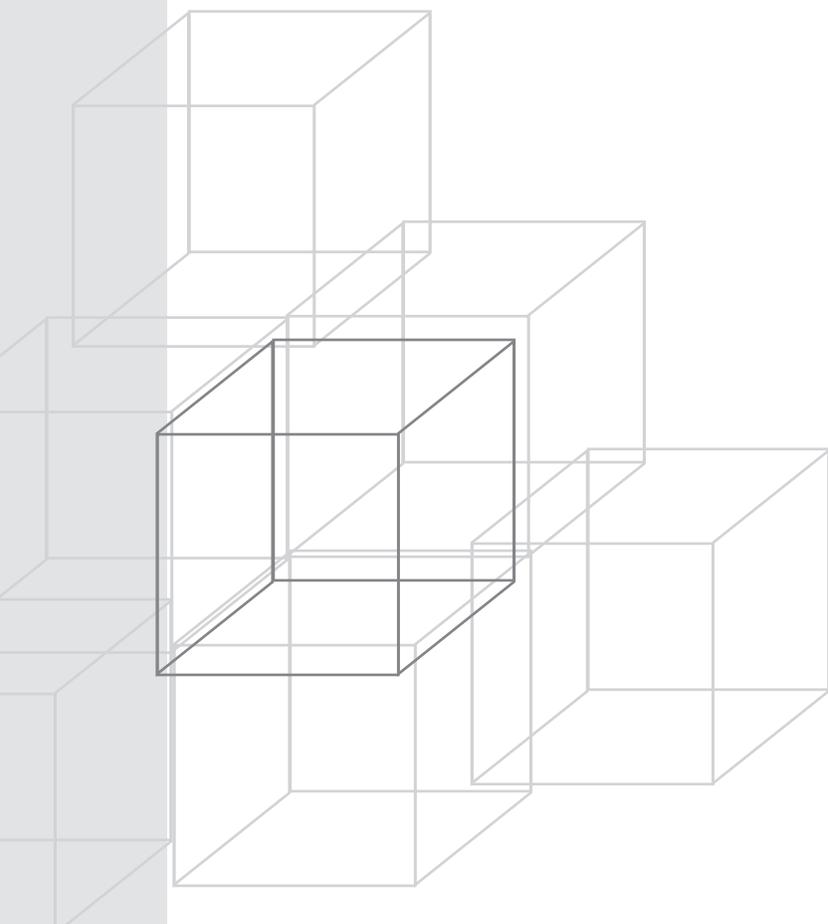


ACQ WHITE PAPER ON INTEGRITY IN CONSTRUCTION

CHAPTER I THE INTEGRITY PROGRAM: A TOOL FOR RE-ESTABLISHING TRUST



**ASSOCIATION
DE LA CONSTRUCTION
DU QUÉBEC**

September 2015

ACQ White Paper
on Integrity

Chapter I

The integrity program:
A tool for re-establishing trust

by the Association de la
construction du Québec

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A MAJOR CRISIS OF CONFIDENCE

In Québec, construction is a major industry, with investments in 2014 of nearly \$45,4 billion, or 12% of the province's gross domestic product (GDP).

The Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry uncovered various collusion and corruption schemes, whose main consequences were distorting the free market and open competition, increasing costs, and impacting public finances – to say nothing of the reputations of those who were directly or even indirectly involved.

These manoeuvres also cost the industry very dearly in terms of the trust and respect of tens of thousands of contractors and workers who saw their reputations tarnished and their pride undermined by unscrupulous individuals. These people have also been the target of anger, indignation, exasperation, cynicism and contempt from a growing number of citizens.

Clearly, there needs to be a recognition that due to the nature of the crisis, no legislative, regulatory or structural change can forever eradicate the potential for collusion and corruption, **nor can such measures rebuild integrity, a *sine qua non* condition of citizens' trust in institutions.**

Inspired by this pragmatic message, **the integrity program** created by the Association de la construction du Québec (ACQ) is the outcome of a rigorous, in-depth process which led us to conclude that **we must enhance professionalism among stakeholders in order to resolve a drastic lack of expertise, supervision and means.**

While we are all responsible for our actions, the industry must be proactive in order to project an image that truly reflects its values and its essential contribution to Québec society. In practice, all stakeholders need to equip themselves with appropriate tools for best using their judgment and assuming the obligations incumbent upon them with full transparency.

Manon Bertrand, MBA, CSO
President

“In the end, a few legislative changes will not suffice to transform things unless both institutions and citizens are called upon to contribute.”

