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## Joint ecoDa/IBE PRESS RELEASE

### Does EU Corporate Governance policy need more ethics?

The report drafted by the Institute of Business Ethics, IBE and presented at an IBE/ecoDa event last week in Brussels reveals a lack of explicit reference to ethical imperatives in corporate guidance and regulation at the EU level.

Julia Casson, author of the report, said: *"We began this report wanting to understand whether there was guidance for companies in governance policies, at national and EU level, on ethical business practice. Although we did find similarities in corporate governance requirements around practice and certain issues, there seems to be a general lack of ethical language in corporate governance provisions."*

However, the interrelation between corporate governance and ethics is becoming more and more obvious and boards are expected to set the values which will guide their company's operations.

As explained by Jeroen Hooijer (Head of Unit, DG Markt at the European Commission), *"Society expects more and more from directors and the social media are pushing for more transparency and accountability towards not only shareholders but stakeholders at large"*. With the CRDIV initiative and the draft directive on non-financial reporting, the European Commission itself is trying to influence companies' behaviour and to intervene in the ethical choices that companies have to make.

But *"acting according to the law is not the same as acting ethically"*, stressed Philippa Foster Back (IBE Director). In fact, boards have to exercise their discretionary judgement in the choice between legal alternatives, Ethics is instrumental in the decision process.

According to Anthony Smith-Meyer (Editor in Chief of the new Journal of Business Compliance), *"leadership seems to be the missing link between governance and ethics"*. This requires an ability to have an awareness of the company's environment, to confront values, to understand the impact of companies' decisions and to take responsibility for the actions that are taken.

To achieve such ethical leadership, *"training can help directors have good reflexes"* stated Roger Barker (Chairman of ecoDa's Education Committee). Board members should understand that ethics can not be considered in isolation. All policies, including remuneration policy, must be consistent with the company's ethics and its corporate culture. It is also important to monitor awareness, to check if communication has been effective and to take adequate sanctions in case of poor behaviour. Roger Barker added that *"boards should lead by example and check that their decisions have proven to be in line with ethical values"*.

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Institute of  
Business Ethics

**The Institute of Business Ethics (IBE)** is a non-profit professional organisation, which encourages high standards of business behaviour based on ethical values. It raises public awareness of the importance of doing business ethically, and collaborates with other UK and international organisations with interests and expertise in business ethics.

[www.ibe.org.uk](http://www.ibe.org.uk)

This report is produced in association with The European Confederation of Directors' Associations.

# ecoDa

**ecoDa** is a not-for-profit association acting as the “European voice of directors”. ecoDa's national member organisations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted. ecoDa's mission is to promote Corporate Governance at large, to promote the role of directors towards shareholders and corporate stakeholders, and to promote the success of its national institutes. It was established in 2005 and is based in Brussels.

**The author Julia Casson** is Director of Board Insight Limited which advises a wide range of organisations on corporate governance issues. In particular, the company carries out board evaluations, governance reviews and director development programmes.

Julia Casson was EU Policy adviser to the Institute of Chartered Secretaries and Administrators from 2005 -2011 and currently chairs ICOSA's EU committee. She is a Fellow of ICOSA. Prior to establishing Board Insight, Julia had a career as a Company Secretary with a number of international listed companies, latterly at Pearson plc. She is a frequent writer and speaker on governance matters.

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