, work allocation and career progression.

Boards may wish to guard against a 'set and forget' approach by management. Arrangements should be subject to regular review and supported by objective data, not merely anecdote.

Changes in work models – particularly the shift towards hybrid and more distributed teams – are also impacting the skills, capabilities and experience boards look for in executive leadership, as well as the design of leadership training programs.

Leading dispersed teams is becoming an increasingly important capability, including sustaining organisational culture across physical and virtual settings. Boards should treat this as a core leadership competency, not an optional skill.

Approaches to work models can also have implications for trust and culture. For example, forcing blanket work-from-the-office mandates without clear strategic rationale risks undermining trust.

Digitalisation

Investing in digitalisation – including AI – is another key strategic decision about how the organisation will create value and compete over time.

AI can reshape products and services, automate processes, enhance customer insight and transform decision-making. However, it also changes workforce requirements and risk exposure. As a result, the opportunities and potentially complex risks associated with AI adoption will need to be assessed through a cultural and workforce lens. Implementation may require role redesign, redeployment, or workforce reductions, with flow-on effects for employees and communities.

In addition, most digital transformations require new ways of working to deliver the intended efficiencies and mitigate against potential risks. Accordingly, careful thought, planning and resourcing needs to be invested in the human side of transformation, in addition to the core technological transformation. Significant change management will typically be required, especially if the transformation represents a cultural change (or may be perceived to do so by affected employees).



Business leaders at the helm of significant enterprise AI initiatives need emotional and contextual intelligence to constantly adapt while influencing with impact. A practical consideration for boards is how to be meaningfully exposed to these leaders without overreaching. In two organisations where I serve, the board meets AI teams in the hubs where they work cross-functionally, and they showcase progress and openly share pain points. It is more raw and less daunting for the board to come to their space, rather than having the teams come into the boardroom.”

Jacqueline Chow FAICD

Overseeing digital transformations to ensure they are managed fairly, responsibly and with due regard to cultural considerations, including employee wellbeing, is an important part of the board's role. Established change and transition frameworks may assist in guiding this process.

Digital transformation strategies will also likely require boards to test where decision-making authority and accountability sit when humans and systems interact; how norms around challenge, override and escalation of AI-supported decisions operate in practice; whether leaders are incentivised to promote responsible use of AI; and whether the organisation has sufficient depth of capability to oversee and steward the relevant changes over time.

The AICD's suite of resources on AI governance can be accessed [here](#).

Structural transactions

Decisions in relation to structural transactions such as M&A, demergers, and joint ventures carry not only financial and strategic implications but also significant cultural consequences.

Indeed, cultural alignment has been described as “one of the many critical success factors in any value creating transaction”.¹³

Where cultural assumptions, leadership norms, risk tolerances and decision-making practices are not examined prior to deal completion, integration risks increase and anticipated value may not be realised. Transactions that incorporate cultural due diligence and deliberate integration planning frameworks are better positioned to support strategic execution and sustainable performance.

In his book, *The value killers: How mergers and acquisitions cost companies billions – and how to prevent it*, Professor Fernandes argues that companies do not give enough attention to cultural compatibility during the deal process – and that while ‘cultural clash’ can be used as a scapegoat if mergers fail, this fails to recognise that there various ways for teams to identify, diagnose and prevent ‘synergy-killing culture clashes’ during the process.

Professor Fernandes writes: “Too few companies analyse the cultural compatibility of the targets prior to the deal, even though most executives recognise the dangers of ignoring this issue. When cultural considerations are left out of this process, the consequences can include plummeting employee productivity, high rates of worker and customer attrition, delayed and cancelled orders, and so on.”¹⁴

Boards should expect that cultural due diligence is undertaken with the same discipline applied to financial and legal considerations, and that management has a clear and realistic plan for post transaction cultural integration. While approaches will vary depending on context and objectives, preparation and clarity are critical to supporting successful integration and long-term performance.

“The evidence is unambiguous; culture is not a ‘soft’ variable at the margins of deal-making. It is frequently the determining one. Yet it remains persistently underweighted or worst-still, absent, in board-level due diligence, and the consequences are measurable, in some cases billions of dollars of destroyed value.”

Christine Holman FAICD

¹³ N Fernandes, *The Value Killers: How Mergers and Acquisitions Cost Companies Billions – And How to Prevent It* (Palgrave Macmillan, 1st ed, 2019).

¹⁴ N Fernandes, *The Value Killers: How Mergers and Acquisitions Cost Companies Billions – And How to Prevent It* (Palgrave Macmillan, 1st ed, 2019), which analyses the Daimler–Chrysler merger as an example of value erosion arising from unexamined cultural differences, and contrasts it with InBev’s acquisition of Anheuser-Busch, where explicit cultural assessment and deliberate integration choices supported the realisation of strategic synergies. See also J Bourke, ‘Which two heads are better than one: the extraordinary power of diversity of thinking and inclusive leadership’, 2nd ed (AICD, 2021), p99.

Changing or rebalancing organisational culture

In some circumstances, more active cultural change or recalibration may be warranted – for example, where there is a shift in strategy, or the current culture is misaligned with organisational goals; the operating environment has shifted; or there are systemic risk events or conduct failures. This could involve a full cultural transformation or a targeted rebalancing of sub-cultures, such as attitudes toward risk, performance, innovation or collaboration.

Where the cultural change required is significant, boards may consider whether the CEO’s leadership style aligns with the desired culture. A CEO often embodies the existing culture, and may find it difficult to authentically lead a different one.

Beyond board-level levers, boards will look to management to present a clear plan for driving cultural change and hold them accountable for delivering it.



STRATEGY

Key questions for boards

Red flags

Strategy alignment

What cultural attributes are required to successfully formulate and execute on strategy now and into the future?
Have sufficient resources been invested in change management?

- Strategic plans developed in isolation from cultural considerations
- Culture described vaguely, without connection to strategic priorities
- Focus on just one aspect of culture (e.g. compliance or risk) while neglecting broader cultural attributes

Strategic decision-making

Are cultural implications explicitly considered in major strategic initiatives and board proposals?

- Strategy papers focus on financial and operational milestones only
- Strategic initiatives repeatedly stall or fail due to lack of cultural alignment or buy-in

Work models

Does the work model support the desired culture and strategy, and how is this being tested?

- Management unable to articulate the cultural trade-offs of chosen work models
- Fragmentation or disengagement evident but not addressed

Technology and AI

Is sufficient attention being given to the human and cultural impacts of digital and AI transformation?

