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Compliance, ethics and transparency

Compliance as a pillar of sustainability

The increasing importance that stakeholders (primarily investors) place on ethics and transparency matters has given rise to the need to have policies and procedures that ensure regulatory compliance.

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One of the most common causes of the increase in construction project execution costs is the failure to manage ethics and compliance. While it is true that such failures are not exclusive to the construction industry, it is one of the industries in which "non-compliance costs", measured in terms of penalties and indemnity payments, are highly significant.

Furthermore, nowadays investors do not just take the financial profitability of their investments into account when considering their investment parameters, but rather other variables have gained importance, including social, environmental and regulatory compliance variables. In this context, meeting certain compliance and transparency standards has become an obligatory requirement when it comes to winning major infrastructure projects and is one of the sustainability pillars of construction companies.

It is important to remember that, from the research or pre-design phase to start-up, many parties participate in a project and their conduct must be aligned in order to properly respond to the ethical dilemmas that may arise. Proper analysis and monitoring of the regulatory compliance of venturers, subcontractors and all those who participate in the supply chain are key to reducing reputational risks and inefficiencies, since a failure in one link in the supply chain will undoubtedly affect the entire project.

For these reasons, both public and private construction project developers increasingly require construction companies to have compliance risk management systems in place.

Also, Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information, in order to improve undertakings' sustainability and increase transparency and investor trust, strengthened social and environmental reporting requirements for certain major undertakings, including the obligation to report on risks, policies and performance with regard to the fight against corruption and bribery.

In response to these requirements, infrastructure companies are investing time and resources to address regulatory compliance, not only in a reactionary way in order to ensure compliance in the various regulatory areas, but also by integrating that compliance in the daily management of the organization to bolster a culture of compliance and mitigate reputational risks. Accordingly, a large proportion of infrastructure companies have opted to follow the ISO 19600 international standard, which is an international benchmark guide for implementing a regulatory compliance management system, as well as ISO 37001, which provides a guide for establishing anti-bribery management systems. These systems also enable companies to respond to the demands of regulators, which constantly emphasize that having compliance policies, rules and procedures in place is not enough, but rather companies must ensure that the requirements are met, are incorporated in their daily management and that, therefore, the compliance measures are truly effective.

When implementing such systems, companies can take advantage of the various options offered by technology thanks to analytics, business intelligence and blockchain tools. These tools enable intelligent data analysis, providing indicators or alerts to monitor certain behaviors using the data provided by the transactional systems, or to provide digital security to certain transactions, thereby reducing human intervention.

However, management systems and the most advanced technologies are not enough to avoid behavioral risks and prevent regulatory non-compliance, as it is essential to have a strongly-rooted ethical culture that naturally enables us to live in accordance with robust values and instinctively rejects unwanted behavior.

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