

The FIEC Principles for Sustainability

Les Principes de la FIEC relatifs
au Développement Durable

Die Nachhaltigkeitsprinzipien der FIEC



European Construction Industry Federation
Fédération de l'Industrie Européenne de la Construction
Verband der Europäischen Bauwirtschaft

The FIEC Principles for Sustainability

Introduction to the FIEC Principles for Sustainability

What does “sustainability” mean?

The on-going debate about “Sustainable Development” is nothing really new. It was first formally enshrined in the report of the World Commission on Environment and Development, “Our Common Future” in 1987 which defines sustainable development as *development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

From this definition it follows that for construction firms “sustainability” implies the capacity to endure as viable organisations by renewing assets, creating and delivering products and services that meet the evolving needs of society, attracting successive generations of employees and entrepreneurs, contributing to a flourishing environment whilst retaining the trust and support of customers, shareholders and communities. In other words, striving for *sustainability* is a continuous process of change.

Whilst it remains paramount for companies to be economically viable through generating an adequate return on capital they are increasingly expected to assume greater *social responsibility* towards all stakeholders in addition to *protecting the environment.*

With increasing frequency, diverse stakeholders ask for the disclosure of information going beyond traditional financial reporting so as to allow them to better identify the success and risk factors inherent in a company and its responsiveness to public opinion. Companies are increasingly reacting to these challenges by issuing *sustainability reports.*



Why is sustainability important for enterprises?

Pressures on corporations to establish and maintain high standards of internal governance are accelerating.

As society witnesses the growing influence of corporations in driving economic, environmental and social change, investors and other stakeholders expect the highest standards of ethics, transparency, sensitivity, and responsiveness from corporate executives and managers. Governance systems are increasingly expected to extend

beyond their traditional focus on investors to address diverse stakeholders. Effective corporate governance depends on access to relevant, high quality information that enables performance tracking and fosters new forms of stakeholder engagement.



Socially responsible initiatives by entrepreneurs have a long history in Europe. What distinguishes today's understanding of sustainability from the initiatives of the past is the attempt to manage it strategically and to develop instruments for this. It implies a business approach, which puts

stakeholder expectations and the principle of continuous improvement at the heart of business strategies.

History has taught us that market economies are the most efficient means of organising work and production. Experience on the other hand, increasingly teaches us that sustainability relates to confidence, and that without confidence no business is possible, and without business no company can survive. One of the most important drivers of sustainability is the management and prevention of risk. Issues that were once considered *soft* by investors and managers (e.g. human rights, community relations, environment, health and safety, gender issues, etc.) are now *hard*. They may also be very costly, not only in financial terms but also because they may influence a

company's licence to operate and its acceptance by society at large.

The test of *sustainability* provides the reference against which everything a firm does can be judged. To be *sustainable*, an organisation cannot exist in isolation but must manage its wider impact and its contribution to society. This implies defining core values, enshrining them in policies and then applying them through specific controlled management processes. Taken in its entirety, the processes thus developed should constitute a system of corporate governance that enhances responsible decision making.

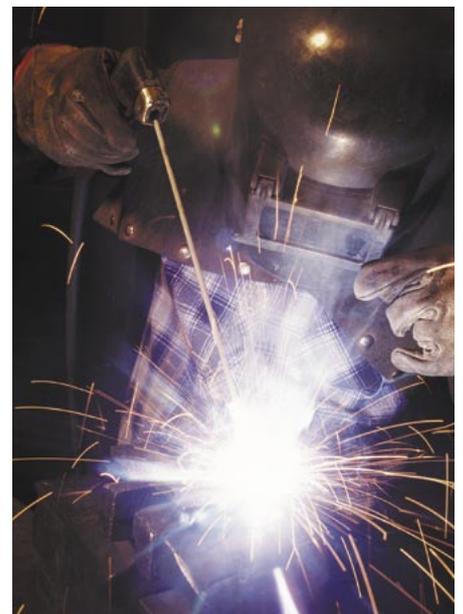
The fundamental core value for any firm should be to maximise stakeholder value, notably that of shareholders. This is easily identified but involves complex demands, such as:

- >> Developing strategies for competitive advantage and so creating value;
- >> Building a sustainable organisation operating in a sustainable world.

Why is sustainability important for construction enterprises?

The construction industry is characterised by its extensive supply chain and its numerous stakeholders. The sustainability issues of concern to construction firms are wide-ranging and include such matters as health and safety, multiple environmental aspects, community development, social accountability, ethics and integrity, labour rights and corruption, and stakeholder engagement.

