



COLLABORATING WITH



FCA Culture and Non- Financial Misconduct Survey Findings

UNDERSTANDING THE IMPACT ON YOU AND YOUR FIRM

DECEMBER 2024



Sam Nowell MSc. BSc.

Managing Director

Sea Change London is led by its founding director, Sam Nowell. Sam gained both MSc & BSc qualifications in Computing & Communications before spending 20 years in the Lloyd's and London Insurance market driving complex change & leading market engagement on high profile programmes.

More recently Sam has obtained a Cyber Security for Business Leaders qualification from Oxford University, Said Business School.

Sam has worked directly with brands including the Corporation of Lloyd's, Beazley, ACORD, Chaucer, MS Amlin and Munich Re. Past assignments have included the Target Operating Model (TOM) for Lloyd's market insurers, Lloyd's Regulatory Control Framework, Brexit, Lloyd's Brussels and the Lloyd's PartVII Transfer.



Melody Miller, MA. BA.

Executive Director

Sea Change's executive director Melody, is an effective change manager and an out of the box thinker holding an MA. in Philosophy and a BA. in English and creative writing. More recently Melody has obtained a Cyber Security for Business Leaders qualification from Oxford University, Said Business School.

Melody has an in-depth knowledge of the Lloyd's insurance Market, having previously worked for key market brands. She has strong expertise in the DORA, Sustainability and CSRD, ESG and Culture space having delivered effective frameworks for insurance market firms. Melody has become one of the go to experts in the market on this niche; contributing to market reports, identifying trends and speaking at forums and on podcasts on this subject matter.





Suneeta Padda
CEO Padda Consulting Limited
Founding Partner Ever Comply Limited

Suneeta Padda is an accomplished leader in the insurance sector and the founder of Padda Consulting and Ever Comply, with over a decade of industry expertise. Her experience spans prominent organisations like Howden Broking Group, XL Catlin, and Lloyd's, where she honed a pragmatic compliance approach that balances business needs and regulatory requirements.

Suneeta is a passionate advocate for diversity and inclusion, serving as the Deputy Chair on the Advisory Board of RATL (Race Action Through Leadership) since 2020, where she collaborates with industry leaders to promote equity and amplify diverse voices. She also contributes to initiatives like the Independent Women in Insurance Network and the Worshipful Company of Insurers.

Under her guidance, Padda Consulting has become a resilient and impactful firm, celebrating over decade of success in 2022 and earning the London Market People's Award for Outstanding Contribution to Legal & Compliance in 2022 and 2024. Additionally, in 2024, she was awarded Highly Commended for the London Market Professional of the Year at the Women in Insurance Awards, further solidifying her reputation as a leading force in the industry.

Her dedication extends to mentoring the next generation of talent, showcasing her belief in fostering growth and change within the industry. Suneeta's vision combines regulatory expertise with a strong commitment to cultural change, making her a leading figure in shaping a more inclusive and forward-thinking insurance landscape.



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Lloyd's 2025 Market Policies and Practices return (MP&P)

If interested in taking part – please email jacqueline.girow@liiba.co.uk before 10th December

Purpose of the MP&P Return

- Conducted annually to understand workforce composition, policies and practices of firms who operate in the Lloyd's market
- Data collected enables:
 - Monitoring progress towards building a more diverse and inclusive market
 - Firm action to improve culture, diversity and inclusion
 - Market-wide action to improve diversity and inclusion
 - A data-driven approach to inform change, engaging with many groups across the market
- The results also help us to tell the market's story of progress

Scope

- Completed by all Managing Agents (55) and third-party syndicates, a selection of brokers and the Corporation
- The size of the market workforce represented in MP&P is c.57,000, of which around half are Brokers
- Data is reported as at 31 December 2024
- Cut down "light" version available for SME's (fewer than 50 staff)

