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Exposure Draft

IFRS[®] Sustainability Disclosure Standard

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

Volume B60—Air Freight & Logistics

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.

Air Freight & Logistics

Industry Description

Air freight and logistics companies provide freight services and transportation logistics to both businesses and individuals. There are three main industry segments: air freight transportation, post and courier services, and transportation logistics services. Companies in the industry earn revenue from one or more of the segments and range from non-asset-based to asset-heavy. Transportation logistics services include contracting with road, rail, marine, and air freight companies to select and hire appropriate transportation. Services can also include customs brokerage, distribution management, vendor consolidation, cargo insurance, purchase-order management, and customized logistics information. The industry is key to global trade, granting it a degree of demand stability.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO ₂ -e	TR-AF-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	TR-AF-110a.2
	Fuel consumed by (1) road transport, percentage (a) natural gas and (b) renewable, and (2) air transport, percentage (a) alternative and (b) sustainable	Quantitative	Gigajoules (GJ), Percentage (%)	TR-AF-110a.3
Supply Chain Management	Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold	Quantitative	Percentage (%)	TR-AF-430a.1
	Total greenhouse gas (GHG) footprint across transport modes	Quantitative	Metric tons (t) CO ₂ -e per ton-kilometer	TR-AF-430a.2

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Revenue ton kilometers (RTK) for: (1) road transport and (2) air transport ¹¹⁰	Quantitative	RTK	TR-AF-000.A

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¹¹⁰ Note to TR-AF-000.A – Revenue ton kilometers (RTK) is defined as one metric ton of revenue traffic transported one kilometer. RTK is computed by multiplying the vehicle-kilometers traveled on each leg by the number of tons of revenue traffic carried on that leg.

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ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Load factor for: (1) road transport and (2) air transport ¹¹¹	Quantitative	Rate	TR-AF-000.B
Number of employees, number of truck drivers	Quantitative	Number	TR-AF-000.C

¹¹¹ Note to TR-AF-000.B – Load factor is a measure of capacity utilization and is calculated as kilometers traveled by cargo divided by total kilometers traveled.

Greenhouse Gas Emissions

Topic Summary

Companies in the Air Freight & Logistics industry generate direct greenhouse gas (GHG) emissions that contribute to climate change. Emissions are generated from fuel combustion by both air and road freight operations. Given the altitude of the emissions from jet fuel, air freight makes an especially potent contribution to climate change. Management of GHG emissions is likely to affect air freight and logistics companies' cost structure over time, as emissions are tied directly to fuel use, and thus to operating expenses. Fuel efficiency and the use of alternative fuels offers a way for companies to reduce fuel costs and/or limit exposure to volatile fuel pricing, future regulatory costs, and other consequences of GHG emissions. While newer aircraft and trucks are generally more fuel-efficient, existing fleets may be retrofitted. Capital investments in more fuel-efficient airplanes and/or vehicles and emerging fuel-management technology may potentially reduce ongoing fuel expenses and improve profitability. It can also help companies potentially capture market share of customers seeking low-carbon shipping solutions.

Metrics

TR-AF-110a.1. Gross global Scope 1 emissions

- 1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).
 - 1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO₂-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (2014).
 - 1.2 Gross emissions are GHGs emitted into the atmosphere before accounting for offsets, credits, or other similar mechanisms that have reduced or compensated for emissions.
- 2 Scope 1 emissions are defined and shall be calculated according to the methodology contained in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
 - 2.1 Acceptable calculation methodologies include those that conform to the GHG Protocol as the base reference, but provide additional guidance, such as industry- or region-specific guidance. Examples include, but are not limited to:
 - 2.1.1 *GHG Reporting Guidance for the Aerospace Industry* published by International Aerospace Environmental Group (IAEG)

- 2.1.2 Greenhouse Gas Inventory Guidance: Direct Emissions from Stationary Combustion Sources published by the U.S. Environmental Protection Agency (EPA)
- 2.1.3 India GHG Inventory Program
- 2.1.4 ISO 14064-1
- 2.1.5 Petroleum Industry Guidelines for reporting GHG emissions, 2nd edition, 2011, published by IPIECA
- 2.1.6 Protocol for the quantification of greenhouse gas emissions from waste management activities published by Entreprises pour l'Environnement (EpE)
- 2.2 GHG emissions data shall be consolidated and disclosed according to the approach with which the entity consolidates its financial reporting data, which is generally aligned with the “financial control” approach defined by the GHG Protocol, and the approach published by the Climate Disclosure Standards Board (CDSB) described in REQ-07, “Organisational boundary,” of the *CDSB Framework for reporting environmental information, natural capital and associated business impacts* (April 2018).
- 3 The entity may discuss any change in its emissions from the previous reporting period, including whether the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.
- 4 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the entity may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.
- 5 The entity may discuss the calculation methodology for its emissions disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, or mass balance calculations.