- Focus on technology delivery with limited investment in or attention paid to capability, change or workforce impacts and/or integration

Structural transactions

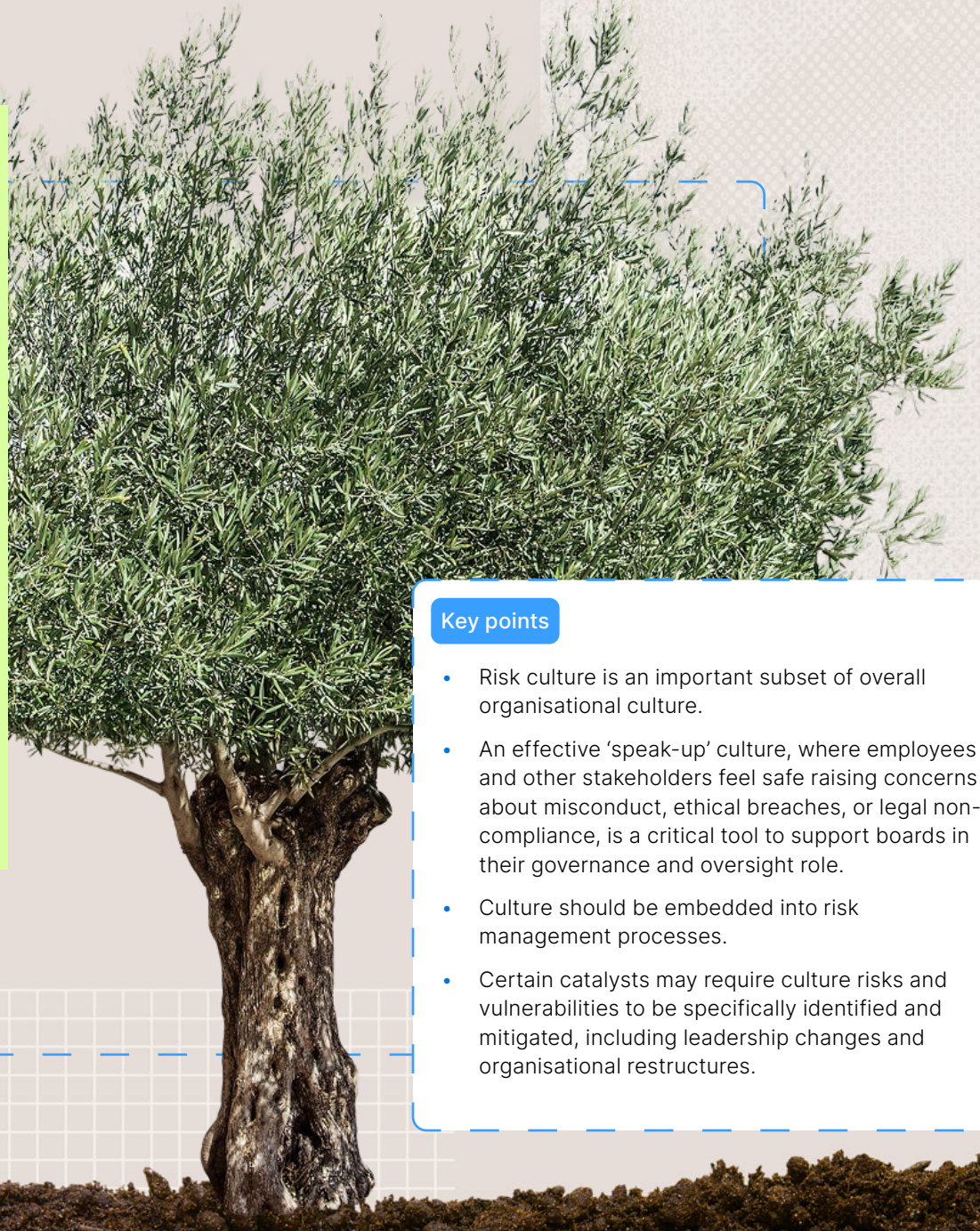
Is cultural due diligence and integration planning treated with the same rigour as financial and legal analysis?

- Transactions pursued without structured cultural due diligence
- No clear accountability for post transaction cultural integration





Principle 3: Risk - Embed culture into risk management processes



Key points

- Risk culture is an important subset of overall organisational culture.
- An effective 'speak-up' culture, where employees and other stakeholders feel safe raising concerns about misconduct, ethical breaches, or legal non-compliance, is a critical tool to support boards in their governance and oversight role.
- Culture should be embedded into risk management processes.
- Certain catalysts may require culture risks and vulnerabilities to be specifically identified and mitigated, including leadership changes and organisational restructures.

RISK

Risk management is as inextricably linked to culture as strategy is. It both shapes and reflects culture because it influences how an organisation identifies risk, the types of risks it accepts and how it manages those risks.

Risk culture

Risk culture is a narrower concept than organisational culture, but is an integral component of it. Risk culture can be conceptualised as an entity's attitudes and behaviours towards risk management.¹⁵

Weaknesses in risk culture are often seen as a root cause of compliance failings. The Financial Services Royal Commission demonstrated that misconduct in financial institutions flowed from cultural settings that tolerated or normalised poor behaviour. Sales-driven incentives, inadequate challenge, weak accountability and a failure to escalate issues contributed to outcomes where profit was prioritised over customers and compliance obligations.

More recently, organisational culture was considered in the landmark Federal Court judgment in *ASIC v Bekier*, with Justice Michael Lee commenting that the evidence was “not a portrait of directors actively pressing management with difficult questions as to whether the business was being conducted ethically, lawfully, and to the highest available standard”. Justice Lee described the culture at Star Entertainment Group at the relevant time as “so dysfunctional and unethical that senior management was tardy in preventing junket operators from behaving inappropriately and lied to its bankers to secure an ongoing commercial advantage”. The judgment illustrates the importance of active oversight of organisational culture by boards, robust information flows, and appropriate challenge of management especially where ethical or compliance concerns arise. As Justice Lee emphasised, statements on culture and values must be “more than platitudes”.¹⁶

The board is ultimately responsible for overseeing a culture in which employees proactively identify and manage risks, and where there is open communication, a shared understanding of risk, and clear lines of accountability.

Recognising that different areas or teams may develop distinct sub-cultures that influence how risk is understood and managed can help boards consider how to oversee risk culture across the organisation. For example, closer oversight of trends in certain contexts, such as highly incentivised sales divisions or trading floors, may be warranted.



Culture is most visible under pressure. A sound culture is one where risks are surfaced early, discussed openly, and acted on without hesitation. Boards need to be clear on the most significant risks, understand how they present in practice, and be explicit about the behaviours and safeguards that are non-negotiable.”

Rosina Hislop FCA FAICD

¹⁵ APRA, [‘Transforming risk culture: observations from APRA’s pilot survey’](#), 14 October 2021.

¹⁶ Australian Securities and Investments Commission v Bekier (Liability Judgment) [2026] FCA 196 at [1951–1952]

APRA's approach to risk culture

Entities that are regulated by APRA will be well-versed with the concept of risk culture.

Under Prudential Standard CPS 220 Risk Management, the boards of APRA-regulated entities are required to form a view of the risk culture in the institution that they govern, and identify any desirable changes to the risk culture necessary to ensure that it supports the ability of the institution to operate consistently within its risk appetite.