Benefits

- Monitor progress on diversity (gender, ethnicity, disability, sexual orientation, social mobility) with benchmarks against broking peers and wider Lloyd's market
- Firms will receive a report which provides comparisons / benchmarks to last year, brokers and the wider Lloyd's market
- Reports highlights strengths and opportunities to consider
- Gain insight into people and culture practices in the Lloyd's market, and market-wide report shared with participating firms
- No cost to participate

Key dates

- Opens on 16 December 2024 – online form + offline doc for ease of data gathering
- Submission by 31 January 2025
- Firm reports circa 6 March 2025

Confidentiality

- Lloyd's only reports aggregate market data externally
- No firm-level data is shared with any stakeholders
- Lloyd's has recognised firms who have met or exceeded gender targets. This was by agreement in advance with these firms, with the option to not be included

Background



Background to the FCA Survey

The FCA have shared their findings from the survey to continue their engagement with industry to address non-financial misconduct.

Background to the FCA Survey

FCA's Goal: To encourage continuous improvement in regulated firms' culture, and for firms to address misconduct proactively (by having effective systems in place)



Survey was carried out with over 1000 investment banks, brokers and London Market Insurers and Intermediaries.



This covered 325,492 employees in total.



In relation to **London Market Intermediaries**, 75% of respondents were deemed 'small firms', 17% 'medium' and 8% 'large'. Therefore, the majority of survey results reflect the SME Market.



The data can be read in different ways – a high number of complaints could be an indicator of a healthy culture in which people feel they can speak up



Trade Associations are expected to play a key role in coordinating industry-wide analysis and actions

Types of Non-Financial Misconduct



The survey specified the following types of non-financial misconduct:

- Sexual Harassment
- Bullying and Harassment
- Discrimination
- Possession or use of illegal drugs
- Violence or intimidation
- Other non-Financial Misconduct



The most common category for incident type across all sectors was '**other non-financial misconduct**'.



The aim of this training is to assist you in making improvements in your approach to identifying and managing areas of non-financial misconduct.

Non-Financial Misconduct (NFM) and FCA Expectations



Non-financial misconduct (NFM) includes behaviours like bullying, harassment, discrimination, and other actions impacting workplace culture.



FCA views NFM as integral to risk management and governance, as a firm's handling of NFM reflects broader cultural health.



Tackling NFM is essential for a safer, inclusive workplace, promoting trust and reducing reputational risks.



Firms are urged to treat NFM as seriously as financial misconduct, with clear accountability and governance.



Introduce key concepts and explore actions firms can take to align with FCA expectations on NFM.

