



## Smart Businesses Move to Adopt Sound **Ethical Policies**

The decision to act ethically used to mean compromising bottom-line results. No longer, say companies—all winners or nominees of Ethics in Action awards—who have discovered that making a commitment to community, employees and the environment reaps a variety of business benefits.

**A** growing number of Canadian companies are adopting a new approach to business and management that considers much more than the bottom line. “Corporate social responsibility” is a phrase heard increasingly in many of the nation’s boardrooms, as management and shareholders realize that they are not the only stakeholders affected by the company’s actions and policies.

Reporting on Corporate Social Responsibility (CSR) has found its way onto many Canadian business agendas, according to a recent report from The Conference Board of Canada. The study found CSR reporting rewards organizations by helping them to protect reputation, gain customer loyalty, and reduce risk.

“CSR measurement and reporting practices are evolving rapidly,” says Ron Yachnin, Conference Board senior research associate. “It has become an important strategy for large companies interested in managing their performance and addressing stakeholder expectations.”

Indeed, a growing number of companies are taking a holistic approach, weighing the needs of all stakeholders against their need to make a profit. The three companies profiled here offer diverse examples of corporate social responsibility in action. All share a commitment to the community and the environment that would have been rare just a few years ago. They also demonstrate the variety of benefits businesses can derive from taking a thoughtful approach to corporate behaviour.

### **New company, new code**

Although it’s a new company, Ontario Power Generation (OPG) has a 93-year history in its previous incarnation as Ontario Hydro. Nominated for an Ongoing Social Responsibility Award in the 2001 Ethics in Action Awards (see sidebar), OPG has an enviable record of integrating social and environmental factors into all of its planning, decision making and business practices. The company has formed partnerships with government, academic institutions, environmental and community groups. It also made a strategic decision to invest in research as a way of minimizing the impact of its operations on the environment.

OPG has a formal Code of Business Conduct, which sets out its principles in a wide range of areas, from health and safety to relationships with customers and suppliers. OPG revised its Code of Conduct earlier this year, building on a previous version written for the former Ontario Hydro.

“It was a very worthwhile exercise,” says Diane Westcott, chief ethics officer at OPG. “The re-organization gave us the opportunity to look at the code, and even though it had only been three or four years since the original document was written, a lot of things had changed.”

Business ethics have been evolving quickly, Westcott notes, pointing to the example of “facilitation fees,” otherwise known as bribes,

by Ellen Gardner and Paul LeBel

that for years were common practice in many foreign markets. "They were a very common thing not that long ago," she says, "but globally, there has been a definite move away from condoning that sort of behaviour. In our case, we used to have a separate section that covered our practices in international markets. Now we have a standard position that strictly prohibits the payment of facilitation fees, no matter where we are working."

Prohibiting the use of bribes may seem to be an easy ethical decision, but any company competing in international markets knows otherwise. Westcott notes that this decision, like most in the corporate ethics sphere, wasn't reached easily.

"It creates a true dilemma," she says. "If you don't pay, you may not win the business. Yet, by paying, are you helping a less developed country? You don't want to penalize the people in that country who may benefit from a particular project."

In the end, OPG decided to act in the more conscientious, or ethical, fashion. Its decision is part of a growing trend among international companies to prohibit the payment of bribes in any market. As is typical with most ethical questions, until it becomes the norm, the right way is also sometimes the more painful way.

Rewriting the Code of Conduct at OPG didn't just involve applying high-minded principles to specific business practices. OPG consulted with employees and managers to ensure that the new set of rules reflected both ethical behaviour and common sense.

"The old Code had a section that stipulated that employees couldn't use company assets for personal reasons," says Westcott. "That could be interpreted to mean that you couldn't make a personal phone call at the office. This was rewritten to reflect employees' right to make 'limited, responsible use' of company assets." In Westcott's view, the company has brought a measure of common sense to the process, emphasizing that OPG is committed to treating people as adults and making them accountable for their actions. "It's not a set of rules to memorize, but a guiding philosophy," she adds.

OPG has produced a booklet and a computer-based training program that demonstrate the new ethics code in action. The program gives employees a scenario that calls for an ethical decision, and asks them to make a choice. For example, an employee's brother has a cleaning business that could be a supplier to OPG. Can the employee help him get a contract? Or is the brother barred from doing any business with the company? The answer, naturally, lies somewhere in the middle.

"Employees are free to give friends and relatives the information they need to approach the company," says Westcott. "If they're worried about a potential conflict of interest, they can file a document with their manager who makes the decision. A record of the contact is created as a means of protecting everyone involved."

OPG's "open-door" approach is working well. The company was deluged with responses when it asked employees to submit examples of ethical dilemmas for the training program. Employees are also free to contact Westcott's office when they're unsure of their position in a given situation.

"We get a lot of hypothetical questions, which is a sign that the code is working well," concludes Westcott. "People are getting the information they need to make informed decisions."

### Going the extra mile

Cominco Ltd. is another large Canadian company that has seen the benefits of applying consistent ethical standards to its business practices around the globe. The world's largest zinc miner and fourth largest refiner of metal, Cominco has operations in British Columbia, Nunavut, Alaska and Peru.

While many of its counterparts continue to tarnish the industry's reputation, especially those in developing countries, Cominco is setting a new global standard for ethical performance. Mining and metal refining are inherently "dirty" businesses, loaded with opportunities for environmental and safety-related disasters. Cominco met this challenge head-on and was rewarded for its efforts with an Ethics in Action award in 1998 for Ethical Decision Making.

"We were actually a little surprised when we won the award," says Graham Kenyon, former manager of environment and public affairs at Cominco's operations in Trail, B.C. "It's not every day that a mining company receives recognition in this particular category."

