



**SASB
STANDARDS**

Now part of IFRS Foundation

Engineering & Construction Services

Sustainability Accounting Standard

INFRASTRUCTURE SECTOR

Sustainable Industry Classification System® (SICS®) IF-EN

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12



sasb.org

ABOUT THE SASB STANDARDS

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards (“SASB Standards” or “Industry Standards”), categorised pursuant to the [Sustainable Industry Classification System[®] \(SICS[®]\)](#).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.
2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.
3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity’s performance for a specific disclosure topic.
4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.
5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the [SASB Standards Application Guidance](#) establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the [SASB Conceptual Framework](#) set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in [SICS[®]](#). However, companies with substantial business in multiple SICS[®] industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

The Engineering & Construction Services industry provides engineering, construction, design, consulting, contracting and other related services that support various building and infrastructure projects. The industry has four major segments: engineering services, infrastructure construction, non-residential building construction, and building subcontractors and construction-related professional services. The infrastructure construction segment includes entities that design or build infrastructure projects such as power plants, dams, oil and gas pipelines, refineries, highways, bridges, tunnels, railways, ports, airports, waste treatment plants, water networks and stadiums. The non-residential building construction segment includes entities that design or build industrial and commercial facilities such as factories, warehouses, data centres, offices, hotels, hospitals, universities and retail spaces such as shopping centres. The engineering services segment includes entities that provide specialised architectural and engineering services such as design and development of feasibility studies for many of the project types listed above. Finally, the building subcontractors and other construction-related professional services segment includes smaller entities that provide ancillary services such as carpentry, electrical, plumbing, painting, waterproofing, landscaping, interior design and building inspection. The industry's customers include infrastructure owners and developers in the public and private sectors. Large entities in this industry operate and generate revenue globally and typically operate in more than one segment.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

| TOPIC | METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|---|---|-------------------------|-----------------------|--------------|
| Environmental Impacts of Project Development | Number of incidents of non-compliance with environmental permits, standards and regulations | Quantitative | Number | IF-EN-160a.1 |
| | Discussion of processes to assess and manage environmental risks associated with project design, siting and construction | Discussion and Analysis | n/a | IF-EN-160a.2 |
| Structural Integrity & Safety | Amount of defect- and safety-related rework costs | Quantitative | Presentation currency | IF-EN-250a.1 |
| | Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents ¹ | Quantitative | Presentation currency | IF-EN-250a.2 |
| Workforce Health & Safety | (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees | Quantitative | Rate | IF-EN-320a.1 |
| Lifecycle Impacts of Buildings & Infrastructure | Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification | Quantitative | Number | IF-EN-410a.1 |
| | Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design | Discussion and Analysis | n/a | IF-EN-410a.2 |
| Climate Impacts of Business Mix | Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects | Quantitative | Presentation currency | IF-EN-410b.1 |
| | Amount of backlog cancellations associated with hydrocarbon-related projects | Quantitative | Presentation currency | IF-EN-410b.2 |
| | Amount of backlog for non-energy projects associated with climate change mitigation | Quantitative | Presentation currency | IF-EN-410b.3 |

continued...

¹ Note to **IF-EN-250a.2** – The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

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| TOPIC | METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|-----------------|---|-------------------------|-------------------------------|--------------|
| Business Ethics | (1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index ² | Quantitative | Number, Presentation currency | IF-EN-510a.1 |
| | Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices ³ | Quantitative | Presentation currency | IF-EN-510a.2 |
| | Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes | Discussion and Analysis | n/a | IF-EN-510a.3 |

Table 2. Activity Metrics

| ACTIVITY METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|--|--------------|-----------------------|-------------|
| Number of active projects ⁴ | Quantitative | Number | IF-EN-000.A |
| Number of commissioned projects ⁵ | Quantitative | Number | IF-EN-000.B |
| Total backlog ⁶ | Quantitative | Presentation currency | IF-EN-000.C |

² Note to **IF-EN-510a.1** – The entity shall provide a brief description of how it manages ethical risks specific to the countries with low rankings in the index where the entity has active projects or backlog.