Please scan the QR to
participate in the
interactive questions

Or- use your mobile
and go to menti.com
Use code 7744 2250

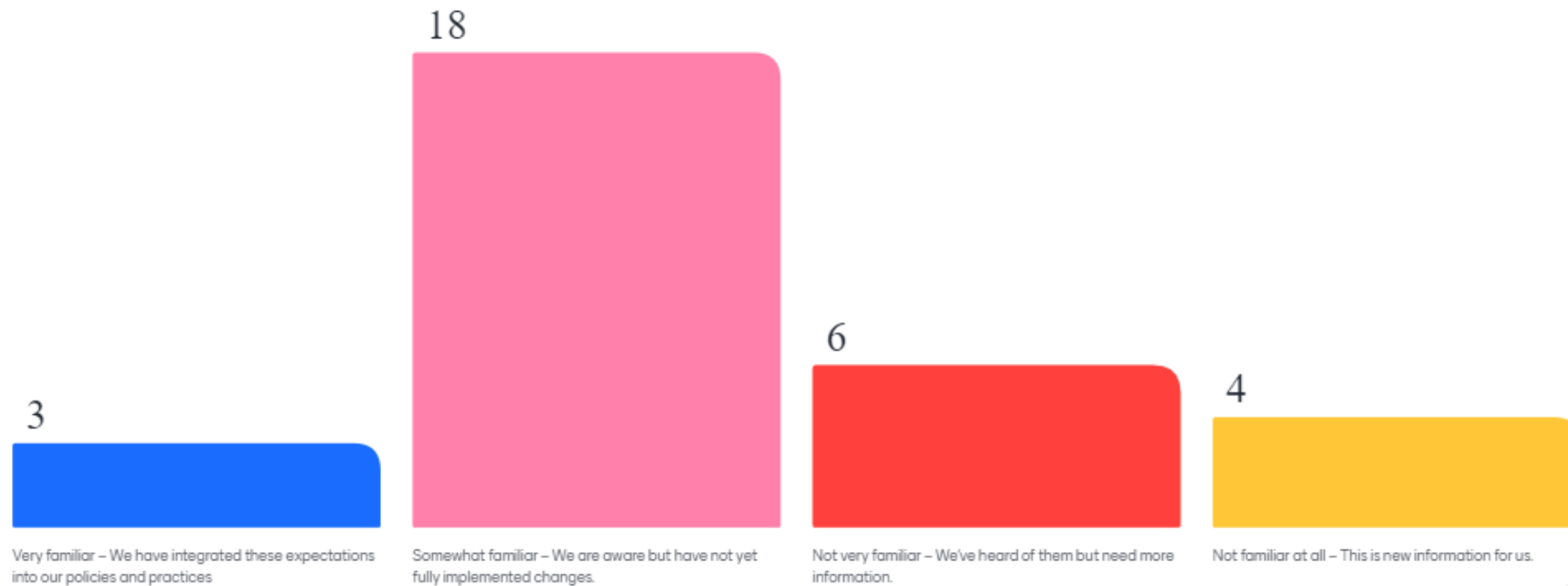




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Are you familiar with the FCA's recent NFM expectations?





Key findings

Key Findings from the FCA's NFM Survey



The survey noted a significant increase in reported NFM incidents from 2021 to 2023, particularly among insurance intermediaries. Incidents per 1,000 employees rose from 1.8 in 2021 to 5 in 2023, with bullying (26%) and discrimination (23%) as the most frequently reported issues.

Detection relied heavily on formal grievances and whistleblowing, especially in wholesale banks. However, some insurance intermediaries and other firms lacked comprehensive whistleblowing policies, which limits proactive management and early intervention of NFM issues.

The absence of robust whistleblowing policies in some firms hindered employees' ability to report misconduct safely. This gap impedes firms' capacity for proactive reporting and effective response.

Of the reported cases, 43% led to disciplinary actions such as warnings or dismissals. However, adjustments to remuneration were rare across most sectors, typically affecting only unvested variable pay, indicating a potential area for firms to strengthen accountability measures.

FCA's Findings on Non-Financial Misconduct in Governance



The FCA's survey highlighted that a significant portion of firms lack formal governance structures or committees specifically for managing NFM cases, leaving a potential gap in oversight and accountability.



Many firms do not regularly report management information (MI) related to NFM at the board level, limiting visibility and potentially allowing issues to go unaddressed.



37% of London Market insurers and 39% of intermediaries lack any formal governance structure or committee for NFM decisions, indicating a need for improvement across the industry.

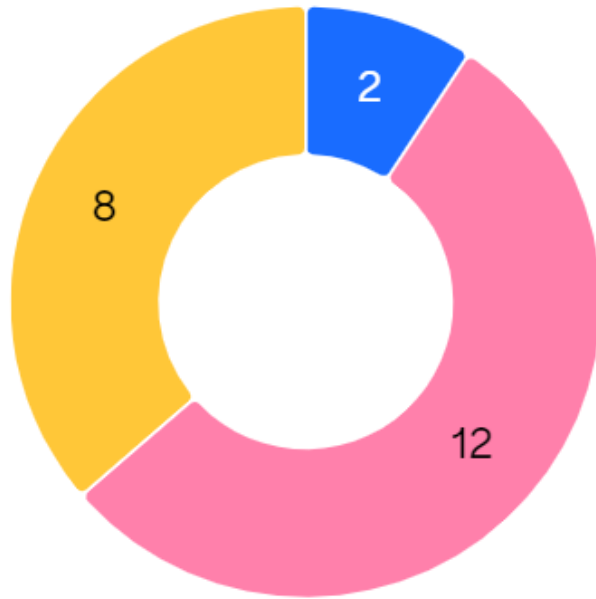


The FCA expects firms to have clear governance frameworks for handling NFM, ensuring that decisions and disciplinary actions are appropriately overseen and reported.