The 10 risk culture dimensions APRA currently uses to assess the risk culture of regulated entities cover:

1. Leadership
2. Decision-making and challenge
3. Communication and escalation
4. Risk capabilities
5. Alignment with purpose and values
6. Risk culture assessment and board oversight
7. Risk appetite and strategy
8. Risk governance and controls
9. Responsibility and accountability
10. Performance management and incentives

Promoting a speak-up culture

Boards should work with management to promote a 'speak-up' culture, where employees and other stakeholders feel safe raising concerns about misconduct, ethical breaches, or legal non-compliance, and there are various channels to do so. This is critical to boards being able to understand if they are achieving desired culture.

Whistleblowing is an important component of speak-up culture. It should be viewed not only as a compliance requirement but a strategic governance tool that can help identify systemic risks, improve organisational culture, and reinforce accountability at all levels. Regular reporting to the board on trends (such as the volume of disclosures, rates of anonymous disclosures and emerging areas of concern), themes, and outcomes of whistleblower disclosures, supports effective oversight and can help identify potential cultural issues.

A robust speak-up culture also depends on management feeling safe to escalate issues early, in the confidence that doing so will not automatically result in blame or personal cost. If management believes their role or reputation is at risk simply because they raise an issue, problems are more likely to be concealed or escalated too late. Boards should focus first on working constructively with management to address the issue, and only then consider whether any accountability measures are appropriate where behaviour or conduct has fallen short of expected standards.

“Management has to feel that the board has their back. If the board is seen only as a police officer, this will undermine organisational culture and impede information flows.”

John Mullen AM

For additional information on metrics that may help assess a speak-up culture, see [Principle 4](#) below.

Example of speak-up culture in practice

An interesting example of how operational practices can institutionalise a speak-up culture is the Toyota Production System which, through the principle of 'Jidoka', gives employees the ability to signal (and stop production if required) when defects, malfunctions or safety hazards are detected. This was originally implemented through the 'andon cord', a physical, overhead rope that assembly line workers could pull (now buttons or switches are available). While the details of the process are specific to the manufacturing industry, more broadly it reflects the benefits of encouraging early issue identification, appropriate escalation, and rapid response. It also highlights the importance of making it safe to speak up, and of having clear mechanisms to do so.

Risk appetite statements

One of the most important roles of the board is in developing a mutual understanding with management on the nature and extent of risk the organisation is prepared to accept in pursuit of its purpose.

For many organisations, an undesirable level of risk-aversion can be a cultural problem in and of itself, and boards will look to adopt a risk appetite that reinforces responsible risk-taking to drive performance while promoting compliance.

Boards should avoid becoming so focused on mitigating risk that opportunities are missed, while also protecting the organisation from serious harm arising from undue risk-taking.

Tips for striking a balance between responsible risk-taking while promoting compliance

- **Anchor appetite in purpose:** Start with the organisation’s purpose, strategy and values to frame the question ‘what risks must we take to achieve this, and what risks must we avoid?’
- **Articulate appetite by risk category:** Agree clear positions across key risk categories as relevant for your organisation (e.g. strategic, financial compliance and control, safety, people & workforce, cyber and legal & regulatory). Indicate where appetite is high, moderate, low or zero. Smaller organisations may adopt a simpler articulation focused on tolerances relevant to their activities and objectives.
- **Embed appetite in decision-making and oversight:** Operationalise risk appetite and reflect it across delegations and policies. Where relevant, board papers for material decisions should explicitly reference the relevant risk settings and identify where proposals sit relative to appetite.
- **Review and recalibrate regularly:** Revisit appetite when there are shifts in strategy, operating environment or risk capacity, and test proposed changes through scenarios and stress testing.

Incorporation of behavioural risks into risk management

An important development across many organisations is that risk assessment, management and control processes are being updated to more clearly capture hazards and risks associated with harmful behaviours – such as bullying, sexual harassment, racism and other forms of discrimination – with clear lines of responsibility and accountability.

Training and communication can also drive improvements in this area. For example, ‘bystander training’ initiatives, which aim to encourage other employees or stakeholders to appropriately address and report witnessed behaviours, can help mitigate risk.

“The risks linked to culture have risen dramatically over the years with culture weaknesses now recognised by boards as a direct risk to the sustainability of the organisation. Psychosocial safety and sexual harassment are key areas where legislative expectations have intensified. Maintaining a safe, healthy culture has become a core business imperative, not a delayed benefit to the bottom line.”

Jane Crombie FAICD

Measurement

The board is expected to actively oversee and regularly assess the organisation’s risk culture, including by looking to management to set clear accountabilities, promote ethical and risk-aware behaviours, and maintain reliable measures and reporting to detect, escalate and address cultural weaknesses or emerging issues in a timely manner.

See [Principle 4](#) for detail on metrics and oversight.

Certain catalysts may require culture risks and vulnerabilities to be specifically identified and mitigated

Leadership transitions, restructures, strategic shifts, and major corporate activity are periods where cultural vulnerability is often heightened. Boards will want to pay special attention to culture at these times. Proactive assessment by management of the cultural implications of these changes, with a clear link maintained between purpose, values, and conduct, is a marker of better practice.

During these periods, deeper cultural reflection is warranted, including richer narrative reporting from management on how decisions are influencing behaviours, employee engagement, and stakeholder trust. This may include the use of cultural indicators, qualitative feedback from employees and customers, and evidence of how culture is supporting or potentially constraining the organisation’s objectives.

Cultural oversight is most valuable as an ongoing discipline rather than a remediation tool. Directors have a continuing role in assessing cultural health, particularly through transitions.



“Restructures are a real test of culture - especially if the future of the organisation is on the line - as they inevitably reset organisational cultural norms and behaviours, ways of working, and decision making.”

Virginia Bourke FAICD

 RISK		
	Key questions for boards	Red flags
Alignment on risk culture	Is the board aligned with management on the desired risk culture, and is constructive challenge genuinely encouraged?	<ul style="list-style-type: none"> • Risk treated as procedural or compliance-driven • Unclear roles and accountabilities for managing key risks • Limited challenge or escalation of uncomfortable issues
Risk appetite	Do material decisions clearly reference risk appetite – and explain where trade-offs are being made?	<ul style="list-style-type: none"> • Risk appetite referenced perfunctorily or not at all • Repeated ‘one-off’ exceptions without reflection
Speak-up culture	What evidence does the board have that individuals feel safe to raise concerns early?	<ul style="list-style-type: none"> • Very low levels of escalation or whistleblowing; defensive or dismissive management responses • Board visibility only after regulatory, media or external intervention
Periods of change	How does risk management adapt during leadership changes, restructures or rapid growth?	<ul style="list-style-type: none"> • Cultural risks not revisited during major change • Assumption that existing controls will ‘hold’





Principle 4: Governance and oversight - Establish processes and structures to support oversight

Key points

- A board's responsibility to actively oversee culture is supported by board-level processes including meeting agendas and board reporting, and board committee structures.
- Boards should satisfy themselves that there is an appropriate level of investment in operating systems and process. Insufficient investment can itself be a cultural signal, increasing the risk of disengagement and informal 'work-arounds' (which elevates compliance risk).
- Boards synthesise qualitative and quantitative information received through both formal reporting and informal channels to assess culture. It is important to have clarity on what measures are being tracked and why. It is equally important to be intentional about how directors will gather informal cultural data.
- Boards need to be alive to potential blind spots and require any gaps between stated values and actual behaviours within the organisation to be addressed.



