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# Exposure Draft

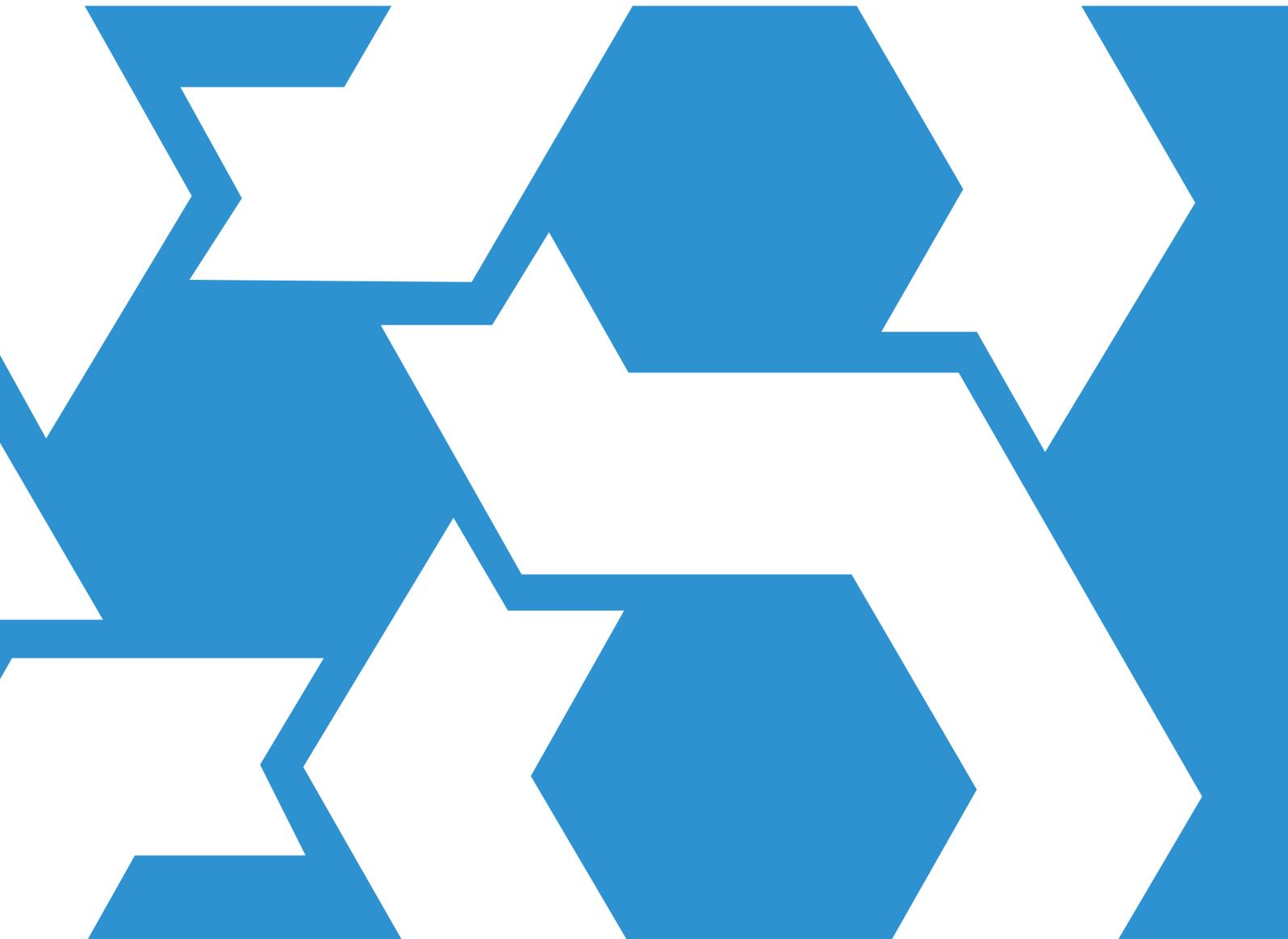
IFRS<sup>®</sup> Sustainability Disclosure Standard

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## **[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements**

Volume B49—Electrical & Electronic Equipment

Comments to be received by 29 July 2022



This industry from Appendix B Industry-based disclosure requirements accompanies the Exposure Draft ED/2022/S2 *Climate-related Disclosures* (published March 2022; see separate booklet). It is published by the International Sustainability Standards Board (ISSB) for comment only. Comments need to be received by 29 July 2022 and should be submitted by email to [commentletters@ifrs.org](mailto:commentletters@ifrs.org) or online at <https://www.ifrs.org/projects/open-for-comment/>.