Firms without established governance for NFM risk regulatory action, reputational damage, and diminished employee trust, especially if issues are not promptly and transparently addressed.

Does your firm have a governance structure for NFM decisions?



- 2 Yes, we have a dedicated committee – Our firm has a formal committee or structure for NFM oversight.
- 12 Yes, but it's informal – We address NFM in our governance, but there's no dedicated committee.
- 0 No, but we're working on it – We're currently developing a formal structure for NFM governance.
- 8 No, we have no specific governance – NFM decisions are handled on a case-by-case basis without a formal structure.



Accountability and Disciplinary Actions



The survey found that in 43% of NFM cases, firms opted for non-disciplinary actions such as training, coaching, or issuing written warnings. While these measures are important, over-reliance on them without considering more stringent actions may undermine the seriousness of NFM issues.



Establishing clear accountability frameworks is crucial for addressing NFM effectively. This includes defining roles, responsibilities, and consequences to ensure that misconduct is appropriately managed and deterred.



To assist firms in reviewing their accountability measures, we have prepared a high-level self-assessment checklist.

Investment in Training and Culture- Building

Beyond basic awareness, firms need training initiatives that foster a culture of integrity and safety.

Focus Areas for Training:

- **Psychological Safety:** Create an environment where employees feel safe to speak up.
- **Clear Reporting Channels:** Establish accessible channels for reporting NFM
- **Timely Responses:** Ensure concerns are addressed promptly and appropriately.
- **Defining Bullying and Intimidation:** How do you define bullying and intimidation, and isn't this subjective? Provide clear examples to clarify unacceptable behaviours and address potential subjectivity.
- **Social Media Conduct:** Is posting on social media seen as representing the individual's or the firm's views? Provide guidance on responsible social media use to protect both personal and company reputations.

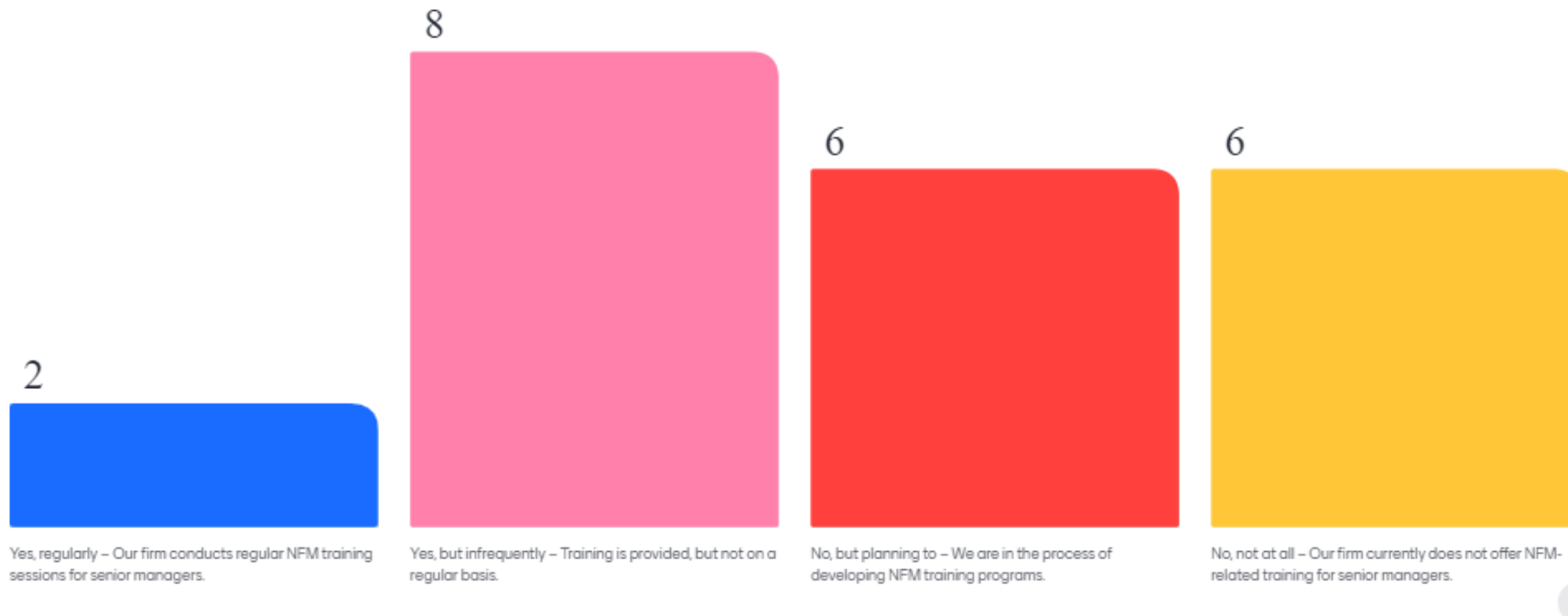
Leaders should participate in training to set a strong example.

