

# Does EU Corporate Governance policy need more ethics?

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## *New IBE report suggests an absence of explicit ethical principles in corporate governance guidance and regulation at the EU level*

Questions of ethics, or the 'right way to run a business', are inherent in all aspects of corporate governance, including the way the board conducts itself. Ethical choices are relevant to the business strategies that boards pursue and the way that they direct and structure the business to achieve them.

A new report - **A Review of the Ethical Aspects of Corporate Governance Regulation and Guidance in the EU** published today by the Institute of Business Ethics, in association with ecoDa, the European Directors' Association, examines corporate governance policy debates and frameworks. Its findings draw attention to a notable lack of explicit reference to ethical imperatives, and so raise questions about why this is the case, whether this should be addressed and how.

This Occasional Paper explores the extent to which, in legislation, frameworks and codes for corporate governance across the EU and within its member states, there are explicit statements or requirements for business to be governed in line with ethical principles or commitments.

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. This is in spite of the fact that boards are expected to set the values which will guide their company's operations."*

For some key governance issues that boards have been expected to address, the explicit driver is most often given in terms of what is 'good for business' rather than engagement with any moral imperative. This is the case even though what is generally viewed as unethical behaviour, including at the most senior levels, has led to business failure on numerous occasions. The link has yet to be explicitly made in corporate governance discourse that what is ethical is very often good for business, or at least that what is unethical generally impacts negatively on business.

At the member state level, the beginnings of a greater focus on board behaviour and conduct can be seen, especially in guidance for directors. Some governance codes contain 'various rules of conduct' ( i.e. commitment, leadership, discretion, independent judgment, integrity, acting in the corporate interest and acting in the interests of stakeholders) and refer to behaviours required by boards.

Patrick Zurstrassen, Chairman of ecoDa said: *“The purpose of governance can be said to be to encourage companies to make robust decisions, manage risk properly and account to those that provide their capital. To complete this approach, it is essential to get individual board members with a great sense of ethics and a collective mindset in line with the company’s values”*

Philippa Foster Back OBE, Director of the IBE said: *“Attention to ethics is increasingly a core feature of boardroom agendas. Many companies recognise business ethics, sustainability and social responsibility, and also boardroom ethics, as characterising the right way to run a business as well as being essential for long term success. This is in spite of the apparent lack of explicit engagement at EU level with ethical principles in corporate governance guidance, and the limited requirement, or indeed encouragement, that boards operate with high ethical standards.”*

ENDS/

For further information, contact Philippa Foster Back, IBE Director: 020 7798 6040 [info@ibe.org.uk](mailto:info@ibe.org.uk)

To obtain an advanced press copy of the report, or to organise interviews, please contact [k.bradshaw@ibe.org.uk](mailto:k.bradshaw@ibe.org.uk)

## EDITOR'S NOTES

### A Review of the Ethical Aspects of Corporate Governance Regulation and Guidance in the EU by Julia Casson

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**Launched Thursday 27<sup>th</sup> June 2013** at the Institute of Business Ethics, 24 Greencoat Place, London SW1P 1BE 3pm – 5pm; and **Tuesday 2<sup>nd</sup> July 2013** in Brussels in association with ecoDa 16.30 - 19.00 (closing with a cocktail reception) at Hotel Thon, Rue de la Loi 75, 1040 Brussels, Belgium.

**Launch details:** Julia Casson will reflect on the report's findings, followed by a panel discussion. Panel members include: Julia Casson; Pedro Montoya, Group Chief Compliance Officer, EADS, sponsors of the report; and Paul Moxey, Head of Corporate Governance, ACCA.

Please email [events@ibe.org.uk](mailto:events@ibe.org.uk) if you would like to attend.

**The Institute of Business Ethics (IBE)** is a non-profit professional organisation, which encourages high standards of business behaviour based on ethical values. They raise public awareness of the importance of doing business ethically, and collaborate 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** 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 ICSA's EU committee. She is a Fellow of ICSA. 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. [www.boardinsight.co.uk](http://www.boardinsight.co.uk)

### Sponsors

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Institute of Business Ethics

24 Greencoat Place  
London SW1P 1BE

Tel 020 7798 6040  
Fax 020 7798 6044

Registered Charity No. 1084014

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