³ Note to **IF-EN-510a.2** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

⁴ Note to **IF-EN-000.A** – Active projects are defined as buildings and infrastructure projects under development to which the entity was providing services as of the close of the reporting period, which may include both the design and construction stages. Active projects exclude projects commissioned during the reporting period.

⁵ Note to **IF-EN-000.B** – Commissioned projects are defined as projects completed and deemed ready for service during the reporting period. The scope of commissioned projects shall include only projects to which the entity provided construction services.

⁶ Note to **IF-EN-000.C** – Backlog is defined as the value of projects not completed as of the close of the reporting period (revenue contractually expected in the future but that has not been recognised), or is defined by the entity, consistent with its existing disclosure of backlog. Backlog also may be referenced as revenue backlog or unsatisfied performance obligations. The scope of the disclosure is limited to buildings and infrastructure projects in which the entity provides engineering, construction, architecture, design, installation, planning, consulting, repair or maintenance services, or other similar services.

Environmental Impacts of Project Development

Topic Summary

Infrastructure construction projects improve economic and social development; however, they also may pose risks to the local environment and surrounding communities. Industry activities can disrupt local ecosystems through biodiversity impacts, air emissions, water discharges, natural resource consumption, waste generation and hazardous chemicals use. Construction entities perform clearing, grading and excavation activities and may generate harmful waste during project construction. Effectively assessing environmental impacts before construction may mitigate unforeseen issues that may increase operational expenses and capital costs. In some cases, environmental concerns or local community pushback may result in project delays and, in extreme cases, project cancellations, which may affect an entity's profitability and growth opportunities. Failure to comply with environmental regulations during construction may result in costly fines and remediation costs, and it can damage an entity's reputation. Environmental impact assessments can provide an understanding of a project's potential environmental impacts and necessary mitigation activities before it begins. Likewise, proper management of environmental risks during project construction may reduce regulatory oversight or community pushback. By assessing environmental considerations before project initiation, as well as continuing to evaluate them during project development, engineering and construction entities may be prepared to mitigate potential environmental issues and the associated financial risks that may occur, while also establishing a competitive advantage for obtaining new contracts with prospective clients.

Metrics

IF-EN-160a.1. Number of incidents of non-compliance with environmental permits, standards and regulations

- 1 The entity shall disclose the total number of incidents of non-compliance associated with the environment, including violations of permits, standards or regulations associated with waste, air quality or emissions, water discharges, water withdrawal exceedances, effluent limit exceedances (such as waste load allocation), violation of wastewater pre-treatment requirements, oil or hazardous substance spills, land use, and endangered species.
- 2 The scope of disclosure includes incidents governed by applicable jurisdictional statutory permits and regulations.
- 3 The scope of disclosure includes incidents of non-compliance received by the entity and by subcontractors under the entity's direct supervision.
- 4 An incident of non-compliance shall be disclosed regardless of whether it resulted in an enforcement action (for example, fine or warning letter).
- 5 An incident of non-compliance, regardless of the measurement method or frequency, shall be disclosed. These include one-time violations, continuous discharges and non-continuous discharges.

IF-EN-160a.2. Discussion of processes to assess and manage environmental risks associated with project design, siting and construction

- 1 The entity shall discuss the processes employed to assess and manage the environmental risks associated with project siting, design and construction.

- 1.1 Environmental risks may include ecological impacts, biodiversity impacts, emissions to air, discharges to water, slope disturbance, soil disturbance and erosion, storm water management, waste management, natural resource consumption and hazardous chemical usage.
- 2 The entity shall discuss the due diligence practices employed to assess project environmental risks in which relevant due diligence practices include environmental impact assessments and stakeholder engagement practices.
 - 2.1 Relevant items to discuss include: practices to assess the baseline environmental considerations of the project site; feasible, environmentally preferable alternatives for the project; local legal requirements; biodiversity protection; renewable natural resources use; hazardous substances use; and efficient energy production, delivery and use.
- 3 The entity shall discuss the operational practices employed to minimise environmental impacts during project siting, design and construction, which may include: waste management, reducing biodiversity impacts, emissions to air, discharges to water, natural resource consumption and hazardous chemical use.
- 4 The entity shall describe how it operates in compliance with all applicable environmental regulations and permits.
 - 4.1 Relevant items to include: employee training on relevant regulations and clean up procedures, quality control processes on project sites, internal mechanisms for reporting and following up on environmental incidents, and maintenance and reporting of accurate data.
- 5 The entity shall discuss the use of codes, guidelines and standards to assess and minimise environmental impacts of project siting, design and construction, when applicable. Relevant codes, guidelines and standards may include:
 - 5.1 BREEAM®
 - 5.2 The Equator Principles
 - 5.3 International Finance Corporation's Environmental and Social Performance Standards and Guidance Notes
 - 5.4 Institute for Sustainable Infrastructure's (ISI) Envision® rating system
 - 5.5 International Organization for Standardisation (ISO) environmental standards
 - 5.6 United Nations Development Programme's Performance Standards on Environmental and Social Sustainability
 - 5.7 United Nations Global Compact's Environmental Principles
 - 5.8 U.S. Green Building Council's LEED® certification
- 6 The entity shall describe how it manages projects that have increased environmental or social due diligence requirements or are expected to have significant adverse environmental or social impacts, including additional measures or policies it employs.