Regularly update training to address emerging challenges.

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Does your firm provide NFM-related training for senior managers?



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Measurement, Reporting, and the Role of Management Information (MI)



The FCA's survey revealed that many firms lack robust mechanisms to measure and report on the impact of non-financial misconduct (NFM) on workplace culture. This deficiency hinders the ability to assess and address cultural issues effectively.



The FCA recommends that firms develop actionable data and establish regular feedback loops to monitor and improve their cultural frameworks. This approach enables organisations to proactively identify and mitigate NFM-related risks.



Effective MI systems are crucial for tracking NFM incidents and their impact on culture. Regular MI reporting to senior management and boards ensures informed decision-making and accountability.



Implementing thorough measurement and reporting practices enhances transparency, fosters trust among employees, and aligns with regulatory expectations, thereby strengthening the firm's overall governance.



Establishing regular feedback mechanisms allows firms to adapt and refine their strategies for managing NFM, promoting a positive and resilient workplace culture.

Setting Boundaries – "At Work" vs. "Not at Work"

Understanding when employees are considered "at work" is essential, particularly in informal settings, social events, and interactions with third parties.

Clarifying expected conduct at work-related events, including social gatherings, helps prevent misconduct and supports a consistent workplace culture.

Ambiguity around "at work" boundaries can lead to lapses in conduct, which may still reflect on the firm and its culture.