GOVERNANCE AND OVERSIGHT

Culture does not sit outside governance frameworks. It is shaped, revealed and tested through the structures, processes and information flows a board relies on to exercise oversight.

For non-executives directors – who work on the business, not in it – it is undoubtedly more difficult to achieve line of sight of behaviours, attitudes and practices throughout layers of an organisation, and to exert influence.

Culture will not always be homogeneous. In many organisations, particularly large and complex or multinational organisations, sub-cultures and silos can be common. As outlined above, this is natural and can be a strength, provided they are aligned with strategy and values.

Board-level operations, processes and structures can support boards in their oversight role.

“Time spent on culture and strategy is the most valuable use of boards’ time.”

John Mullen AM

“Culture can sometimes feel intangible, but directors can observe clear signals of it across an organisation. It is reflected in visible signs – such as workplace environments, images, messages and everyday behaviours – as well as in the values and goals expressed through strategy and performance measures. It is also evident in the underlying assumptions about how work is really done, and in the broader industry and geographic context that shapes accepted ways of doing business.”

Dr Juliet Bourke GAICD

Board operations

Board agendas are structured in consultation with the chair to reflect how the board wishes to address culture. This will vary for each organisation and it would be inappropriate to be prescriptive. Some organisations include:

- culture as a regular agenda item;
- dedicated time (e.g. during the CEO update) for reflection on culture, not only organisational performance;
- inviting different employee voices into the boardroom for deeper cultural insights, rather than relying on senior management and generalised reporting; and
- in-camera sessions at the beginning and/or end of the meeting, noting that:
 - a non-executive director (NED) and CEO-only session at the start of the meeting allows for an open discussion with the CEO on key cultural challenges or developments during the period; and
 - a NED-only session at the end of the meeting presents a valuable opportunity to reflect on the board's conduct and cultural alignment during the meeting. Some organisations include a brief reflection (peer-led by rotating board members) on boardroom conduct ('Did we live our culture today?'). This may surface behavioural issues that formal evaluations miss and provide clear and immediate feedback, which can often most effectively drive improvements.

It is also beneficial to create opportunities for directors, more generally, to engage directly with key executives, beyond the CEO. This may include formal arrangements such as closed sessions with the relevant executive (without the CEO present) as part of committee meetings. Such interactions should be thoughtfully managed to avoid undermining the authority of the CEO or creating ambiguity within the executive team.

Some organisations have introduced a 'sentiment evaluation' at the end of each board meeting (which may be able to be implemented through existing board portals), with directors responding to various questions about the conduct of the meeting, including their own conduct.

“Boards can embed culture in very practical ways. But none of them will work unless the board genuinely accepts that culture matters. They shouldn't be seen as a compliance exercise or a handbrake on decision-making. Directors have to believe these disciplines are worth doing, and be prepared to lead by example.”

Helen Conway FAICD

Board papers should be of high quality and provide insight into key issues and trends relevant to culture, not just data. This may involve:

- clear executive summaries that highlight key matters of culture or values relevant to the paper and any decision to be made;
- reviewing the approach to board papers to confirm that a culture lens is applied where relevant;
- addressing any ethical considerations in papers to allow for deliberate, informed decision-making;
- requiring CEO reports to elevate key cultural indicators, concerns and behaviours;
- overseeing the maintenance of a robust action list that tracks progress and completion of tasks; and
- consideration of ways to focus discussion and decision-making (e.g. some organisations include a one-page note outlining purpose/mission/values/strategy at the front of each board pack).

Committee structures

Board Committees can help the board to monitor (and influence) organisational culture. Committee activity is also a valuable opportunity to see culture enacted in the interactions with employees.

As outlined in [Principle 1](#), direct relationships between committee chairs and the relevant executives are important cultural touchpoints.

Accountabilities should be clearly documented in committee charters. While, at larger organisations a People & Culture focused board committee may be common, it does not remove the need for all directors to be engaged on cultural issues. Boards should be alert to any attempts by CEOs or chairs to set boundaries on how committee charters operate, or to water down their effectiveness.

Policies, frameworks and processes

Board-approved policies and frameworks can both shape and reinforce organisational culture, while also supporting board-level oversight (e.g. by setting out expectations in relation to board reporting including on significant breaches and overall metrics, trends and learnings).

It is important that there is consistency between formal written policies and what is done in practice. Management's role in rolling out appropriate organisation-wide training and communication can support this. Examples of board-level policies that directly support culture include:

- **Codes of conduct** – defining expected behaviours (focusing on vital markers that the board can model), integrity standards, and the organisation's values.
- **Whistleblower and speak-up policies** – creating safe channels to report misconduct or cultural concerns without fear of retaliation, in accordance with applicable legal requirements.
- **Risk management frameworks** – clarifying acceptable risk behaviours and ensuring accountability aligns with the organisation's strategic objectives and ethical standards.
- **Health, safety and wellbeing policies** – embedding the board's expectations for employee wellbeing and safe workplace practices.

- **Diversity, equity and inclusion policies** – promoting inclusive behaviours and guiding decision-making in hiring, promotion, and workforce development.
- **Social and ethical business conduct policies** – including, for example, those relating to human rights and labour, anti-bribery and corruption, and responsible sourcing – which reinforce organisational commitments to ethical business practices and long-term value creation.

Boards will also want to satisfy themselves that there is an appropriate level of investment in operating systems and process. Insufficient investment can send a negative cultural signal to the organisation, risks employees feeling unsupported and disengaged and encourage 'work-arounds' which may increase compliance risk.

It is also worth noting that disciplined post-implementation reviews of major projects, investments and restructures – looking beyond delivery outcomes to behavioural and cultural learnings – can be a valuable tool for boards. Used consistently, they help boards and management recognise recurring patterns and assess whether they are reinforcing or undermining the organisation's desired culture.



Formal reportable metrics

There is increasing sophistication in data, analytics and cultural health diagnostic tools available to boards, supported by digital and AI developments.

“ We have spent decades asking people how they feel about work. We now need to ask whether the culture itself is fit for purpose. That is a governance question, and the board needs to own it.”

Karl Treacher GAICD, CEO of The Culture Institute of Australia

Working with management, boards will typically agree on:

- the formal reportable metrics that will be communicated through board reporting; and
- how and when they are reported (e.g. through functional reports or a consolidated report that brings together relevant data, for example in relation to engagement, safety, investigations, whistleblowing, turnover and risk culture insights).

The key is clarity at the board-level around what indicators it is tracking, why those indicators have been selected and how and when they will be reported.

Tracking involves not only affirmative indicators of the desired culture, but also metrics that help monitor whether blind spots or weaknesses exist. Board committees, where relevant, can support this process.