The fact that the construction industry is Europe's largest industrial employer implies that it has specifically more extensive social responsibilities than all other industrial sectors. Moreover, the fact that construction accounts for around 50%



of Europe's annual capital investment, implies that its immense environmental impacts need to be carefully managed.

The construction industry is able to provide solutions for most of these economic, social and technical challenges resulting from these impacts, but at the same time it emphasises that a joint effort of all actors concerned is necessary in order to achieve more realistic and sustainable results.

A recent survey¹ has shown that the importance of having sound sustainability policies is still not fully understood. For the construction industry in particular, more efforts by an increasing number of firms in terms of publishing sustainability reports on a regular basis, could do much to improve the industry's image and thus help it in improving the health and safety of its workforce, training, and attracting new recruits. Younger people are increasingly concerned with the overall ethos and values of the company they choose to work for, demonstrated – according to some reports - by the fact that the sustainability section on company websites receives the greatest number of hits from graduates and potential employees.



Through adherence to the accompanying FIEC Principles, construction firms, as part of an industry characterised by an extensive supply chain operating in many fields of activity, should be better able to strive for, communicate, and ultimately become more sustainable.

Why should sustainability concern small and medium-sized enterprises?

It is quite true that much of the recent debate about sustainability has concerned larger firms, often ignoring the specific needs and characteristics of small and medium sized enterprises (SMEs) which make up over 97% of

¹ KPMG Survey November 2004

the construction industry. Never-the-less, sustainability is not irrelevant to SMEs, but the way in which SMEs manage sustainability, and the benefits they obtain from it, can sometimes be quite different to the experience of larger firms. Many SMEs apply progressive social and environmental policies, but without specifically referring to sustainability and often without communicating what they do.

It is also quite true that SMEs often do not feel inclined to draw up and publish lengthy and detailed reports that would be expected of a major public company. In practical terms, SMEs are better advised to carefully consider their position in the market place, the image they wish to portray to stakeholders, and then begin by drawing up and publishing a text tailored to these requirements upon which they can build.

Taking a stand and reporting on progress

Codes of conduct are innovative and important instruments in taking a stand for the promotion of sustainability. Increasingly construction firms are finding it helpful to draw up codes of conduct for the guidance of their own staff members that are simultaneously addressed to clients and other stakeholders as an expression of the firm's policy and commitment to continuous improvement in performance.

As a minimum, a code of conduct could explain an enterprise's commitments in terms of its approach to business ethics, its employees and the environment. It is vital that the whole construction supply chain is engaged in such commitments, from the client through the contracting authority, the project manager, the enterprise down to each subcontractor and supplier, as all are entirely interdependent for the successful implementation of the principles of sustainable development.



When reporting on progress towards sustainability there is no “one-size-fits-all”. In order to be successful, procedures and strategies need to be developed from within each organisation and be adapted to its specific characteristics and circumstances. A good starting point is to take a

look at what other firms are doing by visiting: <http://www.sustainabledevelopment-reports.org/>

Another point of reference, especially for the larger firms, is to consider making use of the *Sustainable Reporting Guidelines* published by the *Global Reporting Initiative* (GRI) which can be downloaded at the following site: <http://www.globalreporting.org>

Also available at this site is the “High 5! Handbook”, GRI’s new publication for SMEs on sustainability reporting first published in November 2004.



The FIEC Principles for Sustainability

Whereas Corporate Social Responsibility should be considered as a component of Sustainable Development; and

Whereas Sustainable Development is a concept based on a structure which stands on 3 pillars: namely economic, social and environmental; and

Whereas the social and environmental pillars can only exist in a healthy economic environment, which is a prerequisite for sustainable development; and

Whereas a well balanced interface between these 3 pillars is essential to ensure that construction enterprises and all other stakeholders in the sector are able to contribute effectively towards the main goal of the "Lisbon Strategy", namely transforming the European Union into "(...) *the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion*"; and

Whereas, as recognised in the framework of the renewed "Lisbon strategy", considerable progress has already been made in Europe in the environmental and social fields, future measures should be increasingly focused on the economic pillar in order to reach such a more competitive and dynamic stage of development; and,