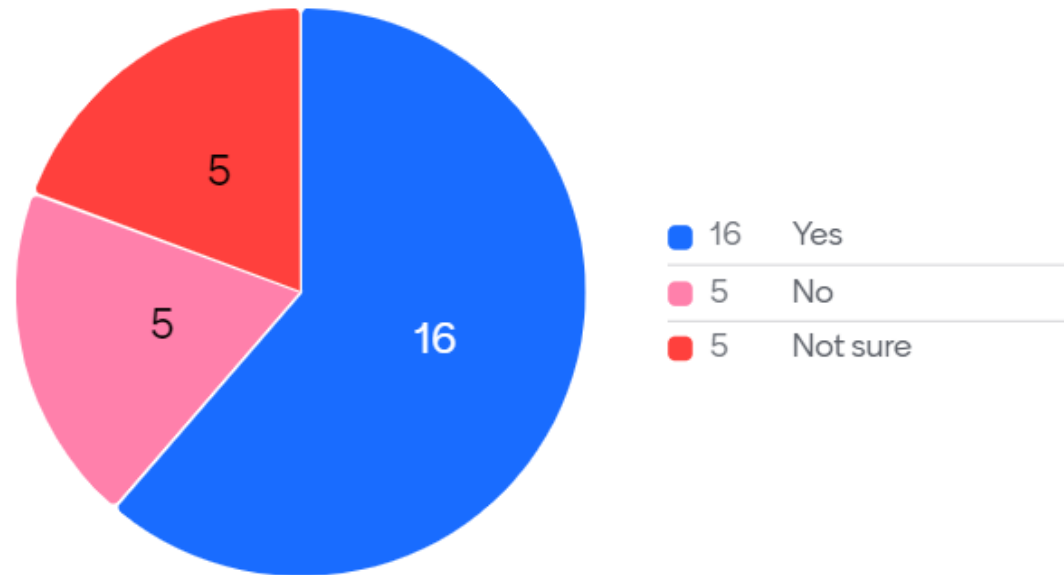
The FCA has clarified NFM incidents occurring in any "work-related capacity or event," covering situations at "the office, working from home, working offsite, and social situations related to work." This includes "staff social events, off-site training and conferences, client entertainment, or sponsored events" organised through work. However, purely private events organised independently by staff are generally excluded unless behaviours displayed raise concerns about an individual's "fitness and propriety."

Firms should establish clear, accessible guidelines for acceptable behaviour in all work-related contexts to reduce potential misconduct and align with FCA expectations.

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Do you feel staff, especially SMF's, fully understand expectations for behaviours at informal work-related events?



Expected Market Interactions and Behaviours



Importance of Professional Conduct: Professional and ethical behaviour with clients, brokers, and other market participants is crucial



Managing Third-Party Relationships: Define expected behaviours in interactions with third parties to ensure alignment with the firm's values and avoid reputational risks.



Ambiguity in Market Settings: Recognise that some situations in market interactions (e.g., conferences, social events) can blur lines between personal and professional conduct, necessitating clear guidelines.



Case Studies: Share examples of both appropriate and inappropriate conduct to illustrate expectations and clarify boundaries.



Firm Policies on Market Conduct: Encourage firms to establish specific policies that outline acceptable behaviour in various market contexts to promote consistency.

SMF Conduct Rules and Tone from the Top



SMFs are pivotal in establishing and maintaining a firm's culture, as their behaviour and decisions set the standard for the entire organisation. The FCA emphasises that senior managers must take ownership of issues like NFM, both in their day-to-day responsibilities and in shaping the firm's overall culture.



Even in small firms with limited SMFs, leaders can foster a culture of accountability by actively promoting ethical behaviour, ensuring transparent decision-making, and addressing misconduct promptly. The FCA's Senior Managers and Certification Regime (SM&CR) applies to all firms, regardless of size, underscoring the importance of leadership in setting the right tone.



The Employment Rights Bill, introduced to Parliament on 10 October 2024, aims to modernise employment rights and includes provisions that enhance accountability within organisations aligning with FCA goals on positive workplace culture.



The FCA's recent focus on NFM highlights the need for firms to address behaviours such as bullying, harassment, and discrimination. Senior managers are expected to lead by example and implement effective governance structures to manage these risks.



Effective leadership in promoting ethical behaviour and accountability can lead to improved employee morale, enhanced reputation, and reduced regulatory risks. Firms that prioritise a positive culture are better positioned to attract and retain talent and maintain trust with clients and stakeholders.

Key Takeaways



Prioritise Non-Financial Misconduct (NFM) as a Core Risk Area

Firms should treat NFM with the same level of seriousness as financial misconduct, integrating it into their governance and risk management frameworks. This alignment with FCA expectations will support a healthier workplace culture and mitigate regulatory risks.



Strengthen Governance and Accountability

Establish clear accountability structures and committees to oversee NFM issues. Ensure that senior management is actively involved in setting the cultural tone and that all cases of NFM are escalated, monitored, and addressed consistently.



