

“No-one is entirely safe from fraud.”

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Independent non-executive directors, guarantors of corporate ethics

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MICHAEL LANGE, CO-FOUNDER AND PARTNER AT MEBS, THE GOVERNANCE SPECIALIST, REVEALS THAT RECENT ISSUES RAISED CONCERN COMPLIANCE WITH LAWS AND TREATIES, RATHER THAN THEIR INADEQUACY, AND THAT INDEPENDENT NON-EXECUTIVE DIRECTORS HAVE A KEY ROLE IN CORPORATE ETHICS.

What do you think of recent revelations?

I see them as a false problem. Our economies are governed by laws and treaties. Offshore structures may have been abused by some but that doesn't mean that they are the problem. You can't hold the car manufacturer responsible if someone decides to exceed the speed limit! Many people think it is appropriate to hold stated countries or the offshore sector responsible but the reality is more complex. Today, international companies need to use their capital while mitigating their risks. For companies, using the most appropriate solution is vital to be able to remain internationally competitive and for long-term survival. Honest people should not be punished – as long as people respect the law, there is no problem. I believe that the penalties should be more severe and proportionate. At the moment, a pizza seller who breaks a minor rule immediately has his or her business shut down, while a few large groups seem to be able to commit fraud with impunity.

What role do independent non-executive directors play in governance?

Their role is absolutely critical. Independent non-executive directors face two challenges: they must justify their presence by helping the company to reach the next level and they are also the guarantors of the company's efficiency and the protection of its shareholders. They are like visitors to the family who can say: "I don't agree with what you're doing, so I will leave

unless you change". They are free to influence the company's vision. Until recently, companies often believed that they could not afford to lose a client. Independent non-executive directors are there to remind managers that, in some cases, they cannot afford to accept the client. They act as trusted advisors, ensuring that decisions are made in the best interests of all stakeholders. Just as whales die when they lose their ability to communicate via echolocation, so will societies without fundamental moral values and ethics.

What solutions are there to prevent tax evasion and avoidance?

I don't believe in a taxation union. Even in a globalised world, governments will continue to decide their country's tax policy. However, many states would not pass the solvency test and therefore better governance at the national level should send a strong signal. Most politicians have a short-term vision; they are subject to pressure and power, not to mention electoral promises. They must understand that taxation is important but that controlling spending is also essential; this would encourage a more equitable tax rate. I would adopt the Dutch system in which taxpayers are under permanent supervision and must be able to justify their income if they are subject to an official inspection; otherwise they risk the confiscation of their assets. We could invest so much money to fight poverty, build hospitals and fund research. However, this requires incorruptible people – if they can be found!