

To: Rt Hon Kwasi Kwarteng MP, Business Secretary

14 June 2022

Dear Secretary of State

Voluntary Code of Conduct for directors

Several months ago, I mentioned that the IoD was planning an initiative aimed at improving the reputation of UK business. I am now delighted to send you our detailed proposals, which we are due to publish next week.

The IoD believes that an important missing element in our current business framework is a code of conduct for directors. Such a code would reflect and embed the expectations of wider society vis-à-vis the business community.

The IoD's vision is for board members from all UK entities to sign-up to a government-supported code on a voluntary basis. By committing themselves to the code, directors would signal their willingness to apply high ethical and behavioural standards in their governance and leadership activities. They would also agree to submit themselves to any accountability processes associated with the code.

Although the code would be supported by government, it would be operated by the business community rather than by a regulator or government department. Such an initiative would enable the government to demonstrate its commitment to meaningful governance reform. At the same time, it would encourage business itself to take the lead in addressing societal concerns relating to business behaviour.

The idea of a code of conduct for the director community is strongly supported by the IoD's members. In a members' survey conducted in May 2022, 78% of respondents agreed that directors should be subject to a code of conduct – either on a mandatory or voluntary basis. In our view, a voluntary code – albeit one that is recognised and supported by government – would be the right way to articulate standards for directors without adding to the overall burden of business regulation.

We propose that the government commissions a high-level working group to articulate a code of conduct for directors which enjoys the support of a wide range of stakeholders. As

the UK's leading professional organisation for directors, the IoD would be willing to coordinate this process.

We hope that the government will lend its support to this initiative. Although a code of conduct is not a silver bullet, we believe that it can play a meaningful role in improving trust in the UK business community.

Yours sincerely



Jonathan Geldart
Director General, Institute of Directors

Cc: Lord Callanan; Julie James