



The Yas Viceroy Hotel, Abu Dhabi built by Carillion

Using BS 13500 to ensure that governance best practice is in place

This pilot case study reports on Carillion's experience of working with BS 13500 to test how the standard works, and to understand how effective it could be in helping implement better governance across an organization.

"BS 13500 is an effective tool to help us further enhance our governance systems. The standard is easy to use and offers value to any organization wishing to improve their approach to governance."

Tim George
Deputy Company Secretary,
Carillion plc

Carillion is a leading integrated support services company with a substantial portfolio of public-private partnership projects and extensive construction capabilities. It provides all the services needed to create and manage buildings and infrastructure, from project finance, through design and construction, to lifetime maintenance, facilities management, and energy efficiency.

Since the company was formed in 1999, it has delivered some of the UK's most prestigious buildings and infrastructure projects, including the Tate Modern gallery, five buildings on the Olympic Park in London, the Library of Birmingham and the design and construction of Terminal 5C at Heathrow. Carillion is a FTSE

250 company with annual revenue in 2012 of £4.4bn, 40,000 employees, and operations across the UK, in the Middle East and Canada.

Why the interest in BS 13500?

Carillion has rigorous processes and procedures in place and takes a lot of care with training programmes and embedding a risk aware culture.

Carillion wants to be at the leading-edge of governance best practice and for this reason was interested in pioneering the new standard. The company both wanted to confirm that it already has high standards of governance in place, and to see if it could find any areas for improvement.



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What is 'governance'?

The first step in writing BS 13500 was to define 'governance' in a way that would be both applicable to all organizations, and that would position governance as an activity for which leaders need to take responsibility.

In recent years, society's expectations of organizational behaviours and performance, and thus governance, have risen. This is partly in response to a steady stream of incidents and perceived abuses that have been ascribed – at least in part – to failures of governance.

BS 13500 has therefore adopted a definition that places governance into the context of accountability:

Governance is the system by which the whole organization is directed, controlled and accountable to achieve its core purpose over the long term.

BS 13500 is also clear that governance and management are not the same thing. Management is about 'getting the work done'. Governance on the other hand deals with the accountability of the whole organization to all of its stakeholders. Governance should also ensure that the organization as a whole fulfils its intended purpose, that the right purpose is pursued in the right way, and that the organization continuously develops overall.

Assessing the standard

To assess how useable and effective BS 13500 could be in practice, Carillion's Deputy Company Secretary, Tim George, and Assistant Company Secretary, Wes Maffei worked with a BSI-appointed governance expert to systematically review the standard.

BS 13500 is made up of five clauses.

Clause 1 covers the scope of the code and **Clause 2** the terms and definitions. These provide a context for the standard and clarify the language used. Carillion felt that this was a clear and useful introduction. Tim George commented, "The simplicity of the definitions is very good. In particular I like the fact that the code of practice has the name 'governance', because that broadens the scope to make it applicable to all organizations, and not just listed companies."

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Clause 3 introduces the idea that the components of effective governance – such as people, structures, policies and processes – should be held together in a single governance system (a system being a set of things that interact to form an integrated whole).

The standard also asks that the governance system is fully and accurately documented; that it incorporates accountability, direction and control; and that it's held in a central, accessible place so that components can be integrated and there's less risk of duplication and wasted effort.

Carillion had little difficulty with these requirements – for example, all its policies and procedures are accessible via its intranet – and to everyone, including Board members. In addition Carillion's Board members have information provided to them via a software application that gives instant access to board and committee packs via a secure web-based portal. However, where BS 13500 challenges Carillion is in its requirement to ensure all aspects of governance are integrated into a single holistic system. Possibly due to its size, Carillion has a collection of systems, which are nevertheless available in one place.

Clause 4 fully introduces the principles that underpin effective governance: namely **Governance Accountability**, **Governance Direction** and **Governance Control**. **Clause 5** contains the recommendations that deliver effective governance under these three headings.

Using BS 13500 to implement governance

Governance accountability

The standard wants organizations to recognize their accountability to stakeholders and to provide evidence that they are taking all the recommended steps. This includes identifying, consulting with and reporting to the wider stakeholder community. Carillion, for example, runs an annual survey to measure and track employee opinion. Likewise under the requirement to establish governance competency and capacity, Carillion's Board members undertake detailed performance evaluations of themselves, the Board as a whole, and its committees.

Wes Maffei, Assistant Company Secretary and Tim George, Deputy Company Secretary





Birmingham Library, built by Carillion

Under the requirement to recognize and respond to governance performance, Carillion has, for example, established 'Don't Walk By'. Wes Maffei explains, "This is a health and safety initiative that creates a culture of awareness and openness in which people have the confidence to identify and challenge unsafe acts and conditions and make suggestions for improvement."

Governance direction

The governing body needs to translate the organization's purpose and values into clearly established and regularly reviewed expectations. In Carillion's case, its Vision is communicated to all stakeholders via its website and is contained in the Annual Report. The company's values are communicated through other channels such as posters, Values cards, and individual business cards. Regular internal communications are sent to all staff such as the CEO's newsletter, company newspaper 'Spectrum', plus there are monthly Team Talks and other ad-hoc announcements via the Corporate Communications team.