- 6.1 An example of a project type that has increased environmental or social impacts are 'Category A' projects categorised by the International Finance Corporation (IFC).
- 6.2 The entity may describe how it categorises the environmental risk severity of its projects, including how it determines if a project has increased environmental risk.
- 7 When applicable and relevant, the entity shall describe differences between policies and practices for its various operating regions, project types and business segments.
- 8 The scope of disclosure includes project stages associated with siting, design and construction with which the entity is involved through contractual responsibility, which may include feasibility studies, proposals, design and planning, subcontractor procurement, and construction.

Structural Integrity & Safety

Topic Summary

Whether providing engineering, design, architectural, consulting, inspection, construction or maintenance services, entities in this industry have a professional responsibility to ensure the safety and integrity of their work. Errors or inadequate quality in the project design phase and construction of buildings or infrastructure may result in significant personal injury, loss of property value and economic harm. Entities that manage structural integrity and safety poorly may incur incremental costs because of redesign or repair work and legal liabilities, as well as reputational damage that could hurt growth prospects. Moreover, when designing and constructing buildings or infrastructure, entities in the industry increasingly must contemplate potential climate change impacts, which may affect the project's structural integrity and public safety. Compliance with minimum applicable codes and standards may not be enough to maintain and grow reputational value (or even mitigate legal liabilities) in some circumstances, especially if the frequency and severity of climate-change-related events increases as expected. Meeting or exceeding new industry quality standards, and setting up internal control procedures to identify and fix potential design issues, including those resulting from climate risks, are practices that may help entities reduce these risks.

Metrics

IF-EN-250a.1. Amount of defect- and safety-related rework costs

- 1 The entity shall disclose the total amount of defect- and safety-related rework costs incurred.
 - 1.1 Rework is defined as activities in the field that must be done more than once, or activities that remove work previously installed as part of the project.
 - 1.2 For the purposes of this disclosure, the scope of rework costs excludes costs resulting from client- or project-owner-driven modifications including change orders, revisions to scope or revisions to design.
 - 1.3 The scope of rework costs includes costs associated with labour, materials, design, equipment and subcontractors.
- 2 The entity may discuss projects with significant rework costs relative to actual or projected total project costs. Relevant context to provide may include:
 - 2.1 Root causes of rework
 - 2.2 Corrective actions implemented
 - 2.3 Financial impacts to entity

IF-EN-250a.2. Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents

- 1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with defect- and safety-related incidents and allegations.

- 2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.
- 3 The losses shall include all monetary liabilities to the opposing party or to others (whether because of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgments or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgement, penalties or restitution) brought by any entity (for example, governmental, business or individual).
- 4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

Note to IF-EN-250a.2

- 1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, negligence) of all monetary losses resulting from legal proceedings.
- 2 The entity shall describe any corrective actions implemented in response to the legal proceedings. These corrective actions may include specific changes in operations, management, processes, products, business partners, training or technology.

