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Exposure Draft

IFRS[®] Sustainability Disclosure Standard

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

Volume B62—Auto Parts

Comments to be received by 29 July 2022



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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.

Auto Parts

Industry Description

Companies in the Auto Parts industry supply motor vehicle parts and accessories to original equipment manufacturers (OEM). Auto parts companies typically specialize in the manufacturing and assembly of certain parts or accessories, such as engine exhaust systems, alternative drivetrains, hybrid systems, catalytic converters, aluminum wheels (rims), tires, rearview mirrors, and onboard electrical and electronic equipment. Although the larger automotive industry includes several tiers of suppliers that provide parts and raw materials used to assemble motor vehicles, the scope of SASB's Auto Parts industry includes only Tier 1 suppliers that supply parts directly to OEMs. The scope of the industry excludes captive suppliers, such as engine and stamping facilities, that are owned and operated by OEMs. Similarly, it excludes Tier 2 suppliers, which provide inputs for the Auto Parts industry.

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 (%)	TR-AP-130a.1
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	Quantitative	Reporting currency	TR-AP-410a.1

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of parts produced	Quantitative	Number	TR-AP-000.A
Weight of parts produced	Quantitative	Metric tons (t)	TR-AP-000.B
Area of manufacturing plants	Quantitative	Square meters (m ²)	TR-AP-000.C

Energy Management

Topic Summary

Most of the energy consumed in the automobile manufacturing process happens in the supply chain. The use of electricity and fossil fuels by auto parts manufacturers in their production processes results in direct and indirect emissions of greenhouse gases (GHGs). Purchased electricity represents a major share of the energy used in the Auto Parts industry. Sustainability initiatives such as incentives for energy efficiency and renewable energy are making alternative sources of energy more cost-competitive. Regulators and consumers are also pressuring the industry to reduce GHG emissions. Therefore, it is becoming increasingly important for companies in energy-intensive industries to manage the cost and reliability risks associated with their overall energy efficiency, their reliance on different types of energy, and their access to alternative energy sources.

Metrics

TR-AP-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).

Design for Fuel Efficiency

Topic Summary

Automobile manufacturers are increasingly demanding motor parts and components that can help reduce the fuel consumption of the vehicles they sell. Fuel-efficient components and parts play a vital role in reducing tailpipe emissions of automobiles through energy efficiency gains and contributions to weight reductions, among other factors. Auto parts companies that can design and manufacture such parts will be better positioned to increase sales to auto manufacturers that are increasingly facing stricter environmental regulations and customer preferences for more environmentally friendly cars.

Metrics

TR-AP-410a.1. Revenue from products designed to increase fuel efficiency and/or reduce emissions

- 1 The entity shall disclose its total revenue from products that are designed to increase fuel efficiency and/or reduce emissions during their use phase.
 - 1.1 Products designed to increase fuel efficiency and/or reduce emissions are defined as those that the entity has tested, modeled, or otherwise shown to improve fuel efficiency and/or eliminate or lower emissions of greenhouse gases (GHG), nitrogen oxide (NO_x), particulate matter (PM), sulfur oxides (SO_x), and other air pollutants during their use phase.
 - 1.2 The use phase is defined as the course over which the product is used by a customer or consumer as a final product and/or to generate a final product (e.g., in a manufacturing or production process).
 - 1.3 The scope of disclosure includes products that impart an incremental improvement to fuel efficiency and/or emission reduction, 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 / Ensuring efficient mobility” of the European Commission’s Road Map to a Resource Efficient Europe and/or with EU Directive 2012/27/EU (Energy Efficiency Directive).
 - 1.4 The scope of disclosure excludes products that offer improved fuel efficiency and/or reduced emissions in an ancillary or indirect way (e.g., a conventional product that is slightly lighter than the previous generation of the product).
- 2 Examples of products that may increase fuel efficiency and/or reduce emissions include, but are not limited to, those relating to: electrification of auxiliary systems such as oil and water pumps, waste heat recovery, improved aerodynamics, hybrid and advanced fuel technologies, improvements to combustion efficiency, idle reduction, alternative cooling systems, electric power steering, hybrid-enabled braking technologies, low rolling resistance (LRR) new and retread tire technologies, and engine management systems/products.

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- 3 For products designed to both increase fuel efficiency and reduce emissions, the entity shall only account for the products' revenue once.