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Exposure Draft

IFRS[®] Sustainability Disclosure Standard

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

Volume B55—Hardware

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 or online at <https://www.ifrs.org/projects/open-for-comment/>.

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Introduction

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.

Hardware

Industry Description

The Hardware industry consists of companies that design and sell technology hardware products, including computers, consumer electronics, communications equipment, storage devices, components, and peripherals. Many companies in the industry rely heavily on the Electronic Manufacturing Services & Original Design Manufacturing (EMS & ODM) industry for manufacturing services. The industry is expected to continue to grow as the use of technology rapidly grows, especially from consumers in emerging markets.

Note: Companies engaged in activities of the Software & IT Services industry (TC-SI), Internet Media & Services (TC-IM) industry, and/or the EMS & ODM industry (TC-ES) should consider the separate SASB standards for these industries.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances ⁹⁵	Quantitative	Percentage (%)	TC-HW-410a.1
	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent ⁹⁶	Quantitative	Percentage (%)	TC-HW-410a.2
	Percentage of eligible products, by revenue, meeting ENERGY STAR [®] criteria certified to an energy efficiency certification	Quantitative	Percentage (%)	TC-HW-410a.3
	Weight of end-of-life products and e-waste recovered, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	TC-HW-410a.4

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of units produced by product category ⁹⁷	Quantitative	Number	TC-HW-000.A

continued...

⁹⁵ Note to TC-HW-410a.1 – Disclosure shall include a discussion of the approach to managing the use of IEC 62474 declarable substances.

⁹⁶ Note to TC-HW-410a.2 – Disclosure shall include a discussion of efforts to incorporate environmentally focused principles into product design.

⁹⁷ Note to TC-HW-000.A – The entity shall indicate the number of units produced during the reporting period whether they were manufactured in its own facilities or they were produced by contract manufacturers or suppliers. Disclosure shall be according to the following product categories: Communications Equipment, Components, Computer Hardware, Computer Peripherals, Computer Storage, Consumer Electronics, Other Hardware, Printing & Imaging, and Transaction Management Systems.

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ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Area of manufacturing facilities	Quantitative	Square feet (ft ²)	TC-HW-000.B
Percentage of production from owned facilities	Quantitative	Percentage (%)	TC-HW-000.C

Product Lifecycle Management

Topic Summary

Companies in the Hardware industry face increasing challenges associated with environmental and social externalities attributed to product manufacturing, transport, use, and disposal. Rapid obsolescence of hardware products exacerbates the externalities. Companies are therefore designing more products with the entire lifecycle in mind. Specific considerations include energy efficiency of products, hazardous material inputs, and designing for and facilitating safe end-of-life disposal and recycling. Companies that prioritize designing and manufacturing products with improved environmental and social impacts can avoid costs associated with externalities, and are more likely to grow consumer demand and market share, while eliminating potentially harmful materials. Furthermore, companies that are able to minimize environmental and social externalities of products will be less exposed to increasing regulation and costs, such as those related to extended producer responsibility.

Metrics

TC-HW-410a.1. Percentage of products by revenue that contain IEC 62474 declarable substances

- 1 The entity shall disclose percentage of its products sold during the reporting period that contain declarable substances.
 - 1.1 A product is considered to contain a declarable substance if, according to International Electrotechnical Commission's IEC 62474 – Material Declaration for Products of and for the Electrotechnical Industry, the product contains an amount of the declarable substance that is:
 - 1.1.1 Above the “reporting threshold”
 - 1.1.2 Within the scope of the “reporting application” identified
 - 1.1.3 Within mandatory “reporting requirement”
 - 1.2 The entity shall calculate the percentage as the revenue from electrical, electronic, and related technology products sold that contain a declarable substance(s) divided by total revenue from electrical, electronic, and related technology products sold.
- 2 The scope of disclosure includes all electrical, electronic, and related technology products, including products from a company not required to declare, or otherwise making declarations, according to IEC 62474.

Note to **TC-HW-410a.1**

- 1 The entity shall describe its approach to managing the use of substances that appear 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 the actions the entity has taken to manage the use of these substances.
 - 1.1 Relevant management approaches and actions to describe may include, but are not limited to:

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- 1.1.1 Product design criteria for the exclusion of substances (e.g., banned substances lists)
 - 1.1.2 Use of material substitution assessments, materials and parts procurement guidelines, product safety testing, product declarations (e.g., material safety data sheets), and product labeling
- 2 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 identify those practices, and it shall describe the degree of overlap with IEC 62474.

