



**Asia-Pacific  
Economic Cooperation**

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Agenda Item: 3

**The Hanoi Principles for Voluntary Codes of  
Business Ethics in the Construction and  
Engineering Sector**

Purpose: Consideration  
Submitted by: SMEWG Chair



**Concluding Senior Officials' Meeting  
Hawaii, United States  
8-9 November 2011**

# The Hanoi Principles

*For Voluntary Codes of Business Ethics in the  
Construction and Engineering Sector*

## **I. Introduction**

Conducting business ethically and with integrity, throughout the project life cycle, is in the best interest of construction and engineering companies and associations as well as for clients and citizens in the economies of the APEC region. This behavior promotes quality output. In addition, companies that do not conduct their business appropriately damage the reputation and competitiveness of the whole construction and engineering industry. At the same time, companies that compete with, and lose to, those companies who do not conduct their business appropriately may become frustrated and discouraged from further participation in future projects.

To help foster a high-integrity construction and engineering industry across the region, the APEC SME Construction and Engineering Experts Working Group (EWG), with representation from all 21 APEC economies, has developed the Hanoi Principles for Voluntary Codes of Business Ethics in the Construction and Engineering Sector (Hanoi Principles or APEC Construction and Engineering Principles) that promote a fair marketplace through ethical business conduct. These Principles help to facilitate an open and transparent business environment, free from corruption and undue influence, enhancing the ability of companies, especially small and medium sized companies, to participate in global markets.

In consideration of the various definitions of SMEs throughout the APEC region, this document provides guidance for how companies may voluntarily develop a practical and effective compliance program to implement the principles.

In these Principles, company includes both the company as well as its owners.

## **II. Principles**

### **A. Compete Fairly; Act Honestly; Execute with Integrity**

The company shall conduct its business honestly and fairly, at all times, complying with all applicable laws and statutes in each economy, and not participate in anti-competitive practices including bid rigging or engaging in the improper exchange of confidential information. It shall deal with clients, suppliers, partners and subcontractors professionally and based on their competitiveness and capabilities. In turn, the company should expect them to act in manner consistent with this set of principles. The company shall execute its work to the agreed (contractual) standard and meet applicable construction codes and standards in each economy.

### **B. Transparency and Accountability**

The company shall be transparent in its business dealings, such as by declaring any conflicts of interest or related party transactions. The company shall respect and

protect the intellectual property rights of all interested parties and maintain, handle and process confidential commercial information with utmost care and in accordance with applicable laws. The company shall be accountable at all times to its owners, workers, clients and other stakeholders.

**C. Bribery and Undue Influence**

The company shall prohibit bribery in any form. Bribery is giving or promising to give anything of value directly or indirectly to improperly influence actions of an interested party. The company shall not receive or provide any improper benefits. Entertainment or gifts should be limited to accepted and legally permissible business practices and never with the intent to improperly influence a business decision or create a conflict of interest or the appearance of impropriety.

**D. Health and Safety**

The company shall provide a healthy and safe work environment, minimize exposure to health risks and operate in compliance with applicable worker health and safety laws in each economy.

**E. Environmental**

The company shall conduct their operations in an environmentally responsible manner and in accordance with applicable environmental laws in each economy. It shall try to limit any harm to the environment and protect the quality of life and safety of communities affected by its activities.

**F. Treatment of Workers**

The company shall treat all workers with dignity, respect and fairness and respect the diversity of the workforce in accordance with the applicable laws of each economy.

**G. Community Engagement**

The company shall encourage community engagement to help foster social and economic development and will be sensitive to, and respectful of, local customs practices, and resources.

**III. Implementation**

The company is encouraged to develop effective tools and programs, reflecting its size, potential risks and locations of operations, which articulates the values, policies and procedures to be used to enact these principles.

In implementing these principles it is expected that all companies shall practice and promote ethical business conduct. However, smaller companies are not expected to have formal policies and controls that are expected of a larger organization. Smaller companies may implement these principles by informal means. For example, oversight and monitoring may be done in the ordinary course of managing the business

The key components of a program should include the following elements.

**A. Commitment**

The company and its management should be fully committed to developing and implementing a business ethics compliance program. Senior management and/ or owners should be clear in their commitment and, by example, demonstrate their expectation that employees will follow established policies. The company is encouraged to exercise due diligence to prevent and detect inappropriate conduct and effective programs to promote an ethical culture throughout the organization.

**B. Oversight**

The company is encouraged to provide for vigilant oversight of the company's compliance with the principles.

**C. Policies and Procedures**

The company is encouraged to develop and/or adopt clear, meaningful and useful policies, guidance and tools, as appropriate, which are consistent with the principles and take necessary steps to ensure that policies and procedures are understood.

**D. Training and Communication**

The company is encouraged to provide regular and effective training, communication and education on the APEC Construction and Engineering Sector Principles, and related company policies, and to take necessary steps to ensure that such training and communications are understood.

**E. Monitoring**

The company is encouraged to establish appropriate monitoring and auditing mechanisms, to ensure compliance and take corrective action.

**F. Reporting Mechanisms**

The company is encouraged to create proper reporting mechanisms for employees to raise good faith ethical concerns or questions, without fear.

## **G. Business Relationships**

The company is encouraged to communicate its policies consistent with the principles to third parties.

## **H. Advocacy and Promotion**

The company is encouraged to promote and advocate its ethical commitments outside of the company.

## **Recommended Practices for Economies**

APEC economies should encourage construction and engineering companies to adhere to the APEC Voluntary Principles for a Construction and Engineering Sector.

APEC economies are encouraged to work collaboratively to enhance laws and regulations to support ethical practices.

APEC economies are encouraged to implement the APEC Non Binding Principles (NBPs) on Government Procurement, when developing and administering public construction and infrastructure projects as well as the APEC Transparency Standards on Government Procurement.<sup>1</sup>

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<sup>1</sup> The APEC Government Procurement Experts Group (GPEG) previously developed a set of APEC Non-Binding Principles on Government Procurement (NBPs), which was endorsed by APEC Leaders at their meeting in 1999 in Auckland, New Zealand. In addition the GPEG also developed Transparency Standards on Government Procurement (based on three transparency provisions in the NBPs), which were endorsed by APEC Leaders and adopted as part of the Leaders' Transparency Statement at their meeting in Santiago, Chile, in November 2004.