TR-AF-110a.2. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets

- 1 The entity shall discuss its long-term and short-term strategy or plan to manage its Scope 1 greenhouse gas (GHG) emissions.
 - 1.1 Scope 1 emissions are defined according to *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
 - 1.2 The scope of GHG emissions includes the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

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- 2 The entity shall discuss its emission reduction target(s) and analyze its performance against the target(s), including the following, where relevant:
 - 2.1 The scope of the emission reduction target (e.g., the percentage of total emissions to which the target is applicable);
 - 2.2 Whether the target is absolute- or intensity-based, and the metric denominator, if it is an intensity-based target;
 - 2.3 The percentage reduction against the base year, with the base year representing the first year against which emissions are evaluated toward the achievement of the target;
 - 2.4 The timelines for the reduction activity, including the start year, the target year, and the base year;
 - 2.5 The mechanism(s) for achieving the target; and
 - 2.6 Any circumstances in which the target or base year emissions have been, or may be, recalculated retrospectively or the target or base year has been reset.
- 3 The entity shall discuss the activities and investments required to achieve the plans and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.
 - 3.1 Relevant aviation-related activities and investments may include, but are not limited to, fuel optimization efforts such as the use of ground power and pre-conditioned air rather than auxiliary power units (APU) when parked at gate, adjusting flight speed to optimize fuel efficiency, route design (e.g., NextGen), use of winglets, reduction in aircraft weight, and upgrading of the fleet with new aircraft.
 - 3.2 Relevant road transportation-related activities and investments may include, but are not limited to, fuel optimization efforts such as route and load optimization, adoption of technology such as engine and powertrain efficiency and aerodynamic improvements, use of electric- or natural gas-powered vehicles, weight reduction, improved tire rolling resistance, hybridization, and automatic engine shutdown.
- 4 The entity shall discuss the scope of its strategies, plans, and/or reduction targets, such as how they relate to different business units, geographies, or emissions sources.
- 5 The entity shall discuss whether its strategies, plans, and/or reduction targets are related to, or associated with, emissions limiting and/or emissions reporting-based programs or regulations (e.g., the EU Emissions Trading Scheme, Quebec Cap-and-Trade System, California Cap-and-Trade Program), including regional, national, international, or sectoral programs.
- 6 Disclosure of strategies, plans, and/or reduction targets shall be limited to activities that were ongoing (active) or reached completion during the reporting period.

TR-AF-110a.3. Fuel consumed by (1) road transport, percentage (a) natural gas and (b) renewable, and (2) air transport, percentage (a) alternative and (b) sustainable

- 1 The entity shall disclose the amount of fuel consumed as an aggregate figure, in gigajoules (GJ), broken down by (1) road transport-related operations, and separately, (2) air transport-related operations.
 - 1.1 The calculation methodology for fuel consumed shall be based on actual fuel consumed as opposed to design parameters.
 - 1.2 Acceptable calculation methodologies for fuel consumed include, but are not limited to, methodologies based on:
 - 1.2.1 Adding fuel purchases made during the reporting period to beginning inventory at the start of the reporting period, less any fuel inventory at the end of the reporting period
 - 1.2.2 Tracking fuel consumed by vehicles
 - 1.2.3 Tracking fuel expenses
- 2 In disclosing fuel consumed by (1) road transport-related operations, the entity shall additionally disclose the percentage of fuel consumed that is (a) natural gas.
 - 2.1 The percentage shall be calculated as the amount of fuel consumed by road transport-related operations that was natural gas (in GJ) divided by the total amount of fuel consumed by road transport-related operations (in GJ).
- 3 In disclosing fuel consumed by (1) road transport-related operations, the entity shall additionally disclose the percentage of fuel consumed that is (b) renewable fuel.
 - 3.1 Renewable fuel is generally defined by the U.S. Renewable Fuel Standard (U.S. 40 CFR 80.1401), as fuel that meets all of the following requirements:
 - 3.1.1 Produced from renewable biomass;
 - 3.1.2 Used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel; and
 - 3.1.3 Achieved net Has lifecycle greenhouse gas (GHG) emissions reduction on a life cycle basis that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to U.S. 40 CFR 80.1403.
 - 3.2 The entity shall disclose the standard or regulation used to determine if a fuel is renewable.