- Honourable France Charbonneau,
progress report of the Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry,
January 2014



INTEGRITY : DRIVING FORCE OF CREDIBILITY

Since all parties are forced to work together and collaborate in order to restore the public's trust, **everyone must take concrete actions that go well beyond the strict compliance with laws and regulations.** Otherwise, clients and businesses will be hard-pressed to escape the climate of mistrust that permeates the industry.

In this situation, clients must possess the necessary means to make the best business decisions and minimize the risks to their reputation. On the other hand, construction companies must be able to dissociate themselves from the schemes that have tainted the entire industry, and to demonstrate the value of their savoir-faire to clients.

The key issue is to ensure **genuine competition**, by isolating offending companies and by properly equipping those that want to adopt and demonstrate healthy governance practices.

It is urgent that clients be able to:

- more easily discern reputable businesses;
- avoid major financial losses often linked with collusion, fraud and theft;
- manage the risks to their reputations;
- regain the trust of the various industry players and the general public by demonstrating their desire to work only with transparent businesses that operate in good faith.

Since a solution to this crisis would be short-sighted if it were not accompanied by major changes, companies must revisit their approaches to day-to-day management and transparency, and then advertise themselves as the best choice to handle clients' very specific requirements.

“The initiative by the Quebec Construction Association attests to its commitment toward public trust and the integrity and reputation of the construction industry. Undoubtedly, this white paper will help foster the acquisition of best practices and improve them in a continual and proactive manner.”

- Yves-Thomas Dorval
President and CEO of the Quebec
Employers Council
(Conseil du patronat du Québec)

ACQ MAKES A COMMITMENT TO CHANGE

Since 2010, the ACQ has committed to finding solutions to help the industry. As such, it tasked the Centre interuniversitaire de recherche en analyse des organisations (Centre for Interuniversity Research and Analysis of Organizations — CIRANO), with a research assignment that identified various methods for detecting and preventing collusion in public markets¹. This study was quoted from several times by Jacques Duchesneau in the anti-collusion squad report and submitted to the Charbonneau Commission.

Right away, the tool proved to be of interest, but for the ACQ, we needed to take it further. As such, in January 2013, the ACQ tasked CIRANO with a second mandate: **to suggest solutions that will help honest entrepreneurs to demonstrate their integrity.**

One year later, CIRANO submitted its report, in which it recommended the creation of a collective action model to fight industry corruption. The approach it proposed is inspired by a guide developed by the World Bank Institute, which in turn showcases a model put into place by the Bavarian Building Industry Federation in Germany.

This proposal led to an effective partnership, which enabled the ACQ to implement:

- an integrity program tailored to the realities of the construction industry;
- a professional assistance service for companies;
- easy-to-use tools tailored to the industry;
- an independent certification process.

“I want to underscore the fact that you caught the ball on the bounce. You took this idea all the way. It’s not what you say that counts, it’s what you do. In this sense, I really want to acknowledge the ACQ for having done something tangible.”

- Diane Lemieux
President and CEO,
Commission de la construction
du Québec (CCQ)
Fall 2014 ACQ conference

¹ CIRANO, Youri Chassin and Marcelin Joanis
Détecter et prévenir la collusion dans les marchés.
<http://www.cirano.qc.ca/pdf/publication/2010RP-13.pdf>

² World Bank institute. *Fighting Corruption through Collective Action. A guide for business*, 2008, 89 pp.
http://info.worldbank.org/etools/docs/antic/Whole_guide_Oct.pdf

THE STEPS OF THE ACQ INTEGRITY PROGRAM

The ACQ integrity program is a unique model in Québec that combines tangible business management tools with training on ethics-related decision-making. To ensure that the integrity program is tailored to Québec realities, pilot projects were carried out with six companies of different sizes and types of expertise. The analysis carried out by the CIRANO team, completed in February 2015, indicates that this experimental phase helped “strengthen the integrity program’s credibility.”

The program’s main steps are:

1. COMMITMENT FROM MANAGEMENT

Does the company commit to actively taking part in implementing measures within the organization in order to supervise, promote and improve ethical business practices?

2. APPOINT PROGRAM MANAGERS

Who will act as an integrity officer to oversee the program’s implementation and viability within the company? Who will act as a reference person for staff members with questions?

3. CARRY OUT THE INITIAL DIAGNOSIS

Does the company have clear rules of conduct? Do employees know about behaviours that are prohibited or encouraged in the workplace?

4. DETERMINE VALUES

What are the values that are most important to the company? How can they be worked into everyday operations?