Invest in Targeted Training and Development

Provide specific training for senior managers and staff focused on psychological safety, effective reporting mechanisms, and handling misconduct. This helps create a culture where employees feel safe to speak up, and leaders are equipped to handle issues professionally.



Measure and Report on Culture Regularly

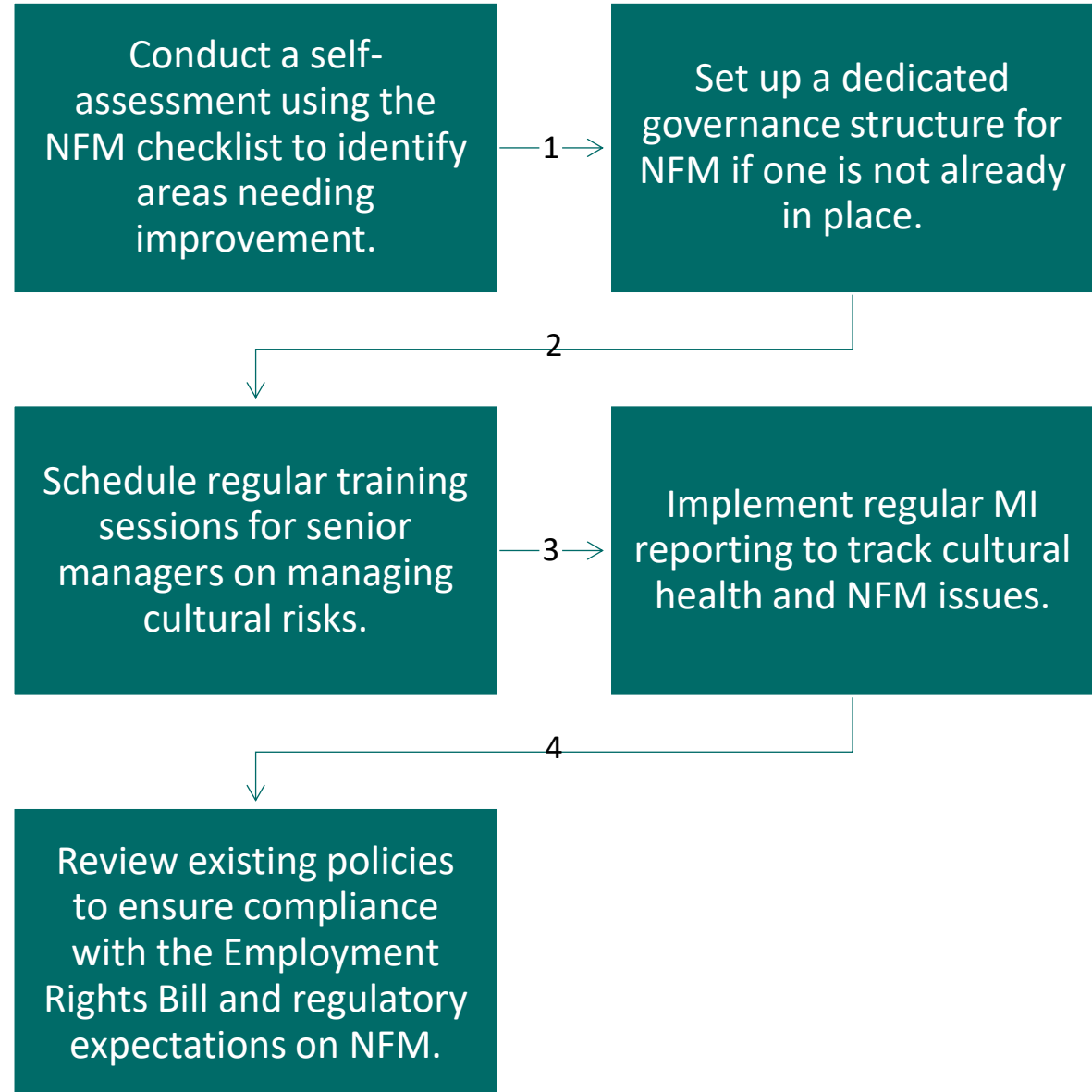
Develop actionable data through MI systems to monitor NFM's impact on culture. Establish regular feedback loops and provide senior management with MI reports to enable informed decision-making and continuous improvement in cultural management.



