

Boards increasingly take a systematic approach to ethics and values

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Media:

Institute of Business Ethics publishes a survey of board level sustainability and ethics committees

A significant number of corporate boards have formed committees to focus on ethics and values as well as corporate responsibility and sustainability, according to a new survey by the Institute of Business Ethics.

The survey, carried out with the support of the ICSA: The Governance Institute and Mazars, found that 55 companies in the FTSE 350 have formed such committees with published terms of reference, and that over half of them were specially charged with advising the board on ethics and values.

"This is an important conclusion because it shows that the debate on corporate responsibility is moving away from simple measurement of external indicators like environmental impacts to a better understanding of how to shape behaviour within the company," said Peter Montagnon, Associate Director of the IBE, who wrote the report. *"Boards face a lot of pressure on their time. The committees can drill down into the detail, monitor trends and ensure these issues are looked at in a systematic way,"* he continued.

The development of sustainability and values committees reflects the proliferation of non-financial risks some of which have previously been monitored by audit and compliance committees. However, the report does not recommend that all companies should form a committee. While the need for more detailed oversight may favour the creation of a committee, there is a risk of the board's own responsibilities being diluted and of unnecessary overlap with other committees. What remains critical is that boards address the issues of ethics and values in the context of their approach to risk oversight, even when they do not have a committee, the report says.

The survey found that board sustainability and values committees tend to be more common in sectors with reputation and regulatory risk, such as banking, mining and defence. By contrast they are rare in support services, household goods and home construction.

Philippa Foster Back CBE, IBE Director said: *"Long gone are the days when the principal concern of the board was financial risk. Gone, too, are the days when corporate responsibility was a public relations add-on. This survey shows just how seriously boards take these issues. They are now seen as integral to strategy and risk management. Businesses know that the damage caused by getting these things wrong can be terminal. By contrast, getting them right secures and strengthens the franchise."*

Peter Swabey, Policy and Research Director at ICSA added: *"Issues with ethical conduct are not restricted to the corporate world. You only need to look at FIFA to see the detrimental effect that poor culture can have on reputation and the bottom line. With customers increasingly ready to look elsewhere if companies do not match up to their ethical expectations and many job seekers preferring to work for companies with strong values, boards have a duty of care to ensure that their companies are doing the very best that they can on this front."*

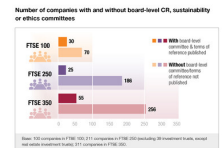
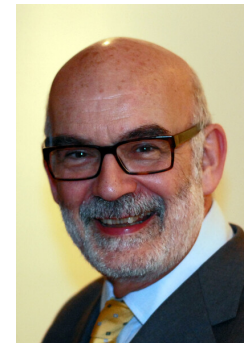
Anthony Carey, Head of Board Practice, Mazars said : *"Culture is high on the board agenda and rightly so. This is particularly true for the financial services sector in the wake of the financial crisis and the new regulatory regime for banks and insurance companies. This report is very timely in addressing the different ways in which boards are addressing cultural and ethical issues. It highlights that one-size does not fit all and that it is for the board to decide whether having a specialised committee is the right way forward."*

ENDS/

To obtain an advanced press copy of the report, or to organise interviews, please contact

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Culture by Committee: the pros and cons

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The survey will be launched at the [annual conference of ICSA: the Governance Institute](#) where Peter Montagnon will share the results of the survey at a plenary session on 9th March, 2016

The Institute of Business Ethics is a registered charity which promotes high standards of business practice based on ethical values.

We help organisations to strengthen their ethics culture through the sharing of knowledge and good practice. www.ibe.org.uk

The author: Peter Montagnon

Peter Montagnon joined the IBE as an Associate Director in September 2013. Prior to that he was Senior Investment Adviser at the Financial Reporting Council, which he joined after almost ten years as Director of Investment Affairs of the Association of British Insurers.

For two decades from 1980 Peter was a senior journalist on the Financial Times, including spells as Head of the Lex Column and in charge of coverage of the international capital markets. His last assignment, from 1994 to 2000, was as Asia Editor, responsible for the FT's coverage of a region stretching from Pakistan to New Zealand.

After graduating in Modern Languages from Cambridge University in 1972, he joined Reuters news agency as a financial journalist. At Reuters he completed assignments in Hong Kong, Zurich and Washington before joining the Financial Times.

Peter served on the European Commission's Corporate Governance Forum from 2005 - 2011. He is past Chairman of the Board of the International Corporate Governance Network and is also a visiting Professor in Corporate Governance at the Cass Business School of the City University, London, and a member of the Corporate Governance Advisory Board of the Norges Bank Investment Management and of the Board of the Hawkamah Institute for Corporate Governance, Dubai.

This IBE Survey Report has been prepared in collaboration with ICSA and Mazars.

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