5. DEVELOP A CHARTER OF VALUES AND A CODE OF CONDUCT

What is the company’s mission and vision? What internal policies are in place? What actions should be taken so that its operations comply with ethical standards? What sanctions will be implemented against wrongful behaviours?

“The construction industry represents annual investment of almost \$50 billion. Major projects are ahead of us. I congratulate the ACQ to have gone ahead with the drafting of the White Paper, rich in content and actions for the integrity of this important driving force of our economy.”

- Françoise Bertrand, O.C., C.Q.
President and Chief Executive Officer
Fédération des chambres de commerce du Québec

6. DEFINE THE RISKS

What are the ethics and integrity risks that may arise within the company (theft, extortion, harassment), particular to each employee – office workers and site workers alike – and to the activities related to their positions?

7. CREATE SIMPLE YET RIGOROUS PROCESSES

- **Conflict-of-interest declaration forms**
to pre-empt situations in which employees' interests could affect their judgment and loyalty to the company.
- **Registry for gifts, donations, solicitations and hospitality**
to maximize transparency in all types of transactions with suppliers, business partners, and more.
- **Customer satisfaction cards**
to allow clients to convey their level of appreciation of the quality of the work performed, the professionalism of work site employees, and more.
- **Approval and signature policy**
to subject contract authorization to the appropriate controls and minimize the risk of financial losses due to fraud, for example.

8. TRAIN HIGH-RISK PEOPLE

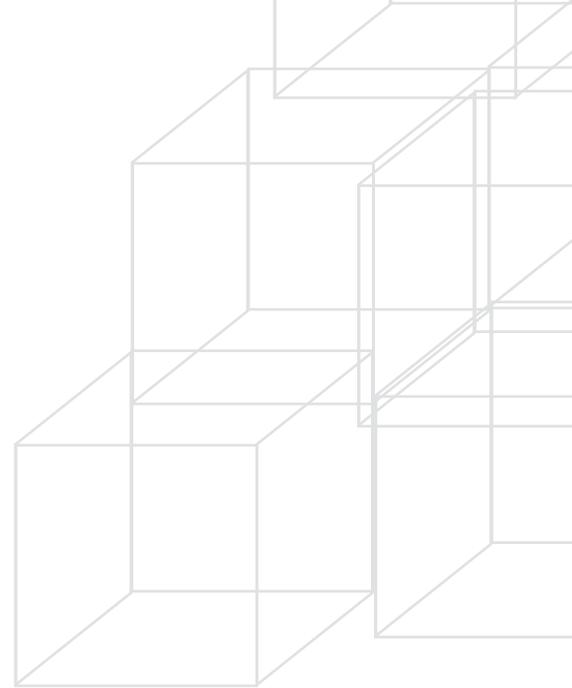
What are ethics, integrity and transparency?
How do you make an "ethically defensible" decision when faced with a delicate situation?

9. INFORM AND RAISE AWARENESS AMONG ALL EMPLOYEES

Explain the changes to come, and the nature and operation of new processes?

10. CERTIFICATION AUDIT AND RENEWAL

Prepare the application for certification and follow up to maintain it, as needed.



“Not only does an effective anti-bribery programme help mitigate this risk, it also strengthens reputation, builds the respect of employees, raises credibility with key stakeholders and supports an enterprise’s commitment to honest and responsible behaviour.”

- Transparency International
Business Principles for Countering
Bribery, 2013

PERSONALIZED ASSISTANCE SERVICE

Since more than 80%³ of construction companies comprise five or fewer employees, many of them do not have the time, materials or resources to put such a system into place on themselves. For this reason, the ACQ's assistance service is a crucial element in implementing the program. ACQ professionals have created an **"Integrity Kit," a turnkey product**, that includes:

- Templates to personalize for each of the suggested documents (charter of values, code of conduct, register of gifts, solicitations and donations, signature and approval policy, etc.);;
- Explanatory sheets for writing the templates and practical tips for implementing them;
- Communications strategies for disseminating the initiative to both employees and business partners;
- Personalized information and follow-up meetings with ACQ professionals;
- Training provided by an ethics expert;
- Assistance with preparing applications for certification and follow-up to maintain certification, as needed.