Prepare for Compliance with the Employment Rights Bill

Review and update policies in line with the Employment Rights Bill, including onboarding processes, flexible working arrangements, and fair treatment practices. Staying ahead of these legislative changes will position the firm as a responsible and proactive employer.

Next steps...



Employment Rights Bill

Employment Rights Bill and Key Provisions

Introduced to the UK Parliament on 10 October 2024, the Employment Rights Bill represents a significant overhaul of employment legislation, aiming to modernise and enhance workers' rights while fostering a fair and productive business environment.

Key Provisions:

- **Basic Rights from Day One:** Employees are entitled to parental leave, bereavement leave, and protection against unfair dismissal immediately upon starting employment.
- **Ban on Zero-Hours Contracts:** The bill prohibits zero-hours contracts that exploit workers, providing more predictable working hours and income stability.
- **End to Fire and Rehire Practices:** Employers are restricted from terminating contracts only to re-engage employees on less favourable terms, ensuring fair treatment during restructuring.
- **Promotion of Flexible Working:** The bill encourages the adoption of flexible working arrangements, supporting work-life balance for employees.

Implications for Employers:

- Employers must update onboarding procedures to ensure compliance with immediate entitlements such as parental and bereavement leave.
- Existing contracts may need revision to eliminate zero-hours arrangements and align with new standards.
- Internal policies should be revised to reflect changes in flexible working rights and protections against unfair dismissal.
- Employers should educate management and HR personnel on the new provisions to ensure proper implementation and compliance



To ensure compliance with the Employment Rights Bill 2024 and the Equality and Human Rights Commission's (EHRC) updated sexual harassment guidance, the following resources are available:

An official summary of the Employment Rights Bill, detailing its key provisions and objectives - [Employment Rights Bill: factsheets - GOV.UK](#)

In-depth factsheets covering specific aspects of the bill, including rights to leave, statutory sick pay, and protections against unfair dismissal - [Employment Rights Bill: supporting documents - GOV.UK](#)

Guidance from the EHRC on preventing and addressing sexual harassment in the workplace, reflecting the latest legal obligations - [Sexual harassment and harassment at work: technical guidance | EHRC](#)

A practical checklist designed to assist employers in implementing effective measures to prevent sexual harassment - [Employer 8-step guide: Preventing sexual harassment at work | EHRC](#)

An official announcement detailing the government's introduction of significant reforms to employment rights - [Government unveils significant reforms to employment rights - GOV.UK](#)

The EHRC's official statement regarding the enforcement of the Worker Protection Act and its implications for employers - [EHRC statement as Worker Protection Act comes into force | EHRC](#)

Analytical documents assessing the economic and social impacts of the Employment Rights Bill's provisions - [Employment Rights Bill: impact assessments - GOV.UK](#)

Detailed technical guidance from the EHRC on addressing sexual harassment and harassment at work - [Sexual harassment and harassment at work: technical guidance | EHRC](#)

The TUC provides an overview of the Worker Protection Act, detailing the new preventative duty for employer:

- [What is the Worker Protection Act? New preventative duty explained | TUC](#)
- [Preventing Sexual Harassment | TUC](#)
- [SH Checklist.pdf](#)

ACAS offers comprehensive guidance on steps employers can take to prevent sexual harassment, emphasising the importance of proactive measures and a zero-tolerance culture.

[What sexual harassment is - Sexual harassment - Acas](#)

[Creating a sexual harassment policy - Sexual harassment - Acas](#)

[Preventing sexual harassment - Sexual harassment - Acas](#)



Questions
