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INFRASTRUCTURE SECTOR

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**BASIS FOR CONCLUSIONS**

# Engineering & Construction Services

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

Prepared by the  
Sustainability Accounting Standards Board

October 2018

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[sasb.org](http://sasb.org)

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## About SASB

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission is to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors.

The SASB Foundation operates in a governance structure similar to the structure adopted by other internationally recognized bodies that set standards for disclosure to investors, including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure includes a board of directors ("the Foundation Board") and a standards-setting board ("the Standards Board" or "the SASB"). The Standards Board develops, issues, and maintains the SASB standards. The Foundation Board oversees the strategy, finances and operations of the entire organization, and appoints the members of the Standards Board.

The Foundation Board is not involved in setting standards, but is responsible for overseeing the Standards Board's compliance with the organization's due process requirements. As set out in the SASB Rules of Procedure, the SASB's standards-setting activities are transparent and follow careful due process, including extensive consultation with companies, investors, and relevant experts.

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# Introduction

The publication of the Sustainability Accounting Standard (“Standard”) for the [Engineering & Construction Services Industry](#) marks an important milestone for the industry and for global capital markets more generally. It is the first Standard designed to assist companies in the Engineering & Construction Services industry in disclosing financially material, decision-useful sustainability information to investors.

The Engineering & Construction Services Industry Standard was first released in a provisional form in June 2015 after an extensive standard-setting process. Following the release of the Provisional Standard, the SASB staff, under the guidance of the SASB standard-setting board (“the Standards Board” or “the SASB”), engaged in further due process to revise the Standard. In October 2018, the Standards Board approved revisions to the Standard. The Standards Board subsequently voted to approve the Engineering & Construction Services Industry Standard, thereby including it in as one of the 77 industries for which the SASB has developed and published an industry standard.

The *Basis for Conclusions* describes the rationale for revisions made to the provisional industry standard. Additionally, the document outlines the standard-setting process the Standards Board used to codify the standard. All standard-setting documentation, including prior drafts of the standard, summary reports, and comment letters, which informed the development of the standard, are publicly available at the [Standard Setting Archive](#) of the SASB website.

## The Standards Board

The Standards Board is charged with developing, issuing, and maintaining SASB standards. The Standards Board operates in accordance with its primary governance documents, including the SASB’s [Conceptual Framework](#) and [Rules of Procedure](#). The [Conceptual Framework](#) sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board in its approach to setting standards. The [Rules of Procedure](#) establishes the due process followed by the Standards Board and staff in their standard-setting activities. The standard-setting process is designed to ensure each industry standard reflects the core objectives established in the [Conceptual Framework](#) to facilitate companies’ cost-effective reporting of financially material and decision-useful sustainability information to investors.

In its standard-setting role, the Standards Board operates in a transparent manner, including holding public board meetings. The Standards Board currently uses a sector-based committee structure, with three Standards Board members assigned primary responsibility for each given sector. In addition to sector committee reviews, the full Standards Board evaluates revisions to the standards. Information on Standards Board meetings, including minutes, agendas, and a schedule of upcoming meetings is available on the SASB website. A list of Standards Board members and their respective sector committee assignments is included in **Appendix A**.

## Development of the Sustainability Accounting Standards

SASB staff initiated its standard-setting activities in 2012 under the oversight of the Standards Council.<sup>1</sup> From August 2012 to March 2016, the SASB staff developed provisional standards for each of the industries identified in the [Sustainable Industry Classification System® \(SICS®\)](#).<sup>2</sup> The provisional standards were developed through an iterative

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<sup>1</sup> The Standards Council served in a process oversight role, distinct from the standard-setting role the Standards Board serves in. Upon completion of the provisional phase in 2016, the Standards Council was disbanded.