**"At the start, I didn't feel that Régulvar was vulnerable, but after going through the ethics matrix with various players around the table each holding different positions, it became clear that everyone is vulnerable (...)
I am very pleased with what we've done."**

- Marc Dugré, Eng.
President, Régulvar inc.
Laval, Québec

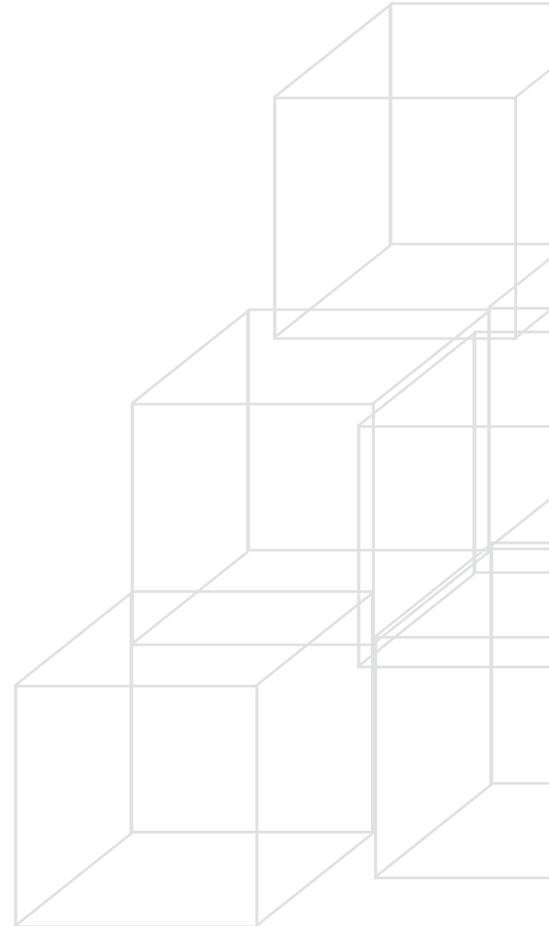
³ *Number of employers, hours worked and payroll based on the average number of salaried employees, 2013*
Commission de la construction du Québec, April 2014

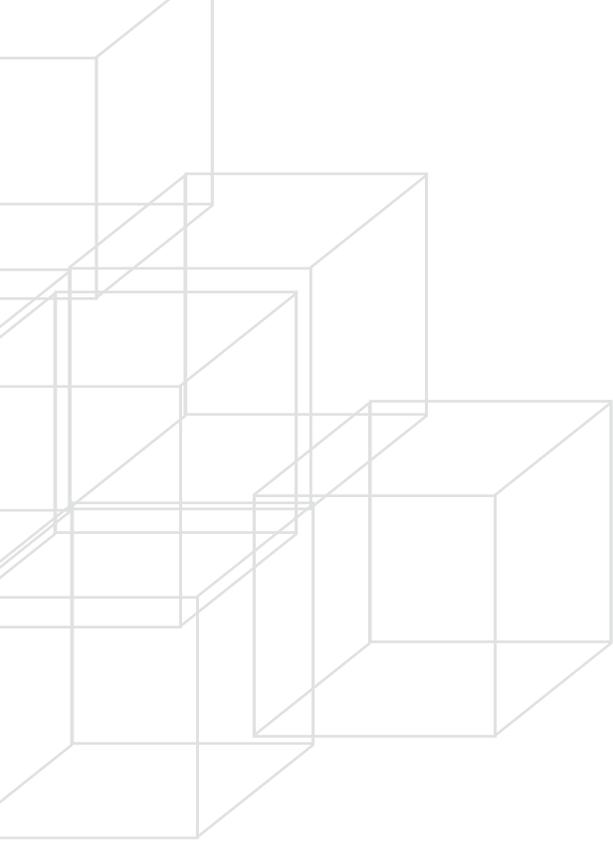
THE CERTIFICATION PROCESS

The certification program is currently being developed. The ACQ favours the creation of an independent, not-for-profit organization tasked with auditing, checking and certifying the businesses that take part in the program.

The independent organization's responsibilities could be to:

- ensure that the requirements for business certification are met and maintained. Such businesses would need to:
- possess the competence to operate in the construction industry;
- not be listed in the Registre des entreprises non admissibles aux contrats publics (Register of enterprises ineligible for public contracts – RENA);
- not hold a limited licence, and be able to prove that their finances are subject to a rigorous annual audit by an independent expert.
- Carry out audits and attest that the integrity program implemented by the company respects the requirements and procedures for obtaining certification. The auditors would prepare a report with their recommendations, which will be conveyed to the certification committee;
- Review the file and decide whether or not to grant certification to the company.
- Ensure that the company maintains its certification conditions until the set renewal date.
- Circulate the names of companies that have obtained and/or renewed their certification, as appropriate.
- Ensure that the certification program's content is kept up-to-date and continually improved.