[Table 1](#) sets out a non-exhaustive list of metrics that boards may track, encompassing:

- **Leading indicators** – which reflect early signals of emerging risk; and
- **Lagging indicators** – which reflect what has already occurred, such as confirmed breaches and incidents.

Leading indicators are more difficult to determine than lagging indicators, but tracking a mix of both can support the board in identifying trends and responding earlier to issues. A consolidated dashboard may assist in presenting these metrics clearly and consistently.

The table is not intended to suggest that all boards should be tracking all metrics. Rather, it is to provide some examples of relevant metrics that boards may use to support them in overseeing aspects of culture in the context of their organisation. There is no one-size-fits-all checklist that boards can turn to as, by its nature, oversight of culture is an exercise in judgement. Metrics reported should work for each organisation, having regard to its strategy and risk profile as well as its size and resources, and they should be capable of being captured and tracked. The list of metrics should be periodically reviewed.

Table 1: Sample of board reporting metrics (lead and lag)**Leadership and accountability**

- Board evaluations
- 360° reviews of leadership positions
- Diversity in leadership pipelines
- Culture and people metrics included in performance and remuneration frameworks
- Consequence management outcomes
- Incident escalation (e.g. time taken for incidents to be reported to the board)
- Time taken to resolve/address board action items

People

- Workforce profile (e.g. gender, age, tenure, seniority and other diversity data where available, including data provided in accordance with Workplace Gender Equality (WGEA) requirements)
- Workforce metrics (employee turnover including regretted loss, internal promotion rates, service tenure, exit interview data, employee referrals, absenteeism, workplace avoidance and sick leave rates)
- 'Glassdoor' or employee review sites
- Employee grievances
- Resources allocated for training and development
- Industrial disputes
- Employee Net Promoter Score (eNPS)
- Engagement or culture scores (See [Engagement and culture surveys](#) section below for further discussion)

Customer and other external stakeholders

- Customer Net Promoter Score (NPS)
- Customer complaints (including raw data) and response times
- Feedback from consumer or other stakeholder advocacy bodies
- Number of referrals from satisfied customers or favourable online reviews, including on social media
- Supplier and partner feedback
- Community sentiment
- Social and other media monitoring
- Market data (e.g. Corporate Confidence Index, for listed organisations)

Safety

- WHS data (including near misses, injury frequency and severity, lost workdays, lost time injury frequency rate (LTIFR), medically treated injury frequency (MTIFR), total recordable injury frequency rate (TRIFR))
- Workplace health and safety incidents including harassment and bullying claims – organisational and contractors
- Employee mental health and wellbeing data and psychological safety scores
- Employee Assistance Program (EAP) usage trends
- Workers' compensation claims
- Safety audits and inspections
- Safety training completed
- Regulatory interactions

Legal and compliance

- Whistleblowing metrics (such as types of reports (e.g. breach of law, breach of internal policy or procedure, bullying or harassment, employee mental health and wellbeing, discrimination, leadership, WHS, HR process and pay etc); volume (e.g. by unit; quarterly/annual); anonymity rates, investigation timeliness (e.g. average time to appoint, duration); and substantiation rates)
- Breaches of internal codes of conduct or other employee misconduct (departmental reporting, not just organisation wide)
- Employee survey responses to a 'speak-up' question (e.g. 'We can raise risk issues or concerns without fear of reprisal')
- Compliance training completed
- Fraud incidents
- Internal audit reports
- Privacy and data breaches
- Average time to resolve reported incidents and investigations, the number of people who remained/ departed after raising a report and a summary of consequences for substantiated harmful behaviours
- Insurance premiums

Innovation

- Percentage of revenue devoted to research and development and comparison with industry and global standards
- Time to decision/time to market
- Percentage of revenue from products/services launched in the past 3–5 years
- Key performance indicators linking variable remuneration for executives to innovation metrics
- Employee psychological safety/'Safe to Challenge' Score (as part of engagement surveys)

Exit interview data

Employee exit interview data can provide boards with valuable insights into organisational culture, highlighting emerging risks, systemic issues, and opportunities for improvement.

In some circumstances, boards may wish to consider whether it may be appropriate for employee exit interviews at C-Suite level to be conducted by the relevant board committee chair or the chair of the board, along with another director – recognising, of course, that responses will need to be contextualised by reference to the circumstances of departure.

“Exit interviews when done properly are one of the most valuable and under-used sources of cultural intelligence available to any board. When a senior executive leaves, that is a moment of candour that boards rarely get and if the process is not structured to capture that candour, the insight can be lost.”

Christine Holman FAICD

Engagement and culture surveys

Undertaking engagement and/or culture surveys and – critically – acting on the results, can send an important cultural signal in and of itself by demonstrating that employee input is valued.

Where relevant, more sophisticated approaches disaggregate data to the extent possible (e.g. by function, division, level, location, age and gender) to generate deeper insight. Boards may wish to see verbatim comments from surveys (subject to any legal considerations).

While engagement scores are a relevant metric that can draw out key insights for boards in relation to employee engagement and productivity, it is important not to view them as a complete ‘proxy’ for cultural health. An organisation may have high employee engagement, but this does not mean there are not cultural weaknesses or areas of risk.

Pulse checks (short surveys or check-ins which can be frequent) also have a number of benefits, including providing timely feedback, which allows organisations to detect issues as they emerge rather than waiting for annual surveys or formal reviews. Regular pulse checks also help measure whether interventions are having the intended effect and whether culture is shifting in the desired direction.

For both survey and pulse check mechanisms, it is important to consider the surrounding context, as results may not always tell the ‘whole story’. For example, contextual factors can include organisational change, workload and operational pressures, external events, survey timing and fatigue, and leader and team dynamics.

Boards may also wish to examine survey data and ask whether disparities in experience, inclusion or access are emerging across different work arrangements.

“Culture surveys give a helpful snapshot of the culture in an organisation. Equally important is how the executive team is using that information to shape the culture going forward - moulding the culture to positively support the strategy of the organisation.”

Alison Deans FAICD

Direct observation and engagement

In addition to formal board reporting, a parallel source of input to the board comes from informal cultural data gathered by directors individually and collectively. Many directors describe direct communication and observation as the most valuable cultural intelligence.

John Mullen AM noted: “To test whether the desired culture is being lived, directors need to triangulate formal reportable metrics with informal signals. When I meet with emerging leaders, I ask broader questions about how things really work day-to-day. I also use meetings with functional teams, such as cyber or risk, not just to understand the technical issues but to pick up cues about openness, accountability and tone. These interactions help me triangulate what I hear in the boardroom.”

Directors need to be careful not to rely unduly on individual or anecdotal feedback as it may not be representative. Instead, the board should seek to obtain a range of qualitative information inputs (to supplement formal reported metrics) to provide a holistic picture.

Good governance practice is for the board to agree on the overall approach with the CEO, so that there is limited risk that the directors are seen as doing their own ‘health check’ in a way that can erode trust.

What can the board do collectively?