Workforce Health & Safety

Topic Summary

Construction, maintenance and repair services and other on-site activities require substantial manual labour. Fatality and injury rates in the Engineering & Construction Services industry are high compared with those in other industries because of the workforce's exposure to powered haulage and heavy machinery accidents, fall accidents, exposure to hazardous chemicals, and other unique and potentially dangerous situations. Additionally, temporary workers may be at a higher risk because of a lack of training or industry experience. Failing to protect worker health and safety can result in fines and penalties; serious incidents may result in acute, one-time extraordinary expenses and contingent liabilities from legal or regulatory actions. In addition, health and safety incidents may result in project delays and downtime that increase project costs and decrease profitability. Entities that seek to train both permanent and temporary employees professionally and build a strong safety culture may reduce their risk profile while potentially gaining a competitive advantage in new project bids and proposals because of good workforce health and safety statistics.

Metrics

IF-EN-320a.1. (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees

- 1 The entity shall disclose (1) its total recordable incident rate (TRIR) for work-related injuries and illnesses.
 - 1.1 An injury or illness is considered a recordable incident if it results in death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. Additionally, a significant injury or illness diagnosed by a physician or other licensed health care professional is considered a recordable incident, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.
 - 1.1.1 First aid is defined as emergency care or treatment for an ill or injured person before regular medical aid can be provided.
 - 1.1.2 The entity may use applicable jurisdictional criteria for definitions of a recordable incident and a non-recordable incident such as first aid. The entity shall disclose the legal, regulatory or industry framework used as the source for these criteria and definitions.
- 2 The entity shall disclose (2) its fatality rate for work-related fatalities.
- 3 All disclosed rates shall be calculated as: $(\text{statistic count} \times 200,000) / \text{total number of hours worked by all employees in the year reported}$.
 - 3.1 The 200,000 in the rate calculation represents the total number of hours 100 full-time workers working 40 hours per week for 50 weeks per year can provide annually.
- 4 The scope of the disclosure includes work-related incidents only.

- 4.1 Work-related incidents are injuries and illnesses resulting from events or exposures in the work environment.
 - 4.2 The work environment is the establishment and other locations where one or more employees are working or are present as a condition of their employment.
 - 4.3 The work environment includes not only physical locations, but also the equipment or materials used by the employee during the course of work.
 - 4.4 Incidents that occur while an employee is travelling are work-related if, at the time of the injury or illness, the employee was engaged in work activities in the interest of the employer.
 - 4.5 A work-related incident must be a new case, not a previously recorded injury or illness being updated.
- 5 The entity shall disclose the rates for each of these employee categories:
- 5.1 direct employees, defined as individuals on the entity's payroll, whether they are full-time, short service, part-time, executive, labour, salary, seasonal, migrant or hourly employees; and
 - 5.2 contract employees, defined as individuals who are not on the entity's payroll, but whom the entity supervises or manages, including independent contractors and those employed by third parties (for example, temp agencies and labour brokers).
- 6 The scope of the disclosure includes all employees regardless of employee location or type of employment.

Lifecycle Impacts of Buildings & Infrastructure

Topic Summary

Buildings and major infrastructure projects are among the largest users of natural resources in the economy; during construction, these materials include iron and steel products, cement, concrete, bricks, drywall, wallboards, glass, insulation, fixtures, doors, and cabinetry, among others. Once completed, and during their daily use, these projects often consume significant amounts of resources in the form of energy and water (for a discussion on direct environmental impacts from project construction see the Environmental Impacts of Project Development topic). Therefore, the sourcing of construction materials and the everyday use of buildings and infrastructure may contribute to direct and indirect greenhouse gas (GHG) emissions, global or local resource constraints, water stress and negative human health outcomes. Client and regulatory pressures to develop a sustainable built environment are contributing to the growth of markets intended to reduce the lifecycle impacts of buildings and infrastructure projects. In response, various international sustainable building and infrastructure certification schemes assess, among other aspects, a project's use-phase energy and water efficiency, impacts on human health, and the use of sustainable construction and building materials. As a result, various opportunities are being created for industries in the value chain—from suppliers that can provide such materials, to entities in the Engineering & Construction Services industry that can provide sustainability-oriented project design, consulting and construction services. Such services can provide a competitive advantage and revenue growth opportunities as client demand for economically advantageous sustainable projects increases and related regulations evolve. Entities unable to effectively integrate such considerations into their services may lose market share in the long term.