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## Introduction

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*This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.*

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

## Electrical & Electronic Equipment

### Industry Description

The Electrical & Electronic Equipment industry consists of companies that develop and manufacture a broad range of electric components, including power generation equipment, energy transformers, electric motors, switchboards, automation equipment, heating and cooling equipment, lighting, and transmission cables. These include: non-structural commercial and residential building equipment, such as Heating, Ventilation, and Air Conditioning (HVAC) systems, lighting fixtures, security devices, and elevators; electrical power equipment; traditional power generation and transmission equipment; renewable energy equipment; industrial automation controls; measurement instruments; and electrical components used for industrial purposes, such as coils, wires, and cables. Companies in this mature and competitive industry operate globally and typically generate a significant portion of their revenue from outside the country of their domicile.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-EE-130a.1
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances <sup>86</sup>	Quantitative	Percentage (%) by revenue	RT-EE-410a.1
	Percentage of eligible products, by revenue, that meet ENERGY STAR <sup>®</sup> criteria <u>certified to an energy efficiency certification</u>	Quantitative	Percentage (%) by revenue	RT-EE-410a.2
	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	Reporting currency	RT-EE-410a.3

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of units produced by product category <sup>87</sup>	Quantitative	Number	RT-EE-000.A
Number of employees	Quantitative	Number	RT-EE-000.B

<sup>86</sup> Note to RT-EE-410a.1 – Disclosure shall include a discussion of approach to managing the use of IEC 62474 declarable substances.

<sup>87</sup> Note to RT-EE-000.A – Production should be disclosed as number of units produced by product category, where relevant product categories include energy generation, energy delivery, and lighting and indoor climate control electronics.

## Energy Management

### Topic Summary

Electrical and electronic equipment companies may use significant amounts of energy. Purchased electricity represents the largest share of energy expenditures in the industry, followed by purchased fuels. The type of energy used, magnitude of consumption, and energy management strategies depends on the type of products manufactured. A company's energy mix, including the use of electricity generated on-site, grid-sourced electricity, and the use of alternative energy, can play an important role in lowering the cost and increasing the reliability of energy supply, and ultimately affect the company's cost structure and exposure to regulatory shifts.

### Metrics

*RT-EE-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable*

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
  - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
  - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
  - 1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), ~~the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).~~
- 2 The entity shall disclose (2) the percentage of energy it consumed that was supplied from grid electricity.
  - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed that is renewable energy.
  - 3.1 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.
  - 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.

- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
  - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from ~~hydro and biomass sources is limited to the following:~~
  - 3.4.1 ~~Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;~~
  - 3.4.2 ~~Energy from biomass sources is limited to~~ materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered eligible sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0* (2017) or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

## Product Lifecycle Management

### Topic Summary

Electrical and electronic equipment companies face increasing challenges and opportunities associated with environmental and social externalities that stem from the use of their products. Regulations are incentivizing companies to reduce or eliminate the use of harmful chemicals in their products. To a lesser extent, regulations and customers are driving companies to lower the environmental footprint of their products in the use phase, primarily in terms of energy intensity. Electrical and electronic equipment companies that develop cost-effective products and solutions for energy efficiency can benefit from increased revenues and market share, stronger competitive positioning, and enhanced brand value. Similarly, products with reduced chemical safety concerns can provide opportunities for increased market share.

### Metrics

#### *RT-EE-410a.1. Percentage of products by revenue that contain IEC 62474 declarable substances*

- 1 The entity shall disclose the percentage of products sold during the reporting period that contain IEC 62474 declarable substances.
  - 1.1 A product contains a declarable substance if, according to International Electrotechnical Commission's IEC 62474 – Material Declaration for Products of and for the Electrotechnical Industry, it contains an amount of the substance above the “reporting threshold,” is within the scope of the “reporting application” identified, and for which the “reporting requirement” is mandatory, according to IEC 62474.
  - 1.2 The entity shall calculate the percentage as the revenue from products sold that contain a declarable substance(s) divided by total revenue from products sold.
- 2 The scope of disclosure includes all products, including products from an entity not required to declare, or otherwise make declarations, according to IEC 62474.

