

ESG Rating Series | Part 5: KSA's Construction Sector

I'm excited to present the fifth part of Axial Consulting Ltd's ESG Rating Series! I'll be showcasing our team's findings on KSA's Construction sector.

Recently as part of an assignment my team and I developed an ESG Rating Framework on behalf of a client.

We began by undertaking a study of sustainability reports published by companies operating within KSA's 5 sectors – Oil & Gas, Services, Manufacturing, Financial Institutions & Banks, and Construction.

Trends paint a true picture. That's why we designed our analysis to only include companies that had recently published an ESG report and did so over the past three years (2020 to 2022). Here are a few notable observations for each component:

Environment: The sector has recorded a rising trend of Scope 1 and 2 emissions, energy consumption, and GHG intensity levels indicating that significant work must be done to reduce its carbon footprint. The sector has failed to adequately disclose the impact of construction activity on critical habitats and the measures taken to ensure sustainable land use. On a positive note, water footprint assessment disclosures are a common feature.

Social: The sector is actively engaged in human capital development and promotion of labor rights through practices such as education and training programs and fair labor practices. However, essential disclosures on the social impact of their activities and supplier sourcing policies and practices need to make an appearance.

Governance: Compared to the other two components, the sector's corporate governance disclosure efforts are least visible. Disclosures on board diversity, legal and ownership structures, and board average tenures are largely missing. On a positive note, measures to enhance the ethical code of conduct and reduce corruption through training programs and oversight have been commonly observed across the sector.

Key					
Performance	Poor	Average	Good	Very Good	No Score Assigned
Range	0-25%	26-50%	51-74%	75-100%	-

ESG Component	Theme	
Environment	Climate Change	
	Natural Capital	
	Pollution and Waste	
	Environmental Opportunities	
	Environmental Management	
Social	Human Capital	
	Product Liability	
	Community	
	Supply Chain Management	
	Collaboration and Partnership	
	Social Opportunities	
	Social Management	
Governance	Corporate Governance	
	Corporate Behavior	