<sup>2</sup> At the time of the development of the provisional standards, SICS® contained 79 industries. SICS® was subsequently revised to 77 industries as a result of the combining of industries that contained similar sustainability-related risk and opportunity characteristics.

and transparent process centered on independent research, market input, and oversight from the Standards Council. Each provisional industry standard was developed based on staff research, industry working group (“IWG”) feedback, public comments, and individual consultations with companies, investors, and other relevant experts. Throughout the development of the provisional standards, more than 2,800 individuals participated in IWGs, 172 public comment letters were received, and hundreds of individual consultations were conducted with market participants by the SASB staff.

In 2016, following the issuance of the provisional standards across all industries, the SASB staff initiated a dedicated market consultation period to gain further insight into market views on the provisional standards. Subsequently, the Standards Board was seated and initiated a due process phase that culminated in the codification of 77 industry standards in October 2018. This standard-setting phase that began with the provisional standards and concluded with the codified standards is described more fully below. All standard-setting documentation discussed below are publicly available at the [Standard Setting Archive](#) of the SASB website.

- **Consultation:** In the six-month period from Q4 2016 – Q1 2017, the SASB staff conducted consultations to gather additional input from companies, investors, and relevant experts on the provisional standards. Throughout this phase, the SASB staff received input on the complete set of industry standards from individual consultations conducted with 141 companies, 19 industry associations, and 271 investor consultations via 38 institutional investors. The *Consultation Summary* comprises the findings from the consultations.
- **Technical Agenda:** In July 2017, after a period of review to evaluate market input from consultations on the provisional standards, the Standards Board worked with the SASB staff to publish the *Technical Agenda*. The *Technical Agenda* formally lists the areas of focus to address in preparing the standards for codification, emphasizing those issues for which strong evidence surfaced and/or those which received significant market feedback during the consultation period.
- **Public Comment Period:** In October 2017, the Standards Board published exposure drafts of the standards, which incorporated proposed changes guided by the *Technical Agenda* to the provisional standards. This opened a 90-day period, subsequently extended to a 120-day period, from October 2017 to January 2018, for public comment and review of proposed changes to provisional standards. Market participants provided 120 comment letters during the comment period. All letters received and a *Summary of Public Comments* are available at the [Standard Setting Archive](#).

The Standards Board and the SASB staff evaluated the public comments received in conjunction with previous market input and research to determine the revisions to be made to the provisional standard.

## Approval of the Industry Standard

On October 13, 2018, the Standards Board voted unanimously to revise the Provisional Standard for the Engineering & Construction Services industry. In light of these revisions, on October 16, 2018, the Standards Board voted unanimously in favor of removing this Standard’s provisional status. In doing so, the Standards Board considered all phases of the standard-setting process, including those detailed in the above documents, to assess their underlying rationale, their adherence to due process, and their faithfulness to the essential concepts of sustainability accounting, as described in the [Conceptual Framework](#).

The following section of this document describes the rationale for the revisions. **Appendix B** contains a redline table that summarizes these revisions. Revisions relative to the provisional standard that have not altered the scope or content of disclosure topics or metrics, such as those that are intended to improve the consistency, clarity, and accuracy of the standard, are not specifically addressed in the *Basis for Conclusions*.

## **Future Updates to the Standards**

As social, economic, regulatory, and other developments alter an industry's competitive landscape, the SASB standards may need to evolve to reflect new market dynamics. The Standards Board will follow a regular standards review cycle to address emerging and evolving issues that may result in updates to the SASB standards.

The Standards Board intends to direct the SASB staff to compile and publish a *Research Agenda*, which outlines items that have been identified as requiring further analysis. Evidence-based research and market input, including feedback from outreach and consultation, will inform reviews of issues on the *Research Agenda*. Items from the *Research Agenda* may later be added to the Standards Board's *Technical Agenda* for additional due process and formal deliberation. All updates are subject to the standard-setting process described in the [Rules of Procedure](#).

# Revision IF-EN:01 – **Industry:** Engineering & Construction Services; **Topic Name:** Business Ethics & Bidding Integrity

## **2017 Technical Agenda Item #11-15 Description**

The SASB is evaluating the suitability of the topic name.

## **Summary of Change – Revise Topic Name**

The SASB renamed the provisional topic, changing it from Business Ethics & Bidding Integrity to Business Ethics.