The scope of renewable fuel includes fuel that qualifies for Renewable Identification Numbers (RINs) under the U.S. Renewable Fuel Standard.
 - 3.3 The percentage shall be calculated as the amount of renewable fuel consumed by road transport-related operations (in GJ) divided by the total amount of fuel consumed by road transport-related operations (in GJ).

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- 4 In disclosing fuel consumed by (2) air transport-related operations, the entity shall additionally disclose the percentage of fuel consumed that is (a) alternative fuel.
 - 4.1 Alternative fuel is defined by the International Civil Aviation Organization (ICAO) as fuel from sources other than petroleum that has the potential to generate lower carbon emissions than petroleum-based fuel on a life cycle basis.
 - 4.2 The percentage shall be calculated as the amount of alternative fuel consumed by air transport-related operations (in GJ) divided by the total amount of fuel consumed by air transport-related operations (in GJ).
- 5 In disclosing fuel consumed by (2) air transport-related operations, the entity shall additionally disclose the percentage of fuel consumed that was (b) sustainable fuel.
 - 5.1 Sustainable fuel is defined as a subset of alternative fuel that meets all of the following criteria described by ICAO:
 - 5.1.1 Achieves net greenhouse gas (GHG) emissions reduction on a life cycle basis;
 - 5.1.2 Avoids competition with food and water through utilization of marginal or unviable land; and
 - 5.1.3 Contributes to local social and economic development, such as through expanded employment and revitalized infrastructure.
 - 5.2 The percentage shall be calculated as the amount of sustainable fuel consumed by air transport-related operations (in GJ) divided by the total amount of fuel consumed by air transport-related operations (in GJ).
- 6 The scope of disclosure is limited to fuel directly consumed by the entity.
- 7 In calculating energy consumption from fuels, 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, ~~the U.S. Department of Energy, or the U.S. Energy Information Agency.~~
- 8 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).

Supply Chain Management

Topic Summary

Many companies in the Air Freight & Logistics industry contract with large, complex networks of asset-based third-party providers to provide freight transportation services to their customers. Contracting is especially common among companies providing freight forwarding, logistics, brokerage, and intermodal services. These contractors range across all modes of transport such as motor carriers, railroads, air freight, and ocean carriers. Companies need to manage the relationships with their contractors in order to ensure that contractor actions that lead to environmental or social impacts do not result in material adverse effects on their own operations, such as decreased brand value. At the same time, companies that are able to offer low-carbon logistics solutions may capture market share from customers seeking to reduce the carbon footprint of their shipments.

Metrics

TR-AF-430a.1. Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold

- 1 The entity shall disclose the percentage of carriers the entity contracts with that have one or more U.S. Federal Motor Carrier Safety Administration (FMCSA) Behavior Analysis and Safety Improvement Category (BASIC) percentiles over the Intervention Threshold.
 - 1.1 The percentage shall be calculated as the number of carriers the entity contracts with that have one or more BASIC percentiles over the Intervention Threshold divided by the total number of carriers the entity contracts with.
- 2 The scope of disclosure includes carriers with which the entity has contracted for transportation services during the reporting period.

TR-AF-430a.2. Total greenhouse gas (GHG) footprint across transport modes

- 1 The entity shall disclose the complete tank-to-wheels greenhouse gas (GHG) footprint in metric tons of CO₂-e per metric ton-kilometer.
- 2 Tank-to-wheels emissions relate to vehicle processes and exclude upstream emissions associated with primary energy production (i.e., well-to-tank emissions).
 - 2.1 The entity shall calculate its disclosure according to EN 16258:2012, Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers).
 - 2.1.1 Calculations shall be consistent with the methodology used to calculate the “tank-to-wheels GHG emissions (Gt)” result that is described in EN 16258:2012.
 - 2.1.2 Determination of transportation system scope, boundaries, and any necessary allocations shall be consistent with the methodology described in EN 16258:2012.

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- 3 The scope of disclosure includes emissions from all freight transportation and logistics activities, including those from the entity's own assets (Scope 1) and those from contract carriers and outsourced freight forwarding services.
- 4 The scope of disclosure includes emissions from all modes of transportation, such as road freight, air freight, barge transport, marine transport, and rail transport.
- 5 Consistent with EN 16258:2012, disclosure may be based on calculations from a mix of categories of emissions values (i.e., specific measured values, transport operator vehicle-type- or route-type-specific values, transport operator fleet values, and default values).
- 6 Where relevant and necessary for interpretation of disclosure, the entity shall describe its allocation methods, emissions values, boundaries, mix of transport services used, and other information.