Metrics

IF-EN-410a.1. Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification

- 1 The entity shall disclose (1) the number of projects commissioned during the reporting period certified to a third-party multi-attribute sustainability standard.
 - 1.1 The scope of third-party multi-attribute sustainability standards is limited to standards or certifications that, at a minimum, address the following aspects of building or infrastructure design and construction:
 - 1.1.1 Energy efficiency;
 - 1.1.2 Water conservation;
 - 1.1.3 Material and resource efficiency; and
 - 1.1.4 Indoor environmental quality.
 - 1.2 Examples of third-party multi-attribute sustainability standards include:
 - 1.2.1 BREEAM®
 - 1.2.2 Green Globes®

1.2.3 Institute for Sustainable Infrastructure's (ISI) Envision®

1.2.4 LEED®

- 2 The entity shall disclose (2) the number of active projects that sought certification to a third-party multi-attribute sustainability standard during the reporting period.

2.1 The scope of active projects includes all buildings and infrastructure projects actively under development at the close of the reporting period, which may include those in the design and construction stages.

2.2 The scope of active projects excludes projects commissioned during the reporting period.

- 3 The entity shall disclose the third-party multi-attribute sustainability standard(s) to which projects are certified or seeking certification.

- 4 The scope of disclosure is limited to projects in which the entity had a direct role in design, engineering, procurement or construction of the building or infrastructure project.

- 5 The scope of disclosure includes buildings (such as residential, commercial and retail, government, healthcare and offices) and other infrastructure projects (such as transportation, oil and gas, electrical grid, renewable energy, water supply distribution and water treatment).

- 6 The entity may discuss sustainability standards or guidelines implemented during its building or infrastructure design and construction projects that are not third-party verified.

IF-EN-410a.2. Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design

- 1 The entity shall provide a discussion of the process used to incorporate operational-phase energy and water efficiency considerations into project planning and design.

1.1 Operational-phase energy and water efficiency considerations to reduce and optimise operational use of energy and water may include water collection and reuse designs, repair and retrofits, improved insulation and material use, shading devices, energy procurement, and the use of energy- and water-efficient devices and lighting.

1.2 Relevant information to disclose may include:

1.2.1 The actions taken to incorporate such considerations, such as design solutions, technological solutions, material use, modelling of energy and water use

1.2.2 The geographical markets where the entity operates, including current and expected future energy and water efficiency regulations, potential constraints on water or energy resources, and stakeholder demands in those markets

1.2.3 Whether these energy and water efficiency solutions serve as competitive advantages in project bids and proposals, and how the entity communicates performance—including any perceived competitive advantages—to project owners

1.2.4 How the entity communicates long-term cost-benefit analyses to project owners or developers, including the potential savings from energy efficiency projects based on past performance of energy efficiency projects

- 2 The entity shall describe how it assesses the risks associated with operational-phase energy and water efficiency considerations, including internal policies, practices and procedures.
- 3 The entity shall describe its use of codes, guidelines and standards that address operational-phase energy and water efficiency, when applicable.

3.1 The entity may discuss how its energy and water efficiency efforts exceed building code requirements.

- 4 The scope of disclosure excludes environmental impacts associated with project construction, as well as codes, guidelines and standards associated with project construction, both of which are included within the scope of IF-EN-160a.2.

Climate Impacts of Business Mix

Topic Summary

Engineering & Construction Services industry clients may be exposed to potentially disruptive climate regulation as well as those that mitigate climate change. Some types of construction projects are significant climate change contributors because of the greenhouse gases (GHGs) emitted during their use phase. Projects that may contribute to global GHG emissions include those in extractive industries, as well as large buildings. Whereas some infrastructure projects, such as renewable energy projects, are designed to reduce GHG emissions, many types of projects present trade-offs. Mass transit systems, for example, may contribute to GHG emissions while reducing net emissions once the benefits offered by the system are factored. Several entities in the industry generate a substantial share of revenue and profits from clients in carbon-intensive industries and whose future capital investments may be at risk because of evolving climate regulations. Downside risks may manifest through project delays, cancellations and diminished long-term revenue growth opportunities. On the other hand, entities that specialise in infrastructure projects that contribute to GHG mitigation could develop competitive advantages as they continue to focus on these growing markets. As the industry and its customers continue to operate within an uncertain business environment and face increasing environmental and regulatory requirements, assessing and communicating the risks and opportunities stemming from climate change that are embedded in an entity's backlog and future business prospects may help investors in assessing the overall business impact of climate change.