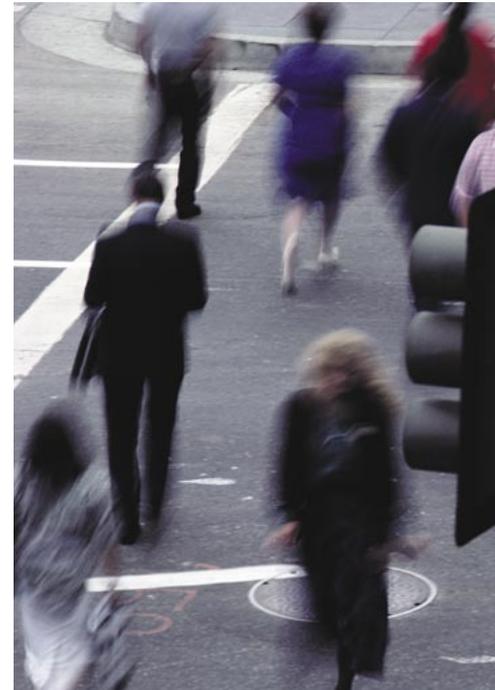
Whereas construction activities involve significant economic, social and environmental impacts; and

Recognising for the economic pillar:

- >> that the construction industry accounts for an estimated 9,9% of GDP and provides 50,8% of Europe's gross fixed capital formation; and
- >> that in order to develop in a sustainable manner, legislators and public authorities should ensure that firms are able to operate within an adequate and balanced regulatory framework and a fair competitive environment; and
- >> that a prerequisite for sustainable development is a healthy economic environment, in which enterprises can develop their commercial activities and raise their profitability; and

Recognising for the social pillar:

- >> that its 2,4 million enterprises (EU 22)², of which 97% are SMEs with fewer than 20 employees, makes the construction industry Europe's largest industrial employer, thus implying significant responsibility for social issues, in particular training, health and safety; and
- >> that its estimated 14 (EU 22) million operatives account for 7,2% of total employment; and



Recognising for the environmental pillar:

- >> that some 50% of the raw materials taken from the Earth's crust are used in construction; and
- >> that the built environment produces approximately one third of all greenhouse gas emissions; and
- >> that waste arising from construction and demolition activities constitutes one of Europe's largest waste streams, the larger proportion of which is however recycled; and
- >> recalling also the principles set out in FIEC's Charter³ for the Environment adopted on 26th May 2000 in Luxembourg; and

Whereas the construction sector together with its stakeholders, is able to provide solutions for most of these economic, social and environmental challenges;

FIEC calls upon clients, authorities and all other stakeholders to make use of the sector's capacities in order to achieve maximum progress, while ensuring that society's needs in terms of buildings and infrastructure networks are increasingly carried out in a sustainable manner; and furthermore

FIEC, its member federations and the construction enterprises they represent, in striving to adhere to the principles of sustainable development, CONFIRM THEIR COMMITMENT to work together with all the industry's stakeholders, clients, workers, suppliers, public authorities and all parties involved in the construction process, towards the continual improvement of the economic, social and environmental performance of the industry; and

FIEC further confirms that this will be achieved even better by those enterprises committed, on a voluntary basis, to a process of enhancing their performance in terms of corporate social responsibility by going beyond minimum legal requirements, according to their size and capacities, and through progressive adherence to the principles outlined herein; and



That these principles have been developed specifically for the construction sector and take into consideration the broader well established relevant European and international initiatives.

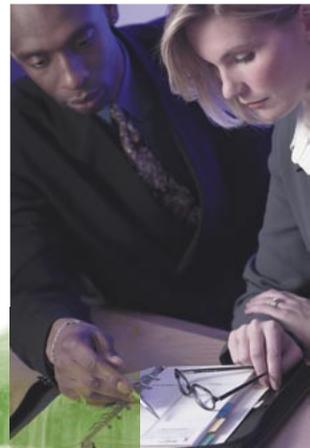
² Figures 2004 excluding Latvia; Lithuania and Malta

³ <http://www.fiec.org>

THE PRINCIPLES

FIEC through its member federations recommends the following principles for implementation by construction enterprises on a voluntary basis:

1. Promoting improved relationships with stakeholders through adhering to the ethical principles of mutual respect, honesty, integrity and transparency in business relationships while striving to develop and maintain economically sound and prosperous business practices throughout the supply chain
2. Promoting a high level of quality management of products and processes
3. Promoting a solid economic basis for the purposes of raising productivity and improving economic, social and environmental performance through making use of improved risk management techniques, as well as taking into account whenever possible, the total life cycle costs of construction projects including their maintenance and operation
4. Promoting investment in research and development and dissemination of innovation
5. Promoting freedom of association, the right to collective bargaining and equal treatment of people regardless of gender, nationality, religious beliefs, or ethnic affiliation
6. Promoting and continually improving health and safety procedures while striving for a zero accident rate, and mitigating their effects should they occur
7. Promoting training and continuous professional development of all employees
8. Promoting responsible community relations wherever construction activities take place
9. Promoting more environmental management strategies, notably through eco-design and the reduction of the environmental impact of construction activities and built facilities generally, whilst also promoting innovative environmental and energy efficient techniques, reducing water and energy use, ensuring where appropriate that materials used are taken from sustainable sources, re-using and recycling surplus or residual materials, progressively phasing out the use of hazardous substances, as well as preserving both biodiversity and Europe's cultural heritage
10. Promoting progressively whenever feasible, reporting mechanisms in order to measure and communicate sustainability performance in relation to established benchmarks and new targets and to put in place policies for on-going improvements.