- Attend board meetings at different sites rather than only the head office boardroom. This also provides the opportunity to interact before and after board meetings with employees, and possibly customers and other stakeholders
- Attend purposeful site visits (either as part of a scheduled board meeting, or separately) to help directors get to know the organisation’s operational circumstances first-hand. Site visits do not need to be attended by the full board – in many cases it can be beneficial to have a roster of directors who attend different sites (e.g. in pairs) as this means that more sites can be covered, but also that it may be easier to have open conversations with people within or connected to the organisation.
- Take opportunities for direct interaction with employees (without management) to support deeper insight into the employee perspective.

Virginia Bourke FAICD observed: “Boards have to clearly articulate what they are looking for in a site visit. Don’t just leave arrangements to management – site visits are a valuable way of obtaining insight into culture and sub-cultures, and objectives should be clear. For organisations engaged in the delivery of care, the opportunity to meet with patients, residents and clients as part of a site visit is now an essential activity in understanding organisational culture.”

- Listen to recorded customer or frontline calls. This can give boards a direct view of how staff actually interact with customers, reveal whether the organisation’s stated values are reflected in behaviour, and help boards identify cultural signals, such as pressure from targets, rigid scripting, or strong ownership of customer problems, that may not be visible in reports or metrics.
- Attend events, talent dinners and employee celebratory functions, when appropriate, demonstrating the value placed on employees, while also providing an opportunity to read the culture. It is also valuable to understand why people join the organisation, what keeps them in the organisation, and the sources of pride driving them.

“

It’s critical that directors have multiple cultural touchpoints and get out and about in the business. AI is also a powerful tool to support insight into culture because of its ability to scrape themes out of datasets, like engagement surveys, call centre calls or customer complaints - but verbatims should come through too.”

Naomi Edwards FAICD

Stakeholder voice

How boards engage with stakeholders, and how they act on stakeholder insights, can materially affect organisational culture and reputation.

Understanding external expectations of culture can come from various inputs, including investor meetings and any opportunities to meet customers, suppliers, communities or other stakeholders. In seeking input externally, it is critical to be open to feedback, and to follow through on any agreed actions.

In most circumstances, management will lead day-to-day stakeholder engagement. However, the board should have access to accurate and, where necessary, independent information about stakeholder perspectives and engage with relevant stakeholders directly, as appropriate.

Management should generally have line of sight of meetings with external stakeholders, to maintain trust between board and management. An overarching approach to stakeholder governance, with clear roles and responsibilities for board and management is considered better practice.

The AICD's guide '[Elevating stakeholder voices to the board: A guide to effective governance](#)' aims to help directors identify and elevate key stakeholder voices to the board.



The way the board engages with external stakeholders sends a strong cultural signal. When directors meet with stakeholders including customers, suppliers, neighbours and regulators in forums or events where people can speak honestly, the board demonstrates respect and transparency and gains a valuable source of cultural intelligence.”

Ken Dean FAICD

Culture ‘blind spots’


As noted above, culture is not a binary concept and thinking about it as ‘good’ or ‘bad’ can create blind spots – limiting the organisation’s ability to see emerging cultural issues and areas of risk. Every organisational culture will typically involve both strengths and potential vulnerabilities. Ability to spot these (using the various metrics and channels outlined in [Table 1](#)) can help guard against the governance and risk failures that can arise when they are left unchecked for too long. For example:

- A board looking to promote an entrepreneurial and innovative culture might look for indications that employees are willing to speak up, experiment and are not bogged down by process or hierarchy, while also remaining alert to poor risk management, unhealthy competition or confusion around priorities.
- A board aiming to promote a collaborative and inclusive culture might look for evidence that diverse perspectives are encouraged, decisions benefit from constructive challenge, and teams work effectively across silos, while remaining alert to issues such as groupthink, slow decision-making, or blurred accountability.
- A board seeking to foster a strong safety-first and risk aware culture might look for affirmation that employees feel empowered to stop work, escalate concerns and comply with controls without fear of reprisal, while also monitoring for unintended consequences like excessive risk aversion or a tendency to prioritise compliance over accountability and ownership.

Considerations for company secretaries

Company secretaries have an important role in working with the chair to refresh governance processes and structures to support culture oversight. This may include:

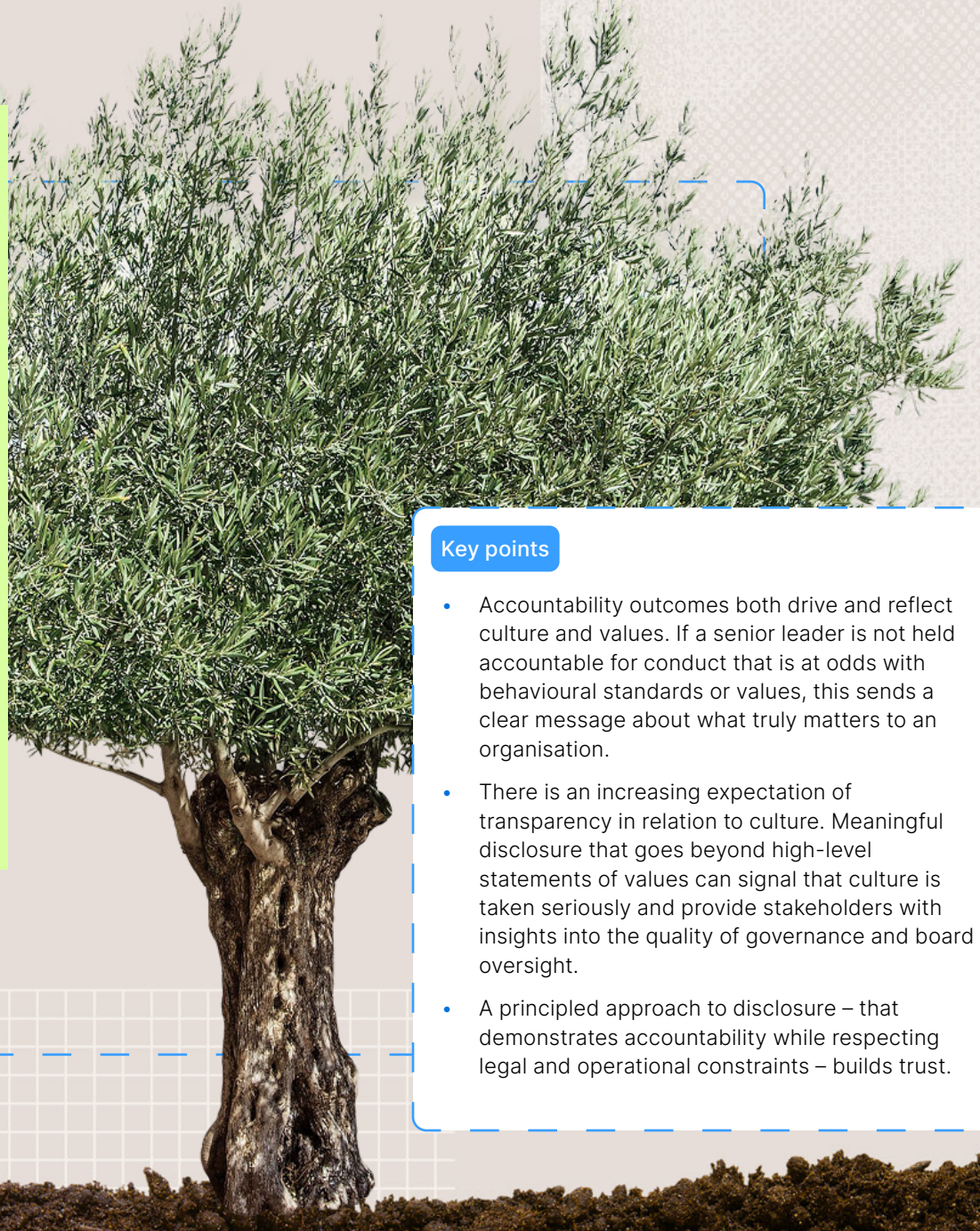
- driving improvements in board reporting to appropriately draw out matters of culture or values;
- reviewing director induction processes and considering whether the way in which values and organisational culture are incorporated is sufficient;
- considering approach to board evaluations (including incorporation of cultural issues) and implementation of actions;
- reviewing Committee Charters as part of periodic reviews to confirm that committee-level responsibilities for culture oversight are clear;
- facilitating co-ordination across committees to support a holistic view of culture; and
- working closely with the board and CEO to arrange effective and informative site visits and other opportunities for directors to meet with senior leaders and employees throughout the organisation.