TC-HW-410a.2. Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent

- 1 The entity shall disclose the percentage of its products sold during the reporting period that meet the requirements for Electronic Product Environmental Assessment Tool (EPEAT) registration or an equivalent standard.
- 1.1 A product meets the requirements of EPEAT registration if it appears on the EPEAT Registry, or the entity can otherwise demonstrate that the product meets these requirements.
 - 1.2 Standards that are equivalent to EPEAT include those that have criteria and requirements covering substantially similar topics, such as addressing:
 - 1.2.1 Reduction or elimination of environmentally sensitive materials
 - 1.2.2 Material selection and declaration
 - 1.2.3 Design for end-of-life
 - 1.2.4 Product longevity or lifecycle extension
 - 1.2.5 Energy conservation
 - 1.2.6 End-of-life management
 - 1.2.7 Corporate performance
 - 1.2.8 Packaging
 - 1.3 Examples of standards that are equivalent to EPEAT include, but are not limited to, the Total Cost of Ownership (TCO) Development fourth generation family of standards.
- 2 The entity shall calculate the percentage as the revenue from products sold during the reporting period that meet the requirements for EPEAT registration, or an equivalent standard, divided by total revenue from products eligible for EPEAT registration.
- 2.1 Eligible products are those in a product category for which EPEAT registration exists, which includes desktop computers, notebook computers, computer displays, and mobile phones.
 - 2.2 Product categories not currently within the scope of EPEAT registration but for which there is an equivalent standard may be considered eligible products.

Note to **TC-HW-410a.2**

- 1 The entity shall describe its approach to incorporating environmentally focused principles into product design.
 - 1.1 ~~Examples of environmentally~~ Environmentally focused principles or criteria include those outlined in International Electrotechnical Commission's (IEC) Environmentally Conscious Design (IEC-62430 or IEC-62075) ~~or U.S. Environmental Protection Agency's Design for Environment (DfE).~~
 - 1.2 The discussion shall include, but is not limited to:
 - 1.2.1 Elimination of toxic substances
 - 1.2.2 Use of recycled materials
 - 1.2.3 Reduction of packaging
 - 1.2.4 Design for consolidated shipping
 - 1.2.5 Design of low energy consumption products
 - 1.2.6 Design for product take-back
 - 1.2.7 Labeling for recycling
 - 1.2.8 Elimination or replacement of materials that are subject to resource scarcity (e.g., cobalt and rare earth elements)

TC-HW-410a.3. Percentage of eligible products, by revenue, ~~meeting ENERGY STAR® criteria certified to an energy efficiency certification~~

- 1 The entity shall disclose percentage of its revenue from eligible products ~~meeting ENERGY STAR® criteria certified to an energy efficiency certification.~~
 - 1.1 The entity shall calculate the percentage as the revenue from products sold 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 electronics and office equipment product categories but is not limited to:~~ Audio/Video Equipment, Battery Charging Systems, Computers, Data Center Storage, Displays, Enterprise Servers, Imaging Equipment, Set-top Boxes and Cable Boxes, Large Network Equipment, Small Network Equipment, Telephony, Televisions, and Uninterruptible Power Supplies.
- 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.

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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 which version of the standard its products are certified to, 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.

TC-HW-410a.4. Weight of end-of-life products and e-waste recovered, percentage recycled

1 The entity shall disclose the weight, in metric tons, of end-of-life material that was recovered, including through reverse logistics services, recycling services, product take-back programs, and refurbishment services.

1.1 End-of-life material that was recovered is defined as products, materials, and parts, including electronic waste material (e-waste), that at the end of their useful life would have otherwise been disposed of as waste or used for energy recovery, but have instead been collected.

1.2 The scope of end-of-life material that was recovered includes materials physically handled by the entity.

1.3 The scope of end-of-life material that was recovered also includes materials that the entity did not take physical possession of, but were collected by a third party for the expressed purpose of reuse, recycling, or refurbishment.

1.4 The scope of end-of-life material that was recovered excludes materials that have been collected for repair or that are in-warranty and subject to recall.

2 The entity shall disclose the percentage of end-of-life material that was recovered and subsequently recycled.

2.1 The percentage shall be calculated as the weight of end-of-life material that was recovered and subsequently recycled divided by the total weight of end-of-life material that was recovered.

2.2 Recycled material (including remanufactured material) is defined as waste material that has been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.

2.3 The scope of recycled material includes material that was reused or reclaimed.

2.3.1 Reused material is defined as recovered products or components of products that are used for the same purpose for which they were conceived, including products donated and/or refurbished by the entity or by third parties.

- 2.3.2 Reclaimed material is defined as material processed to recover or regenerate a usable product.
- 2.4 The scope of recycled material includes primary recycled material, co-products (outputs of equal value to primary recycled materials), by-products (outputs of lesser value to primary recycled materials), and material sent externally for further recycling.
- 2.5 The scope of recycled material excludes portions of products and materials that are disposed of in landfills.
- 2.6 Electronic waste material (e-waste) shall be considered recycled only if the entity can demonstrate that this material was transferred to entities with third-party certification to a standard for e-waste recycling such as Basel Action Network's e-Steward[®] standard ~~or the U.S. EPA's Responsible Recycling Practices (R2) standard.~~
- 2.6.1 The entity shall disclose the standard(s) with which the entities it has transferred e-waste to are compliant.