Metrics

IF-EN-410b.1. Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects

- 1 The entity shall disclose the amount of its backlog associated with (1) hydrocarbon-related projects.
 - 1.1 Backlog is defined as the value of projects not completed as of the close of the reporting period (revenue contractually expected in the future but that has not been recognised), or is defined by the entity, consistent with its existing disclosure of backlog. Backlog also may be referenced as revenue backlog or unsatisfied performance obligations.
 - 1.2 Hydrocarbon-related projects are defined as any type of project directly associated with the hydrocarbon value chain, which may include: hydrocarbon exploration, extraction, development, production or transportation; hydrocarbon infrastructure services and maintenance; hydrocarbon power generation; and hydrocarbon-related downstream services.
 - 1.2.1 Examples of hydrocarbon-related projects include any project directly associated with oil, gas or coal production, transportation, refining, and fossil fuel-based electricity generation.
- 2 If a significant portion of the entity's backlog in hydrocarbon-related projects is associated with natural gas power generation projects, the entity may provide supplementary disclosures describing this proportion of backlog and the sustainability impacts of such projects relative to alternatives or baseline scenarios.

- 3 The entity may provide a description of the sustainability implications of hydrocarbon-related projects, which may include project descriptions, categorisations by resource type, expected sustainability impacts, and risks related to project completion or conversion to revenue.
- 4 The entity shall disclose the amount of its backlog associated with (2) renewable energy projects.
 - 4.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro and biomass.
- 5 The entity shall exclude from its calculations and disclosures of backlog any amount of an order backlog cancellation that re-enters order backlog during the same reporting period because of a project owner's successful re-planning of the project.
- 6 The scope of disclosure is limited to projects in which the entity provided engineering, architecture, design, construction, installation, planning, consulting, repair or maintenance services, or other similar services.

IF-EN-410b.2. Amount of backlog cancellations associated with hydrocarbon-related projects

- 1 The entity shall disclose the amount of its total backlog associated with hydrocarbon-related projects of any type cancelled during the reporting period for any reason.
 - 1.1 Backlog is defined as the value of projects not completed as of the close of the reporting period (revenue contractually expected in the future but that has not been recognised), or is defined by the entity, consistent with its existing disclosure of backlog. Backlog also may be referenced as revenue backlog or unsatisfied performance obligations.
 - 1.2 Backlog cancellations are defined as the amount of backlog cancelled, reduced, terminated or deferred such that it no longer meets the definition of backlog, or that which is removed from the backlog for any reason other than conversion to revenue or currency exchange rate fluctuations.
 - 1.2.1 Backlog cancellations include cancellations that occur for any reason, which may include a customer's failure to obtain necessary project permitting or financing, a customer's voluntary project cancellation, and reduction in project scope because of financial constraints.
 - 1.2.2 The scope of backlog cancellations excludes cancellations associated with decommissioning projects.
 - 1.3 Hydrocarbon-related projects are defined as any type of project directly associated with the hydrocarbon value chain, which may include: hydrocarbon exploration, extraction, development, production or transportation; hydrocarbon infrastructure services and maintenance; hydrocarbon power generation; and hydrocarbon-related downstream services.
 - 1.3.1 Examples of hydrocarbon-related projects include any project directly associated with oil, gas or coal production, transportation, refining, and fossil fuel-based electricity generation.

- 2 The scope of disclosure is limited to projects in which the entity provided engineering, architecture, design, construction, installation, planning, consulting, repair or maintenance services, or other similar services.
- 3 The entity may discuss specific backlog cancellations, including the root cause and corrective actions taken to prevent future backlog cancellations.

