



Institute of
Business Ethics

Sir David Walker
Walker Review Team
H M Treasury
1 Horse Guards Road
London
SW1A 2HQ

SENT BY EMAIL: feedback@walkerreview.org

30th September 2009

Dear Sir David

Independent Review of Corporate Governance of UK banking industry

The Institute of Business Ethics has pleasure in forwarding comments to you on your second phase of the consultation process you are presently undertaking. We fully support its outcome.

The five key themes as detailed catch the essence of issues amiss, or perceived to be and we endorse the themes, particularly those relating to behaviour, to greater transparency in the relationship between shareholders and their agents, and finally the suggestion that remuneration committees should have a broader remit in assessing pay across the whole organisation.

In detail with regard to each Recommendation:

1. Agree. Induction should include an introduction to the organisation's code of ethics (business conduct) to assist the NED appreciation of the corporate culture of the organisation.
2. Agree, as commented before particularly in the evaluation of risk.
3. Agree strongly.
4. Agree.
5. Agree with the suggestion that the interview process (and for 4 too) should include some form of questioning to assess ethical sensitivity to the matters a BOFI board member is likely to encounter such as lending policies to certain business sectors or doing business in difficult countries.



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6. Agree. NEDs with encouragement from the boards they sit on should consider and be open to developing their professional skills and be prepared to undertake wider training, coaching or mentoring where appropriate. Professional qualification is now available.
7. Agree.
8. Agree.
9. Agree.
10. Strongly disagree. This would be too disruptive and not encourage long term thinking by the Chairman and might be used for the wrong purposes should there be a disagreement between the executive and non-executive teams.
11. Agree.
12. Agree.
13. Agree.
14. Agree – good practice
15. As a practical matter can this be done – the Board should be following this for themselves rather than involve the FSA.
16. Agree.
17. Agree.
18. Agree.
19. Agree.
20. Agree.
21. Whilst this might be appropriate for BOFIs it would be difficult to see this becoming a wider spread process and possibly both firms and long term investors would resist this recommendation.
22. Agree.
23. Strongly agree, as mentioned in our previous submission.
24. Agree.
25. Strongly agree.
26. Strongly agree and the process to include ethical due diligence as appropriate.
27. Agree.
28. Strongly agree, as mentioned in our previous submission.
29. Agree.
30. Agree.
31. Agree.
32. Agree.
33. Agree.
34. Agree.
35. Agree.
36. Do not see this as necessary, though this does introduce accountability except that is held by all directors not just those



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on the Remco or the Remco Chairman with regard to remuneration.

- 37. Agree.
- 38. Agree.
- 39. Agree.

One area of significant importance is that of example in leadership, and the attributes and behaviours that leaders (at all levels in an organisation) should exhibit for maximum effectiveness. Please find attached two slides taken from an IBE publication in 2005, *Setting the Tone: ethical business leadership*. This is an area of business management that has yet to be emphasised sufficiently to make a difference.

The Institute of Business Ethics would be pleased to give further assistance if required.

Yours sincerely,

A handwritten signature in black ink that reads 'Philippa Foster Back'.

Philippa Foster Back OBE
Director



Leadership

The importance of example

Setting the Tone: ethical business leadership, publ. IBE 2005



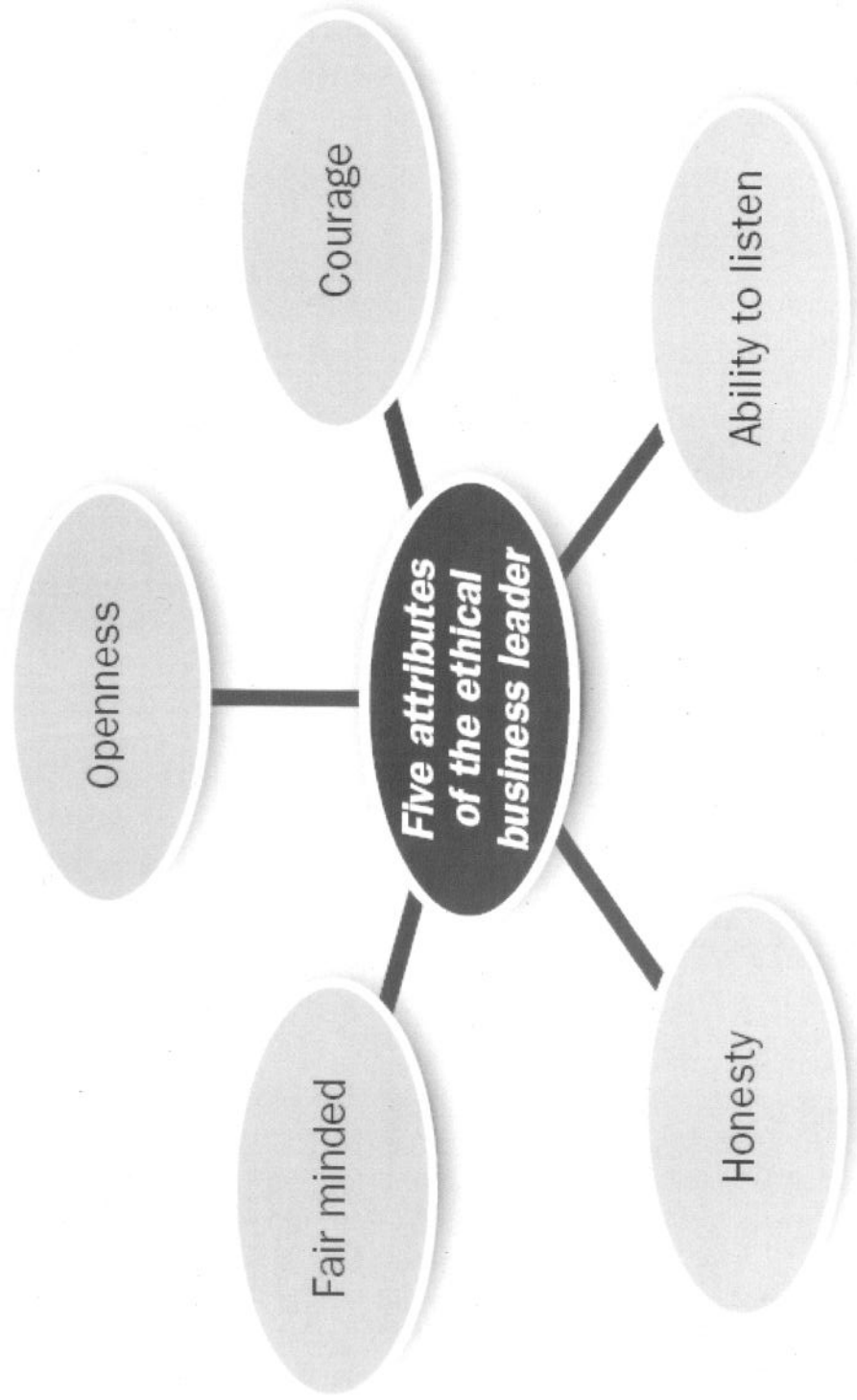
Practical Ethical Leadership

- o Building trust
- o Attributes
- o Behaviours



Attributes

Attributes of ethical leadership





Behaviours

Behaviours of the ethical business leader