The Representatives of the FIEC Member Federations

Les Représentants des Fédérations Membres de la FIEC

Die Vertreter der FIEC Mitgliedsverbände

>> Brussels, 16 June 2005

A - BI Bau



BG - BBCC



CZ - SPS



DK - Dansk Byggeri



F - FFB



GB - The C.C.



I - AGI



L - GEBTP



P - AECOPS



ROM - ARACO



SK - ZSPS



EFFC



A - FVBI



CH - SBV/SSE



D - HDB



E - SEOPAN - ANCOP



F - FNTP



GR - PEDMEDE



I - ANCE



N - EBA



P - AICCOPN



S - BI



TR - TCA



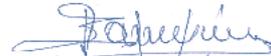
IL - ACBI



B - Confédération Construction /
Confederatie Bouw



CY - OSEOK



D - ZDB



EST - EEEL



FIN - CFCI



H - EVOSZ



IRL - CIF



NL - Bouwend Nederland



PL - UNI-BUD



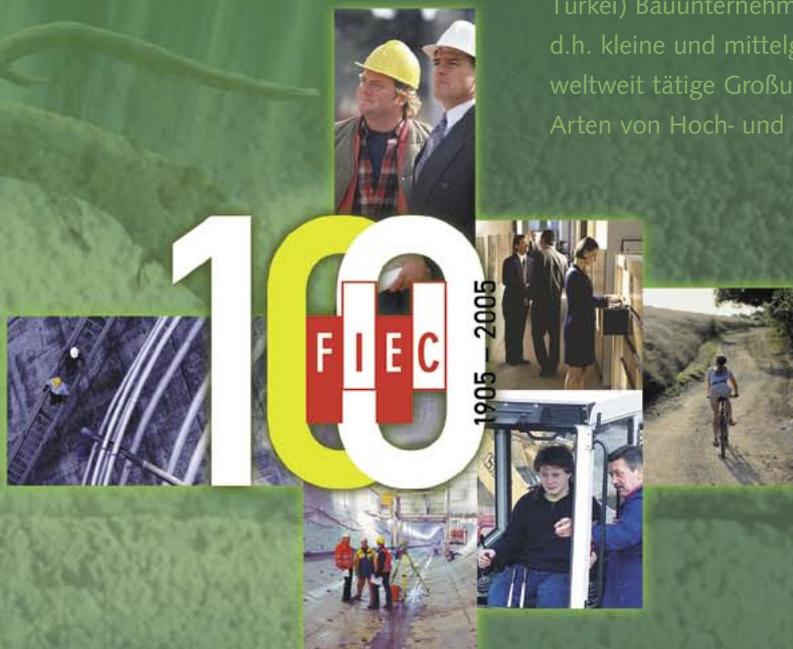
SLO - CBMA



FIEC is the European Construction Industry Federation, representing via its 33 national Member Federations in 27 countries (24 EU & EFTA, Bulgaria, Romania and Turkey) construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as "global players", carrying out all forms of building and civil engineering activities.

La FIEC, Fédération de l'Industrie Européenne de la Construction, représente, par le biais de ses 33 fédérations membres nationales dans 27 pays (24 Etats Membres de l'UE et de l'AELE, la Bulgarie, la Roumanie et la Turquie) des entreprises de construction de toute taille, c'est-à-dire des petites et moyennes entreprises, ainsi que des «acteurs globaux» de toutes les spécialités du bâtiment et du génie civil.

Die FIEC ist der Verband der Europäischen Bauwirtschaft, der über seine 33 nationalen Mitgliedsverbände in 27 Ländern (24 EU- & EFTA-Staaten, Bulgarien, Rumänien, und Türkei) Bauunternehmen aller Größenordnungen, d.h. kleine und mittelgroße Unternehmen sowie weltweit tätige Großunternehmen, vertritt, die alle Arten von Hoch- und Tiefbautätigkeiten verrichten.



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