 GOVERNANCE AND OVERSIGHT		
	Key questions for boards	Red flags
Governance structures, policies and processes	Are responsibilities for culture oversight clearly allocated, understood and actively exercised?	<ul style="list-style-type: none"> • Overlapping or unclear committee mandates • Over-reliance on board committees • Attempts to narrow committee scope or access • Insufficient investment in operating systems and process
Information flows	Does the board receive timely, balanced and useful insight into cultural strengths and vulnerabilities?	<ul style="list-style-type: none"> • Bad news escalated late or not at all • Overly positive or filtered reporting
Metrics and reporting	Is the board clear on which culture metrics it tracks, why they matter, and how trends are interpreted?	<ul style="list-style-type: none"> • Long lists of metrics with little insight • Negative indicators minimised or explained away
Direct observation	How does the board triangulate formal reporting with direct exposure to the organisation and its stakeholders?	<ul style="list-style-type: none"> • Board interactions highly choreographed • Limited unfiltered employee or customer insight, or exposure to the organisation's products and services
Stakeholder voice	How does stakeholder feedback compare with management reporting, and how are gaps addressed?	<ul style="list-style-type: none"> • Stakeholder concerns surprise the board • Follow through on issues is unclear or slow





Principle 5: Accountability and transparency – Promote trust and confidence



Key points

- Accountability outcomes both drive and reflect culture and values. If a senior leader is not held accountable for conduct that is at odds with behavioural standards or values, this sends a clear message about what truly matters to an organisation.
- There is an increasing expectation of transparency in relation to culture. Meaningful disclosure that goes beyond high-level statements of values can signal that culture is taken seriously and provide stakeholders with insights into the quality of governance and board oversight.
- A principled approach to disclosure – that demonstrates accountability while respecting legal and operational constraints – builds trust.

ACCOUNTABILITY AND TRANSPARENCY

It is widely accepted that accountability outcomes are critical in both shaping culture, and reflecting the culture that actually exists in an organisation.

Accountability outcomes

Accountability outcomes can often expose a say-do gap in an organisation – if a senior leader is not held accountable for conduct that is at odds with behavioural standards or values, this sends a clear message about what truly matters to an organisation.

There have been numerous anecdotal and formally reported examples of workers perceived as ‘high-value’ not being held accountable for harmful conduct. This sends a clear cultural signal, which can swiftly undermine formal written policies and frameworks and drive a culture that is inconsistent with the desired culture.

The AHRC Respect@Work Report found that workplaces in which ‘high value’ workers were ‘protected’ was another factor raised with the Commission as contributing to a workplace culture that tolerated sexual harassment. The Commission heard that harassers who ‘make a lot of money’ for an employer, or hold critical or senior roles, may be considered by their employer to be of higher value to the organisation than their victims.¹⁷

Frameworks for consequence management

Following the Financial Services Royal Commission, it is common for large organisations in the financial services industry to have formal consequence management frameworks in place to promote consistent and proportionate application of consequences when conduct does not meet expected standards. However, outside of the financial services sector, many large organisations (even in the ASX 200) do not have any formal consequence management frameworks in place to help guide how they should apply consequence management in response to an incident that falls short of the organisation’s risk or governance standards, or broader organisation values.

Accordingly, when an incident arises and the board is considering appropriate accountability consequences, they are often having to first define the basic principles that should guide their decision-making. Some boards may wish to consider putting in place consequence management frameworks, and using crisis-style simulations to stress test whether they are ‘fit for purpose’, particularly where there is likely to be particular scrutiny.

Suggested elements of a consequence management framework may include:

- the core principles that should guide considerations around consequence management; and
- potential accountability levers (e.g. development or coaching requirements, adjustments to remuneration, change of role/duties, termination of employment) and any legal or regulatory constraints on their use.

While legal and regulatory considerations should not dictate how the board applies consequences management, it can be beneficial to review in advance the organisation’s remuneration framework and executive contract settings to make sure these provide appropriate flexibility to support the range of potential consequence management outcomes. This will help avoid a situation in which a conflict arises between what a board may consider an appropriate accountability outcome and legal obligations.

¹⁷ Australian Human Rights Commission, [Respect@Work: National Inquiry into Sexual Harassment in Australian Workplaces](#) (2020).

Accountability vs culpability

It is important to highlight the difference between accountability and culpability.

Culpability implies a level of direct involvement and responsibility for an issue or incident. When an incident occurs and an investigation is conducted, the immediate focus is often on identifying whether one or more individuals should be attributed 'culpability' for the incident.

Accountability is a broader construct and extends to those who, by virtue of their oversight or leadership roles, should be attributed a level of responsibility for an incident even where they had no direct involvement in or knowledge of the specific events. This indirect accountability can be much more difficult to apportion, particularly where there is no suggestion that a leader was 'asleep at the wheel' or derelict in their duties.

However, the Financial Services Royal Commission provided a clear illustration of how external stakeholders (investors, government, the media and the broader public) can exert pressure for clear accountability consequences to be demonstrated right up to the board itself, especially in situations where an incident is indicative of a more systemic failure. Where external stakeholders (and investors in particular) perceive there to have been a systemic risk, governance or culture failure, then it is likely that accountability consequences will be expected at the board and C-suite level as part of a broader set of actions to maintain or rebuild trust in the organisation's leadership.

