

BUSINESS ETHICS

# setting up a code of conduct

The Severn Trent Group has developed a clear set of principles to guide the conduct of its business. The environmental services group has also put in place management systems to ensure that the code is regularly updated and that all staff are aware of its tenets

Even when a company believes it works to a well-established set of ethical values, it is never safe to assume that everyone inside the business – let alone people on the outside – are aware of just what those values are.

Severn Trent realized as much several years ago, when it decided to develop a code of conduct and disseminate it throughout the group. Formed when the UK water industry was privatized in 1989, the company has since grown rapidly, not just in its home market but also in the US and Europe.

‘We realized you couldn’t make the assumption that everyone throughout the group was singing from the same hymn sheet, especially when we’ve been buying a lot of companies from different countries and cultures,’ says Sue Painting, who, as environmental manager, was responsible for putting the code together.

**a code of conduct can never aim to cover every eventuality, and it should not be unduly prescriptive**

‘We’d been through a period of tremendous acquisition, especially on the non-water side of the business, and one of the things we became aware of was the need for a group-wide mechanism to ensure that everybody understood the standards and rules we work to. We were also aware that a code would help us to protect our reputation by clearly stating the principles by which we operate, and would reduce the risk of having to rely on damage limitation if things ever went wrong.’

Codes of business conduct have become increasingly popular in the corporate sector in recent years as a simple way of setting down a framework of ethical behaviour that shows staff, customers and other stakeholders how they can expect a company to behave and how it will go about its business.

Three years ago, Severn Trent began looking at such codes and how they were implemented. It approached the London-based Institute of Business Ethics (IBE), a registered charity supported by corporate subscribers and trusts which has produced guidelines on the subject, for advice on how best to proceed.

‘We started by having brainstorming sessions with representatives throughout the group to get a feel for what the issues were and what we were

looking for in a code,’ says Painting. ‘We soon found out that it’s not a short process.’ The company’s *Code of business principles and conduct* took 18 months to develop before the board approved it in December 2000. At 12 pages, it was deliberately kept brief to make it accessible to employees and other stakeholders.

‘The purpose of a code is to lay down general principles’, explains Painting. ‘It can never cover every eventuality. If it’s too long people won’t read it, so the key is to keep it short and to the point. We also wanted to make sure it was not unduly prescriptive.’

The code outlines standards on how the group should behave in relation to various stakeholders, including customers, shareholders, employees, local communities and suppliers. Among other things, it commits the company to encourage employees ‘to voice genuinely held concerns about behaviour or decisions they perceive to be unethical’, to use only ‘legitimate’ merchandizing practices to increase sales, to communicate business policies and achievements honestly, and to promote diversity in the workforce.

It says the group will foster a working culture ‘based on honesty, trust and integrity’, take a ‘pro-active approach’ to environmental matters, and encourage staff to become involved in their local community.

Severn Trent’s chief executive, Robert Walker, has been given responsibility for initiating and supervising any investigation into breaches of the code, and for ensuring ‘appropriate disciplinary action’ is taken. There have been no cases so far.

■ the priority, once the code had been drawn up, was to raise awareness of it across all companies in the Severn Trent group, including its waste management arm, Biffa



Drawing up the code was only the start. The next phase of work, which is still going on, has been to embed it throughout the business. Starting with senior management, Painting presented the code to group staff at a series of briefings and ensured strategy meetings for middle managers included sessions on the code. 'We went to middle managers first because we had to start somewhere, but because we also felt they were best placed to spread the code effectively,' says Painting.

Severn Trent, which has put the code on its intranet, plans to hold business ethics workshops for staff, some involving the IBE. It is also organizing workshops for middle managers to develop ideas for 'cascading' the code throughout the group, and is to encourage its suppliers to commit to translating the code's values into their own activities.

The group is developing performance indicators as a way of monitoring how the code is being implemented. 'The idea is to look at each element of the code and identify gaps in terms of monitoring and implementation,' explains Painting. The findings will form part of Severn Trent's internal communications strategy, as the group believes that raising awareness is key to making the code work.

The group says the statement of its business principles, which has been translated into Flemish, French, Italian and Spanish, is a 'fundamental building block' of its global corporate governance framework, with links to its policies and systems on the environment, health and safety and people management. 'We encourage our different operations abroad to interpret the code in their own terminology, so that it has resonance for them. We set the overall standard, but then ask them to respond in slightly different ways as they see fit.'

It has not separately costed the exercise because it sees it as an integral part of the way it operates. 'A decision was taken at board level that within reason we could spend what we needed on it. It's an integral part of what we do, so it's quite difficult to separate out from everything else', says Painting. Although the document has been produced partly to 'increase transparency of corporate values to external stakeholders' and as a response to pressure for codes of conduct from socially responsible investors, its main value at this stage is as an internal management tool.

'It has to go right through the business before we take it outside,' she says. The code is, however, published on the group's web site.

Severn Trent gave a commitment to review the code within two years, and this work has now begun. 'We planned the two-year review from the outset, but there is a sense in which the review process will never end,' says Painting. 'The code can't stand still; it has to develop to fit the needs of the company and its changing demands.'

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### the company

Severn Trent employs more than 14,000 people in Europe and the US and is the UK's second-largest water and waste management group. It:

- has agreed to measure and report its impact on society against criteria outlined in the recent *Winning with integrity* report produced by the Business Impact on Society Taskforce
- has pledged to use the UK government's indicators to report on its greenhouse gas emissions
- publishes an annual Stewardship Report on its social and environmental performance as well as information on its web site
- is one of the first signatories to Birmingham's 'Better Together' charter, which commits signatory companies operating in the UK city to adhere to corporate social responsibility policies
- heads the utility sector in the Dow Jones Sustainability World Index, which rates a company's social and environmental activity alongside its economic performance.

■ Severn Trent's strategy of growth by international acquisition was an important factor in its decision to develop a code of conduct for the increasing number of companies within the group, which now includes several laboratory firms

### ibe comment SEVERN TRENT

Severn Trent provides an excellent case study of how a code of business principles can be implemented and embedded. The aim is for the code to be part of the 'fabric' of the company and for it to underpin the culture which, if successful, will produce an enduring and beneficial change.

#### points that impress are:

- senior management leadership and support
- wide consultation in drawing up the code
- wide dissemination to staff, including translations
- embedding through training
- ongoing review process.

Declaration of interest: Severn Trent is a subscriber to the Institute of Business Ethics

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