The award was presented to Cominco's Kenyon and Tom Wynn, chair of Local 480 United Steelworkers' Health, Safety and Environment Committee. The award recognized the performance of several Cominco environmental and public health programs over a set period of time. Common to all of the initiatives was a commitment to working with the union and the community.

"Our approach was to involve the union as a partner and the community for environmental issues and health," says Kenyon. "We got the community involved in a very significant way by giving them the power to have input and help us arrive at the right decisions."

Since Cominco's smelter at Trail is located near the United States border, the company took the unprecedented step of consulting with its American neighbours on emissions, since those emissions would clearly also affect them. The founding of the *Trail Lead Task Force* used this same cooperative approach to deal with longstanding lead contamination issues in the community.

"There was true cooperative involvement from all the parties: two departments of the provincial government, the City of Trail and parents from the communities. The process evolved, particularly with the union, to the point where it's become part of the company's overriding operating philosophy," says Kenyon.

Like Ontario Power Generation, Cominco prides itself on a single set of standards, no matter where it does business. Commenting in a story in

*Exportwise*, published by the Export Development Corporation, former Cominco Chief Financial Officer Glen Darou notes that conforming to a single ethical standard does pay off in terms of contributing to the bottom line.

"We don't have two sets of environmental standards," he says. "We have one that applies everywhere we operate," pointing to Cominco's facilities in Peru. "We took the time necessary to develop policies that were in tune with the country's culture and environment, and that still fell into line with our established standard," he says. "The result is a workforce that values their jobs and is committed to the company. These factors have helped create a more productive working environment."

### The holistic approach

Husky Injection Molding Systems Inc. is another company that knows the benefits of treating its employees, customers, suppliers and the environment with the utmost respect. Headquartered in Bolton, Ont., Husky is a supplier of injection molding systems. In its fiscal 2000, the company sold more than \$700 million (US) worth of equipment to customers who produce the world's plastic products, ranging from soft drink bottles and food containers to automotive parts and housings for cell phones and laptop computers.

Yet, in spite of its successful business and manufacturing activities, the lion's share of attention is usually paid to Husky's highly developed level of corporate social responsibility. Its campus-like manufacturing plants, generous and innovative employee benefits programs, and genuine commitment to the environment have traditionally attracted a great deal of media attention. The company has won numerous environmental awards, including the 1999 Ongoing Social Responsibility Award from Ethics in Action.

"We have certain core values which translate into ethically responsible behaviour," says Dirk Schlimm, vice president of human resources. "It's simple: Our people are important to us and we take a holistic approach."

People (not "employees") who work at one of Husky's three campuses (Bolton; Milton, Vermont; Dudelange, Luxembourg) enjoy such benefits as on-site child development centres, fitness programs that reward effort with extra time off, on-site medical doctors and naturopaths, and a "greenshares" program that gives employees company shares in exchange for their own work on environmental issues. Resource conservation and environmental protection are emphasized through numerous programs and policies.

"It's pretty difficult to throw something in the garbage around here," says Schlimm. "We divert 95 per cent of our waste." The company also had a sound basis for opening three large manufacturing facilities—larger plants enable more cost-efficient delivery of their generous reward programs.

The company's holistic value system has gone so far as to influence decisions about where the company locates its manufacturing plants. Rather than simply select the site or jurisdiction that offers the best deal or tax breaks, Husky looks at the big picture before it decides where to build. "We look at the quality of life that a location will offer the people who work for us," he says. "That was one of the main reasons we chose the site in Vermont. The area around Burlington has developed a solid reputation for its high quality of life."

Husky donates 5 per cent of its pre-tax profit to charities in the environmental, education and wellness fields. In its statement of purpose and values, the company sets out its goal to be: "a role model of lasting business success, based on our core values."

The company's values are simply stated:

- ◆ make a contribution;
- ◆ demonstrate proactive environmental responsibility;
- ◆ have a passion for excellence;
- ◆ show uncompromising honesty; and
- ◆ set bold goals.

"Those values influence our corporate strategies," says Schlimm. "They're the basis for our business practices and they guide the behavior of our people around the world. Along with all the good things they help us accomplish, they also give us a productivity boost that makes us more competitive."

Research carried out by the Canadian Centre for Social Performance and Ethics at the University of Toronto adds weight to Schlimm's declaration. This research confirms that over the long term, those companies that rate highest on ethics and corporate social responsibility are also the most profitable. In other words, if you're committed to business success, you'd be wise to make good ethical behaviour a core element of your operating philosophy. You'll look good not only in the eyes of your employees, but your shareholders and community as well. ◆

Ellen Gardner and Paul LeBel are Toronto-based freelance writers.

## Would your ethics program stand up to scrutiny?

Founded in British Columbia in 1994, the Ethics in Action Awards recognize businesses and individuals in business whose actions and decisions have made a positive impact on our communities. The program quickly gained prominence and nominees, and in 1999 an Ontario program was launched with Citizens Bank of Canada and Mountain Equipment Co-op as sponsors.

In late June, the Ethics in Action 2001 Award winners were announced at a ceremony at the Royal Ontario Museum in Toronto. Winners included ASSOCIUM Consulting (Ongoing Social Responsibility—Business), and Pfizer Canada Inc. and Try Recycling & Aggregates (co-recipients for Socially Responsible Decision-Making—Business).

Nominations for an Ethics in Action Award are open to businesses and individuals in Ontario and British Columbia. Companies and individuals can nominate themselves or another company and/or individual. For more information, contact Susan Antler at (416) 535-6710, or visit their website at [www.ethicsinaction.com](http://www.ethicsinaction.com).