IF-EN-410b.3. Amount of backlog for non-energy projects associated with climate change mitigation

- 1 The entity shall disclose the amount of its backlog for non-energy projects associated with climate change mitigation.
 - 1.1 Backlog is defined as the value of projects not completed as of the close of the reporting period (revenue contractually expected in the future but that has not been recognised), or is defined by the entity, consistent with its existing disclosure of backlog. Backlog also may be referenced as revenue backlog or unsatisfied performance obligations.
 - 1.2 Non-energy projects are defined as projects not directly associated with the energy value chain, such that the energy value chain may include: hydrocarbon exploration, extraction, development, production and transportation; power generation projects (hydrocarbon and renewable); and energy infrastructure services and maintenance.
 - 1.3 Climate change mitigation is defined by the Intergovernmental Panel on Climate Change (IPCC) as an anthropogenic intervention to reduce the sources or enhance the sinks of greenhouse gases (GHG).
- 2 The scope of disclosure shall only include projects that are significantly motivated by, or undertaken in response to, climate change mitigation. Such climate change mitigation is not required to be the primary project motivation, but it shall be a significant motivating factor for project development and implementation.
 - 2.1 Examples of projects that may be associated with climate change mitigation include: mass transportation systems; alternative, low-carbon transportation systems; carbon capture and storage; hydrocarbon-related decommissioning projects; and energy efficiency infrastructure retrocommissioning.
- 3 The scope of disclosure shall only include projects that provide significant climate change mitigation relative to a baseline scenario, or baseline emissions, defined as the GHG emissions that may occur without project implementation.
 - 3.1 The entity may use jurisdictional or proprietary methodologies for assessing climate change mitigation relative to a baseline scenario or baseline emissions.
- 4 The scope of disclosure shall exclude all backlog directly associated with the energy value chain, which may be equivalent to backlog included in IF-EN-410b.1, except for hydrocarbon-related decommissioning projects.
- 5 The entity may exclude backlog associated with decommissioning projects.

- 6 The scope of disclosure is limited to buildings and infrastructure projects in which the entity provided engineering, architecture, design, construction, installation, planning, consulting, repair or maintenance services, or other similar services.

Business Ethics

Topic Summary

Entities in the industry face risks associated with bribery, corruption and anti-competitive practices. Several factors contribute to these risks, including global operations, managing many local agents and subcontractors, project financing and project permitting complexity, the magnitude of the contracts involved in building large infrastructure projects, and the competitive process to secure contracts with private and public entities. Ethical breaches may result in regulatory authority investigations, as well as large fines, settlement costs and damaged reputations. Such breaches may include violations of anti-bribery laws, such as paying government officials to gain project contracts. They also may include unethical bidding practices, such as complementary bidding (for example, submitting an artificially high or otherwise unacceptable bid for a contract that a bidder does not intend to win) and bid-pooling (for example, coordinating to split contracts and ensure each bidder is awarded a specific amount of work). Moreover, entities with poor track records may be barred from future projects, resulting in lost revenue. Developing an ethical culture through employee training, effective governance structures and internal controls is critical for entities to mitigate business ethics risks.

Metrics

IF-EN-510a.1. (1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index

- 1 The entity shall disclose (1) the total number of active projects located in the countries with the 20 lowest rankings in Transparency International's Corruption Perception Index (CPI).
 - 1.1 The scope of active projects includes all buildings and infrastructure projects actively under development at the close of the reporting period, which may include those in the design and construction stages.
 - 1.2 The scope of active projects excludes projects commissioned during the reporting period.
 - 1.3 The entity shall use the most current version of the CPI.
 - 1.4 The 20 lowest numerical ranks shall be used to generate the scope of countries. Because more than one country can share a single rank, the scope may include more than 20 countries.
- 2 The entity shall disclose (2) the quantity of backlog for projects located in the countries with the 20 lowest rankings in Transparency International's CPI.
 - 2.1 Backlog is defined as the value of projects not completed as of the close of the reporting period (revenue contractually expected in the future but that has not been recognised), or is defined by the entity, consistent with its existing disclosure of backlog. Backlog also may be referenced as revenue backlog or unsatisfied performance obligations.

- 3 The scope of the disclosure is limited to buildings and infrastructure projects in which the entity provided engineering, architecture, design, construction, installation, planning, consulting, repair or maintenance services, or other similar services.
- 4 The entity may provide a discussion of projects in countries with low rankings in the index but that present low business ethics risks; and may provide similar discussion for operations located in countries that do not have one of the 20 lowest rankings in the index but that present unique or high business ethics risks.
- 5 The entity may provide a discussion of projects in countries not among the 20 lowest rankings in the index but that present unique or high business ethics risks.