Governance control

The governing body needs to make sure that control is clearly established and regularly reviewed. So, for example, Carillion's project reporting highlights potential variances and is provided to (i) senior management teams on a monthly basis and (ii) executive directors and senior management operate within clearly defined limits of authority delegated by

the Board and any matters outside these limits must be referred to the Board for consideration. The Audit and Remuneration Committees report to the Board on how each Committee has carried out its duties in accordance with its terms of reference. In addition, as part of the Board evaluation process, Board members are required to answer a number of questions relating to performance and internal controls.

The benefits of using BS 13500

Carillion thought that the standard would be a useful tool to help it improve its governance system. Moreover, it found BS 13500 easy to use and helpful, offering guidance on best practice and focusing users on the outcomes of good governance rather than on specific methods of achieving it. This is confirmation that BS 13500 offers value in helping organizations enhance their approach to governance – even when governance within the organization is already at a very mature and advanced stage.

BS 13500 also calls for requirements to be met in a way that's reasonable and proportionate, meaning that the standard can be used by any size of organization. In spite of the breadth and complexity of its operations, Carillion still found the standard scalable to its size and to its risk profile.

Finally, Carillion can see a positive reputational, marketing and business advantage to being able to demonstrate compliance with the standard through third-party certification.

Easy to use

To help organizations use BS 13500, the standard includes annexes which provide guidance, examples, a self-assessment checklist and an illustration of how the standard maps to the UK Corporate Governance Code.

What was learned

As a public limited company, Carillion already complies fully with the UK Corporate Governance Code (UKCG). Since BS 13500 maps on to the UKCG, Carillion had many of the requirements in place. Wherever a difference was noted between existing requirements and the guidance in the standard, Carillion felt that the requirement was reasonable and appropriate. It also thought that meeting any additional suggested best practice requirements from BS 13500 would be relatively easy – and a worthwhile exercise – and that they could be met as part of its day-to-day business process without any undue burden on the company's resources.

As a result of its experience of the pilot study, Carillion is now considering a more detailed review of its compliance with BS 13500. Thereafter, Carillion would like its compliance with BS 13500 to be certified by an independent agent.

About BS 13500 Code of practice for delivering effective governance of organizations

BS 13500 is a code of practice that clarifies the fundamental requirements of good governance. It provides guidance, examples and recommendations and is written so that organizations of any size can use it, from a sole-trader right up to a multinational plc.

Governance exists to make sure that organizations fulfil their purpose successfully on behalf of the people to whom the organization is accountable. It follows that to deliver effective governance, organizations should:

- a) clarify their purpose and values in consultation with those on whose behalf they exist;
- b) identify the risks involved in fulfilling their purpose in alignment with their values; and
- c) direct and control themselves in a way that enables proper reporting.

In publishing the standard, BSI acknowledges that there is a substantial amount of sector-level guidance on governance that already exists. But actually there is very little in the way of summary level definitions of the fundamentals of good governance. BS 13500 aims to address that deficiency. To do so, it provides more detail on the important principles that lie behind much

of the sector-specific guidance already published, and offers a baseline for every kind of organization, including those that don't currently have any sector-specific standards to turn to.

BS 13500 should be used by anyone concerned with the governance of an organization as a basic checklist to ensure that all the elements of a good governance system are in place. Organizations should also take any relevant additional or more sector-specific recommendations into account as well. Notwithstanding, if an organization can demonstrate that it is implementing all the recommendations contained in BS 13500, it can be confident it has a system in place for delivering effective governance.

About BSI Standards

BSI is the UK's National Standards Body and represents UK economic and social interests across all European and international standards organizations and in the development of business information solutions for British organizations of all sizes and sectors. BSI is responsible for originating many of the world's most popular management systems standards and publishes over 2,500 standards annually. These standards address the most pressing issues of today from clear billing to energy management and disability access to nanotechnology; spanning sectors

including aerospace, construction, energy, engineering, finance, healthcare, IT and retail. BSI's standards are underpinned by a collaborative and rigorous approach, working with industry experts, government bodies, trade associations, businesses of all sizes and consumers to develop the standards for excellence.

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About BSI

BSI (British Standards Institution) is the business standards company that equips businesses with the necessary solutions to turn standards of best practice into habits of excellence. Formed in 1901, BSI was the world's first National Standards Body and a founding member of the International Organization for Standardization (ISO). Over a century later it continues to facilitate business improvement across the globe by helping its clients drive performance, manage risk and grow sustainably through the adoption of international management systems standards, many of which BSI originated. Renowned for its marks of excellence including the consumer recognized BSI Kitemark™, BSI's influence spans multiple sectors including aerospace, construction, energy, engineering, finance, healthcare, IT and retail. With over 70,000 clients in 150 countries, BSI is an organization whose standards inspire excellence across the globe.



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