## **Supporting Rationale**

Business Ethics & Bidding Integrity, the topic name used in the Provisional Standard, is unnecessarily complex. The concept of bidding integrity is a subset of business ethics. The revised topic name, Business Ethics, is more concise, while still adequately describing the disclosure topic. While the revised change does not impact the information generated by the standard, the presentation of the information is enhanced by removing terminology that is unnecessarily complex.

## **Benefits**

Improves the SASB Standard: The revision improves the clarity of the standard.

# Appendix A. Standards Board – Sector Committee Assignments

STANDARDS BOARD MEMBER	SECTOR CHAIR	OTHER COMMITTEES
<b>Jeffrey Hales, PhD (Chair)</b> Professor, Georgia Institute of Technology – Ernest Scheller Jr. College of Business	Financials, Renewable Resources & Alternative Energy	Transportation, Services, Resource Transformation
<b>Verity Chegar (Vice Chair)</b> Vice President, BlackRock	Extractives & Minerals Processing	Financials, Technology & Communications, Infrastructure
<b>Robert B. Hirth Jr. (Vice Chair)</b> Senior Managing Director, Protiviti; Chairman Emeritus, COSO	Technology & Communications	Health Care, Extractives & Minerals Processing, Services
<b>Daniel L. Goelzer, JD</b> Senior Counsel, Baker & McKenzie LLP	Services	Financials, Resource Transformation, Infrastructure
<b>Kurt Kuehn</b> Former CFO, United Parcel Service	Transportation, Infrastructure	Consumer Goods, Renewable Resources & Alternative Energy
<b>Lloyd Kurtz, CFA</b> Senior Portfolio Manager, Head of Social Impact Investing, Wells Fargo Private Bank	Health Care, Resource Transformation	Technology & Communications, Food & Beverage
<b>Elizabeth Seeger</b> Head of Sustainable Investing, KKR	Consumer Goods	Health Care, Extractives & Minerals Processing, Food & Beverage
<b>Stephanie Tang, JD</b> Director of Legal, Corporate Securities, Stitch Fix	Food & Beverage	Transportation, Consumer Goods, Renewable Resources & Alternative Energy

## Appendix B. Redline Metric Tables

Redline tables are provided below for all sustainability accounting metrics (Table 1) and activity metrics (Table 2). All significant revisions to topics and metrics between the provisional standard and the codified standard are shown in redline; however, such redlines are not intended to communicate the full scope of such revisions, for which readers should refer to the codified Standard and accompanying content elsewhere in the *Basis for Conclusions*.

All redlines presented in these tables are associated with a revision number in the Revision Number column. Significant revisions to the technical protocol associated with a given metric will not necessarily be apparent in redline in the tables; however, the associated revision number will be noted in the Revision Number column of each table.

Any redlines that depict revisions to metrics but that are not accompanied by a revision number (i.e., “n/a”) are not addressed in the *Basis for Conclusions* as these revisions have not altered the scope or content of metrics, such as those that are intended to improve the consistency, clarity, and accuracy of the standard. Similarly, if a metric is not accompanied by a revision number, the technical protocol may have been revised to improve the consistency, clarity, and accuracy of the standard.