It is important for the board to have this broader frame of accountability in mind, rather than just a narrower focus on culpability. Depending on the seriousness of the incident in question, it may be appropriate for the board to 'hold up the mirror' and have a robust discussion about what, if any, actions need to be taken to rebuild the trust of key stakeholders. Beyond director succession, there are a number of examples where independent external reviews have been used to demonstrate a desire to understand and learn from systemic failures of risk, governance and/or culture.¹⁸

¹⁸ Some notable publicly available reports include [APRA's prudential inquiry into CBA](#), with [CBA's response](#); PwC Australia, [Independent review of governance, culture and accountability at PwC Australia](#); Nine Entertainment, [Intersection: Nine Entertainment 2024 Report](#); Australian Broadcasting Corporation, [Review report](#); Qantas, [Board governance review report](#) (2024); Rio Tinto, [Everyday Respect](#) report.



A principled approach to transparency

While there is broad recognition of the importance of corporate culture, it remains challenging for investors and other external stakeholders to accurately assess culture from the outside. Meaningful disclosure – beyond high-level statements of values – can signal that culture is taken seriously and provide stakeholders with insights into the quality of governance and board oversight.

The Australian Council of Superannuation Investors' (ACSI) [Governance Guidelines](#) outline its expectations for better practice disclosure on corporate culture-related issues, including the policies in place, how culture is assessed, and the actions taken to promote compliance with corporate values and codes of conduct.

ACSI encourages boards to consider reporting quantitative and qualitative metrics which help investors understand how codes of conduct are implemented in practice, such as:

- the methodology of, and results from, and company responses to employee engagement and customer satisfaction levels;
- whistleblowing and grievance cases, including the type and number resolved;
- breaches of the code of conduct and the consequences, including terminations or remuneration impacts; and
- whether the board has oversight processes in place regarding non-disclosure agreements (NDAs).

ACSI also emphasises the importance of public disclosure on workforce safety, including both leading and lagging indicators that allow investors to gain insight into the effectiveness of safety management practices over time. ACSI highlights the significance of timely disclosure of fatalities, actions taken to prevent reoccurrence, and how accountability is promoted. Beyond physical safety, ACSI also encourages disclosures on psychosocial safety and mental wellbeing which offers a more holistic view of company culture and how policies are put into practice.

“

What companies do - and do not - disclose says a lot about their culture in and of itself.”

Louise Davidson AM GAICD, CEO of ACSI

Carefully framed deidentified disclosure can help maintain trust in speak-up and whistleblowing arrangements by demonstrating that reports lead to investigation and proportionate outcomes (recognising that individual feedback will often be limited by legal constraints).

As noted above, there are also a number of examples of publicly released independent culture review reports and recommendations alongside updates on actions taken or ongoing commitments.

External disclosure about culture and conduct is an important demonstration of transparency, but it must be balanced with legal obligations (e.g. under whistleblowing legislation) and organisational risks. Boards should therefore apply both a legal lens and an organisational values lens when assessing what to disclose. The objective is a principled and considered approach to disclosure that demonstrates accountability, while respecting legal and operational constraints.

“

Companies should not be afraid of transparency. Being appropriately open and transparent about issues and steps being taken to address them promotes trust and confidence. Stakeholders value this information because it demonstrates a willingness to be proactive and provides reassurance.”

Helen Bird, Senior Lecturer, Swinburne Law School



ACCOUNTABILITY AND TRANSPARENCY

Key questions for boards

Behavioural standards

Are expected behaviours applied consistently, including for senior leaders and high performers?

Accountability vs culpability

Does the board have a broad view of accountability beyond culpability?

Is the board able to ‘look in the mirror’ and assess whether it needs to share accountability of any cultural failures (including systemic risk and governance issues)?

Consequence management

Are consequences for misconduct proportionate, timely and clearly linked to values and standards?

Does the board have a clear sense of what mechanisms it has available to apply accountability (including legal and regulatory constraints)?

Transparency

Has the board agreed a principled approach to internal and external disclosure of culture and conduct?

Trust and confidence

What signals does the organisation’s disclosure (or silence) send to employees, and other stakeholders?

Red flags

- Perception of ‘different rules’ for executives
- Cultural breaches tolerated if results are strong
- Promotions to senior roles despite unresolved conduct issues
- Accountability framed narrowly around individual blame, with limited consideration of whether issues reflect systemic, cultural or governance weaknesses
- Cultural or conduct issues treated as isolated incidents, rather than prompting questions about patterns, incentives, controls or tone from the top
- No clear principles in place to guide consequence management
- Inconsistent or opaque outcomes
- Remuneration framework and contractual settings do not provide sufficient discretion to facilitate consequence management
- Culture disclosures limited to high-level statements
- Selective or defensive transparency
- Mismatch between stated values and observable outcomes
- Reactive disclosures only after external pressure



Case study: Commonwealth Bank of Australia

A cultural reset to balance customer outcomes, risk and accountability

APRA's 2018 Prudential Inquiry was a turning point for the Commonwealth Bank of Australia (CBA). It detailed weaknesses in governance, accountability and management of non-financial risk. CBA's response was its Remedial Action Plan (RAP), but the CBA Board did not treat it as a checklist. It saw it as a cultural reset: a chance to change how the bank made decisions and balanced customer outcomes, risk and accountability.

The CBA Board began by changing its own settings. It developed target states for the governance recommendations arising from the Inquiry, revised committee charters and updated governance guidelines to test Board and Committee processes against better practice. It tightened information flows between committees, introduced concurrent committee meetings so risk, audit and remuneration issues could be considered together, and sharpened issue management by holding owners of material issues accountable for timely closure.

The CBA Board also changed how it engaged with management. During implementation of the RAP, governance became more direct. Management participated in strategy education and offsite sessions; the Chair held one-on-one meetings with each member of the Executive Leadership Team (ELT); Board and ELT workshops were held; and the Chair joined ELT meetings quarterly. The CBA Board made a deliberate effort to be present, informed and constructively challenging. Culture would not shift through messages alone. It would shift through how leaders showed up, how decisions were tested and what behaviours were reinforced.

To review progress, the CBA Board used practical indicators. It drew on the annual Board Risk Culture Assessment, external independent progress reviews, updates on the 'SpeakUp' anonymous reporting channel and the employee engagement survey, and the culture review. It reinforced expectations through the Code of Conduct, emphasised asking 'Should We?' rather than only 'Can We?', and linked consequence management to risk and customer outcomes through scorecards, malus and remuneration decisions.

As the RAP moved from implementation to embedding, the focus shifted from delivery to sustainability. The CBA Board and Management recognised the importance of ongoing cultural scrutiny, and the People & Remuneration Committee approved an Organisational Culture Plan to help embed the cultural changes achieved. In 2026, four years after the APRA was satisfied that the remediations were sustainable and well-embedded, CBA chose to commission and publish a further independent sustainability review. This decision reflects the organisational belief that governing culture requires continuous review, challenge, improvement and reinforcement over time, because the work is never done.

Interview methodology and acknowledgements

To inform this resource, the AICD conducted in-depth individual interviews with leading directors operating in various sectors, experts and other stakeholders. Interviews lasted 30–60 minutes. The discussion was framed by open-ended questions to explore the experiences and perspectives of the interviewees.

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About AICD

The AICD is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership includes directors and senior leaders from business, government and not-for-profit sectors.

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