#### Note to **RT-EE-410a.1**

- 1 The entity shall discuss its approach to managing its use of substances listed as declarable substance groups or declarable substances in IEC 62474, including a discussion of specific operational processes during which use of these substances is considered and a discussion of actions the entity has taken to manage the use of these substances.
- 2 Relevant management approaches and actions to describe include, but are not limited to:
  - 2.1 Product design criteria for the exclusion of substances (e.g., banned substances lists)
  - 2.2 Use of material substitution assessments, materials and parts procurement guidelines, product safety testing, product declarations (e.g., material safety data sheets), and product labeling

- 3 If the entity assesses and manages the impact of known or potentially toxic substances with reference to other regulations, industry norms, or accepted chemical lists, it may choose to identify those practices, and it shall describe the degree of overlap with IEC 62474.

*RT-EE-410a.2. Percentage of eligible products, by revenue, ~~that meet ENERGY STAR® criteria certified to an energy efficiency certification~~*

- 1 The entity shall disclose the percentage of its revenue from eligible products, ~~by revenue, that meet ENERGY STAR® criteria certified to an energy efficient certification.~~
  - 1.1 The entity shall calculate the percentage as: the revenue from products meeting the requirements for ~~ENERGY STAR® the applicable~~ certification divided by total revenue from products eligible for ~~ENERGY STAR® certification by certification.~~
    - 1.1.1 Eligible products are those in a product category for which ~~ENERGY STAR® certification exists, which includes the following electrical and electronic equipment product categories but is not limited to:~~ uninterruptible power supply products, heating and cooling and ventilation equipment, and lighting and fans.
- 2 ~~The scope of disclosure includes products meeting the criteria of the most current version of the applicable ENERGY STAR® standard.~~

The entity shall disclose the percentage of products by revenue by energy efficiency certification.

  - 2.1 If the entity has products certified to a previous version of an ~~ENERGY STAR® standard energy efficiency certification,~~ it shall disclose this information, including the version of the standard to which its products are certified, a breakdown of how many products are certified to that version of the standard, and its timelines to achieve certification to the most current version of the standard.
- 3 For each jurisdiction where the entity sells products, the entity shall disclose the applicable certification program.

*RT-EE-410a.3. Revenue from renewable energy-related and energy efficiency-related products*

- 1 The entity shall disclose its total revenue from renewable energy-related and energy efficiency-related products.
- 2 Renewable energy-related products are defined as products and/or systems that enable the incorporation of renewable energy into established energy infrastructure, where:
  - 2.1 Renewable energy is defined as energy derived from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydroelectric, and biomass (including ethanol, first-generation biofuels, and advanced biofuels).

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 2.2 Examples of products and systems include, but are not limited to, turbine controllers, relays, switchgears, solar PV fuses, SCADA systems, interconnection technologies, and other balance of plant equipment designed for renewable energy applications.
  - 2.3 The scope of products and systems is limited to those that enable the integration of renewable energy into established energy infrastructure and grids; it excludes revenue from the sale and/or installation of renewable energy generation hardware such as wind turbines, solar photovoltaic modules, and solar thermal electricity generation equipment.
- 3 A product shall be considered to have been designed to increase energy efficiency if documentation shows that the entity has tested, modeled, or otherwise established an increase in energy efficiency during the product's use phase.
- 3.1 Examples of products that increase energy efficiency include, but are not limited to: smart grid technologies and infrastructure (e.g., demand response systems, distribution automation, smart inverters, or advanced metering equipment); smart home and intelligent building control products; flexible alternating current transmission systems; and low-loss transformers.
    - 3.1.1 Smart grid is defined as a modernization of the electricity delivery systems so as to monitor, protect, and automatically optimize the operation of its interconnected elements—from the central and distributed generation through the transmission network and the distribution system, to industrial users and building automation systems, and to energy storage installations and to end-use consumers, consistent with the National Institute of Standards and Technology (NIST) Smart Grid Interoperability Standards.
  - 3.2 The scope of disclosure includes products that impart an incremental improvement to energy efficiency, insofar as the entity can demonstrate that the improvement is meaningful, such as through alignment with the milestones set forth in Section 5, "Key Sectors" of the European Commission's Road Map to a Resource Efficient Europe and/or with EU Directive 2012/27/EU, and/or through conformance with energy efficiency standards such as the International Electrotechnical Commission's (IEC) IE2 High Efficiency, IE3 Premium Efficiency, and IE4 Super Premium Efficiency.
  - 3.3 The scope of disclosure excludes products that impart improved resource efficiency in an ancillary, indirect, or minimal way (e.g., a conventional product that is slightly lighter than the previous generation of the product).