## Engineering & Construction Services Industry

Table 1.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	PROVISIONAL METRIC CODE	CODIFIED METRIC CODE <sup>3</sup>	REVISION NUMBER
Environmental Impacts of Project Development	Number of incidents of non-compliance with environmental permits, standards, and regulations	Quantitative	Number	IF0301-01	<a href="#">IF-EN-160a.1</a>	n/a
	Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	Discussion and Analysis	n/a	IF0301-02	<a href="#">IF-EN-160a.2</a>	n/a
Structural Integrity & Safety	Amount of defect- and safety-related rework <del>expenses</del> <u>costs</u>	Quantitative	<del>Reporting currency</del> <u>U.S. dollars (\$)</u>	IF0301-03	<a href="#">IF-EN-250a.1</a>	n/a
	<del>Amount</del> <u>Total amount of monetary losses as a result of legal and regulatory fines and settlements proceedings</u> associated with defect- and safety-related incidents	Quantitative	<del>Reporting currency</del> <u>U.S. dollars (\$)</u>	IF0301-04	<a href="#">IF-EN-250a.2</a>	n/a
Workforce Health & Safety	(1) Total recordable <del>injury</del> <u>incident</u> rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	IF0301-05	<a href="#">IF-EN-320a.1</a>	n/a
Lifecycle Impacts of Buildings & Infrastructure	Number of (1) commissioned projects certified to a <del>third-party</del> <u>multi-attribute sustainability standard</u> and (2) active projects seeking such certification	Quantitative	Number	IF0301-09	<a href="#">IF-EN-410a.1</a>	n/a
	<del>Description</del> <u>Discussion</u> of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	Discussion and Analysis	n/a	IF0301-10	<a href="#">IF-EN-410a.2</a>	n/a
Climate Impacts of Business Mix	<del>Amount of</del> <u>Backlog</u> for (1) hydrocarbon-related projects and (2) renewable energy projects	Quantitative	<del>Reporting currency</del> <u>U.S. dollars (\$)</u>	IF0301-06	<a href="#">IF-EN-410b.1</a>	n/a

<sup>3</sup> The Provisional Metric Code column provides the metric code that appeared in the Provisional Standard. The Codified Metric Code column provides the revised metric code that appears in the Codified Standard. The revised metric code is structured as follows: [Sector Code]-[Industry Code]-[Topic Code].[Metric Number].

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	PROVISIONAL METRIC CODE	CODIFIED METRIC CODE <sup>3</sup>	REVISION NUMBER
	Amount of backlog cancellations associated with hydrocarbon-related projects	Quantitative	<del>Reporting currency</del> U.S. dollars (\$)	IF0301-07	<a href="#">IF-EN-410b.2</a>	n/a
	<del>Backlog</del> Amount of backlog for non-energy projects associated with climate change mitigation	Quantitative	<del>Reporting currency</del> U.S. dollars (\$)	IF0301-08	<a href="#">IF-EN-410b.3</a>	n/a
<b>Business Ethics &amp; Bidding Integrity</b>	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Quantitative	Number, <del>Reporting currency</del> U.S. dollars (\$)	IF0301-11	<a href="#">IF-EN-510a.1</a>	<a href="#">IF-EN:01</a>
	<del>Amount</del> Total amount of monetary losses as a result of legal <del>proceedings and regulatory fines and settlements</del> associated with charges of (1) bribery or corruption and (2) anti-competitive practices	Quantitative	U.S. dollars (\$) <del>Reporting currency</del>	IF0301-12	<a href="#">IF-EN-510a.2</a>	<a href="#">IF-EN:01</a>
	Description of policies and practices for prevention of (1) <del>corruption and</del> bribery and <del>corruption, and</del> (2) anti-competitive behavior in the project bidding processes	Discussion and Analysis	n/a	IF0301-13	<a href="#">IF-EN-510a.3</a>	<a href="#">IF-EN:01</a>

**Table 2.**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	PROVISIONAL METRIC CODE	CODIFIED METRIC CODE <sup>4</sup>	REVISION NUMBER
Number of active projects	Quantitative	Number	IF0301-A	<a href="#">IF-EN-000.A</a>	n/a
Number of commissioned projects	Quantitative	Number	IF0301-B	<a href="#">IF-EN-000.B</a>	n/a
Total backlog	Quantitative	<del>Reporting currency</del> U.S. dollars (\$) <del>U.S. dollars (\$)</del>	IF0301-C	<a href="#">IF-EN-000.C</a>	n/a

<sup>4</sup> The Provisional Metric Code column provides the metric code that appeared in the Provisional Standard. The Codified Metric Code column provides the revised metric code that appears in the Codified Standard. The revised metric code is structured as follows: [Sector Code]-[Industry Code]-[Topic Code].[Metric Number].

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