INTEGRITY: IT'S EVERYBODY'S BUSINESS

Drawing on a mix of recognized expertise sources to help maximize both the program's content quality and viability, the ACQ has discussed, tested and perfected the integrity program in collaboration with:

- CIRANO;
- the Institut sur la gouvernance d'organisations privées et publiques (Institute for Governance of Private and Public Organizations – IGOPP);
- Bernard Lapierre, philosopher and ethicist, who teaches at Polytechnique Montréal;
- Lyne Pelletier, quality, ethics and development consultant

As well, in the spring of 2014, six ACQ member companies – varying in size from 5 to 500 employees – agreed to take part in pilot projects:

Construction Albert Jean Ltd., Construction SRB s.c.c., Création Design et Accessoires, Groupe CVC, Produits Métalliques PMI and Régulvar.

These experiences seem to prove that a crisis such as the one our industry is currently undergoing is, to be sure, a significant problem with clearly felt consequences; but, at the same time, it has served to challenge the lax approach and social disengagement that had too long guided certain business practices.

While contractors must win back lost trust by implementing healthy governance practices, this culture change must be driven by **effective methods that rely on principles of sustainable development in order to foster companies' economic longevity.**

To accomplish this, all stakeholders must contribute, so that the new rules of the game truly fit with the construction industry's values and needs. Still in its infancy, **this collective action will grow quickly, guided by those who choose to get involved in the project rather than stand on the sidelines.**

The ACQ now wants to ensure engagement by clients in both the public and private sectors. There remains much to accomplish, and new partnerships are key. Clients need to have a voice in this process, among others by getting involved in managing the independent organization that will lead, audit, certify and re-evaluate the set of processes that entrepreneurs must follow.

Let's learn from our experiences, and let's all put our shoulders to the wheel to help the Québec construction industry – a key pillar of our economy – in its recovery.

“Strategically, using Collective Action is a tangible demonstration of a company’s commitment to many of the principles underlying corporate social responsibility and “effective” compliance program activities.”

- World Bank Institute
Fighting Corruption through
Collective Action
A guide for business, 2008

WORKING WITH AN INDUSTRY THAT DEMONSTRATES ITS INTEGRITY

As a client, what are the benefits to taking part in the integrity program?

- As a client, what are the benefits to taking part in the integrity program.
- Avoid the major financial losses that often accompany collusion, fraud and theft.
- Earn back trust among the various industry players and the general public by demonstrating your desire and commitment to working only with transparent companies that operate in good faith.
- Equip yourself with tools to help you comply with the imposed contract management policies, codes of conduct or internal regulations.

What are the concrete advantages of the integrity program for entrepreneurs?

- Set yourself apart from competitors with a risk-management system that's validated by a rigorous certification process.
- Satisfy the growing demand from clients in this regard.
- Consolidate an application for Autorité des marchés financiers (AMF) authorization.
- Attract and retain a competent labour force.

How can I get involved in the ACQ's integrity program?

We invite interested clients to support the ACQ in two ways: by helping to build the NPO as a director or voting member, or by communicating your support for the program and by telling your business partners about your interest.

What are the differences between the ACQ's integrity program and ISO certifications?

According to the accounts gathered, introducing and running an integrity program is simpler than implementing the criteria required by ISO certification. However, businesses that hold ISO certification will have an advantage at the integrity program's implementation stage, since several steps are complementary and dovetail perfectly with the processes required by ISO.

Is the integrity program redundant, considering the adoption of the *Integrity in Public Contracts Act*?

AMF authorization attests to the serious investigation to which the company and its directors were subjected. The integrity program demonstrates the company's commitment to putting the necessary tools into place to be able to react promptly to complaints that may be made about it, and shows the company's concern with protecting its customers and the risks to its reputation that may come with doing business with at-risk suppliers.

AMF authorization is also distinct from an integrity program in that it does not constitute a company's voluntary, public commitment to foster the development and maintenance of a culture of integrity with its employees.

As well, the program helps all types of companies demonstrate their integrity. Companies that work with clients other than the municipalities and Québec public organizations targeted by the law (private sector, federal government, or work outside Québec) can set themselves apart from the competition with the integrity program.

WORKING WITH AN INDUSTRY THAT DEMONSTRATES ITS INTEGRITY

Do the *Integrity in Public Contracts Act* and its rules of application prevent a public client from requiring that a future project bidder have an integrity program in place within its company, and if so, that such a program be subject to certification?

Nothing in the *Integrity in Public Contracts Act* or its rules of application, nor in the laws applicable to Québec cities and municipalities, prevents a municipality, a school board or a public organization from requiring that a bidder have an integrity program in place within its company, or from recognizing a certification for such programs as appropriate, whether in the context of an open call for bids or a qualification process.

ACQ INTEGRITY

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