

The Directors College Code of Ethical Conduct

1. Preamble

Certification from The Directors College represents both a significant mastery of expertise, and a serious commitment to ethical purpose.

As fiduciaries, Directors are entrusted by society to provide counsel and oversight. Beyond applying competence gained through training and experience, earning and preserving trust requires Directors to exercise the care and moral imagination which characterize integrity.

It is understood that organizations and boards have the responsibility to define their own principles, values, and accountabilities. The Directors College Code of Ethics sets the stance, or mode of interpretation, for fulfilling those particular duties of governance in ways that also satisfy the shifting and escalating expectations of the community.

While many codes of conduct are prescriptive, defining what is to be done to avoid wrong-doing, the Directors College Code invites imaginative enquiry to examine issues with an appreciation for their complexity. Boards use their best judgment to mitigate risks, and guide the way to opportunities. With the orientation and disciplines provided by the Directors College Code, directors embrace as part of their job description the responsibility to also account for ethical risks, and align the organizations productivities with those of the public good.

2. Precepts and Principles: Fulfilling the Duty of Public Oversight

The Code has been formed and evolved to give particular guidance for The Directors College values:

To be forward looking, which means to take responsibility shaping the future; to approach difficult issues with an open mind; to apply curiosity and care to emerging trends so as to discover what is needed, and what is possible.

To be trustworthy, which means to be driven by values in the pursuit of value; to engage diverse stakeholders with respect to their different interests; to create the capacities and culture for both higher productivity and purpose.

To be change-enabling, which means to be the catalyst for transformation; to use collaboration for inclusive innovation; to use influence and the moral authority earned by trustworthiness to build political and social coalitions for long-term success and sustainability.

According to the latest scholarship, the ethical duties of directors can best be summarized as navigating the space between what is legal and what is moral. Two decades of research also shows that directors attend to their ethical principles one of two ways: either as a filter to avoid wrong-doing, or as a foundation for doing what's best. Those in filtering mode focus on compliance,

whereas boards with an ethical foundation use principles and values as the springboard for the tougher debate needed to unlock the significance of every decision.

The Directors College Code of Ethics has been designed as an infrastructure for governance. It not only provides an immediately accessible methodology for ethical problem solving by directors. It also serves as the foundation for boards to develop the habits and culture that make them future-ready, and future-responsible.

3. The Pledge and The Promise

In keeping with its original formulation over a decade ago, the mnemonic for the Directors College Code involves 5 D's. As detailed below, each stage in the ethical process activates a specific commitment, with corresponding behaviours:

Ethical Process	Ethical Commitment	Behaviours
Discovery	To provide oversight in the true sense of the word, interpreting future needs, threats, or opportunities, so as to prepare the organization to thrive on behalf of all its stakeholders.	<ul style="list-style-type: none"> • To show a bias for learning, looking ahead, seeking new knowledge • To be self-aware of personal strengths and weaknesses • Open-mindedness, fuelled by curiosity, with the willingness to learn from others, and innovate with them
Dialogue	To forge understanding by carefully listening to different views, encouraging debate and disagreements to honestly identify what's at stake, and to generate viable alternatives.	<ul style="list-style-type: none"> • Listening carefully, and communicating with clarity • Welcoming diversity of thought • High tolerance for ambiguity, keeping a positive and creative perspective while facing complex issues and multifaceted implications
Discernment	To give difficult issues appropriate deliberation, diagnosing both the material implications of a decision, and as a test or proof of integrity.	<ul style="list-style-type: none"> • Conceptual thinking – adding insights and foresight to oversight • Independent critical thinking, free of bias or threat • Effective judgment, linking cause with effect • Standing on ethical principle for the sake of personal integrity and organizational trust



Decision	To speak with one governing voice, exercising the checks and balances from factoring diverse claims into the board's best judgment.	<ul style="list-style-type: none">• Taking charge together, while challenging assumptions or tendencies for "group-think"• Applying integrity to meet societal norms of trustworthiness• Oriented to resolving conflicts, realizing outcomes of justice from shared purpose
Due-Diligence	To create the conditions for sustainable success, by encoding new learning and transferring knowledge collaboratively to stakeholders.	<ul style="list-style-type: none">• Political astuteness to overcome resistance to change and forge win-win• Engaging stakeholders to influence and impact outcomes• Following-up and following through, to monitor social and ethical impacts, as well as performance

4. How to use the Code:

Codes are important statements of commitment, providing orientation and guidance. However, as the research shows, the efficacy of such codes is limited or even counterproductive when applied as a checklist. The key is to use codes to develop a culture of responsibility – fearlessly questioning assumption, and insisting that the best way forward is also the right one.

To foster such culture in the boardroom, directors can use this code:

- As an input to planning, analyzing ethical as well as strategic strengths, weaknesses, threats and opportunities (SWOT);
- For methodically and consistently testing crucial decisions;
- Setting recruitment and performance criteria for the CEO;
- Establishing metrics for auditing organizational and board ethics;
- Convening board-level engagement with stakeholders;
- Evaluating board and director ethical performance, and ethical development needs;
- Narrating board decisions by connecting them to the organization's founding purpose, vision and values.