Note to IF-EN-510a.1

- 1 The entity shall provide a brief description of its approach to managing ethical risks specific to the countries with low rankings in the index where the entity has active projects or backlog.

IF-EN-510a.2. Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices

- 1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with charges of (1) bribery or corruption.
 - 1.1 The scope of legal proceedings associated with charges of bribery or corruption includes the enforcement of applicable jurisdictional laws or regulations.
- 2 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with charges of (2) anti-competitive behaviour or practices.
 - 2.1 The scope of anti-competitive behaviour and practices includes complementary bidding, defined as the practice of submitting an artificially high or unacceptable bid for a contract that the bidder does not intend to win. Complementary bidding also may be referenced as 'cover bidding', 'cover pricing' and 'courtesy bidding'.
 - 2.2 The scope of anti-competitive behaviour and practices includes bid-pooling, defined as the practice of coordinating to split contracts and assure each bidder is awarded a specific amount of work.
 - 2.3 The scope of legal proceedings associated with charges of anti-competitive behaviour and practices includes the enforcement of relevant regulations, such as laws and regulations on price fixing, conflicts of interest, antitrust behaviour or services that limit competition.
- 3 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

- 4 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).
- 5 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

Note to **IF-EN-510a.2**

- 1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement, non-prosecution agreement) and context (for example, violations of conflicts of interest disclosures) of all monetary losses resulting from legal proceedings.
- 2 The entity shall describe any corrective actions implemented in response to the legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

IF-EN-510a.3. Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes

- 1 The entity shall describe its management system and due diligence procedures for assessing and managing risks related to (1) bribery and corruption and (2) anti-competitive behaviour, throughout its project bidding and approval processes.
 - 1.1 The scope of corruption and bribery includes practices relating to the abuse of entrusted power for personal gain, including payments to government officials to assist in obtaining or retaining business.
 - 1.2 The scope of anti-competitive behaviour includes practices relating to conflicts of interest, accuracy of data, fraud, price fixing, antitrust behaviour, complementary bidding, bid-pooling and other similar practices that limit competition.
 - 1.2.1 Complementary bidding is defined as the practice of submitting an artificially high or unacceptable bid for a contract that the bidder does not intend to win. Complementary bidding also may be referenced as 'cover bidding', 'cover pricing' and 'courtesy bidding'.
 - 1.2.2 Bid-pooling is defined as the practice of coordinating to split contracts and assure each bidder is awarded a specific amount of work.
 - 1.3 Relevant aspects of a management system to describe may include employee awareness programmes, anti-corruption policies, training, internal mechanisms for reporting and following up on suspected violations, and implementation of codes of ethics, as well as investigations, enforcement and disciplinary procedures relating to:

- 1.3.1 management of conflicts of interest, including mitigation and transparency of potential or perceived conflicts;
- 1.3.2 maintenance and reporting of accurate data;
- 1.3.3 protection of confidential business information, including accuracy, retention and destruction of business records and documents;
- 1.3.4 avoidance of corruption, including identification of suspicious activities and implementation of whistleblower protection programmes;
- 1.3.5 privacy guidelines and security clearances for gaining access to sensitive and classified data;
- 1.3.6 employee training on relevant regulations;
- 1.3.7 mechanisms for internal reporting about violations or concerns regarding business ethics or compliance; and
- 1.3.8 disciplinary actions for violations of business ethics policies.

2 The entity may describe its implementation of the following organisational guidelines:

- 2.1 International Chamber of Commerce (ICC) *Rules of Conduct and Recommendations to Combat Extortion and Bribery*;
- 2.2 Organisation for Economic Co-operation and Development (OECD) anti-corruption guidelines;
- 2.3 Transparency International *Business Principles for Countering Bribery*;
- 2.4 United Nations Global Compact 10th Principle; and
- 2.5 World Economic Forum (WEF) Partnering Against Corruption Initiative (PACI).

3 The scope of the disclosure includes assessing and managing the relevant risks associated with the entity's business partners, which may include customers, suppliers, contractors and subcontractors.

4 The entity may describe its compliance with industry best practices, including codes of conduct and codes of ethics, as a measure of its management approach to ensuring quality of work and professional integrity.



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