IFRS Sustainability

March 2022

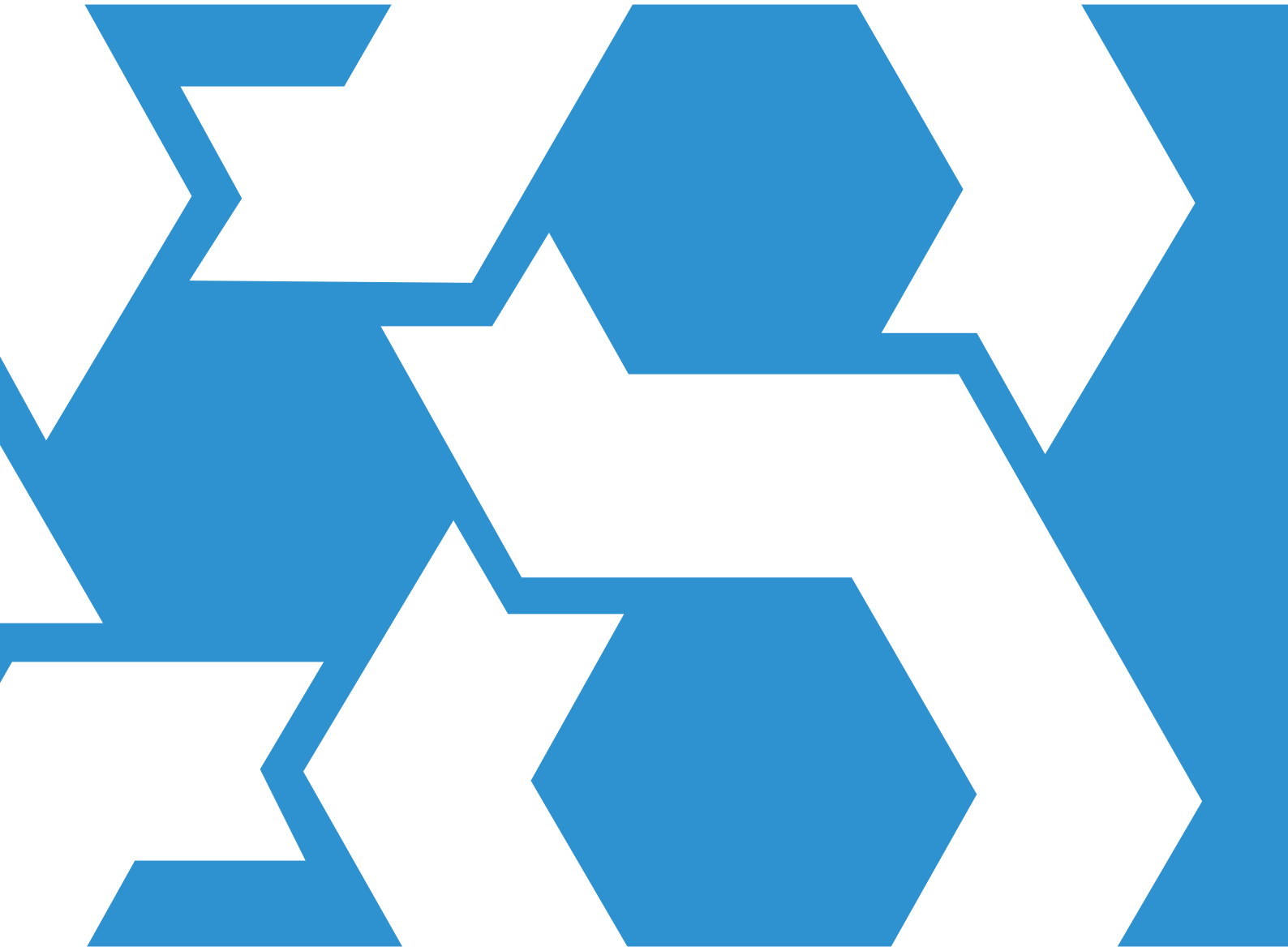
Exposure Draft

IFRS® Sustainability Disclosure Standard

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

Volume B63—Automobiles

Comments to be received by 29 July 2022



International Sustainability Standards Board

ED/2022/S2

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/.

All comments will be on the public record and posted on our website at www.ifrs.org unless the respondent requests confidentiality. Such requests will not normally be granted unless supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data. If you would like to request confidentiality, please contact us at commentletters@ifrs.org before submitting your letter.

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.

Automobiles

Industry Description

The Automobiles industry includes companies that manufacture passenger vehicles, light trucks, and motorcycles. Industry players design, build, and sell vehicles that run using a range of traditional and alternative fuels and powertrains. They sell these vehicles to dealers for consumer retail sales as well as sell directly to fleet customers, including car rental and leasing companies, commercial fleets, and governments. Due to the global nature of this industry, nearly all companies have manufacturing facilities, assembly plants, and service locations in several countries around the world. The Automobiles industry is highly concentrated, with a few large manufacturers and a diversified supply chain. Given the industry's reliance on natural resources and sensitivity to the business cycle, revenues are typically cyclical.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Fuel Economy & Use-phase Emissions	Sales-weighted average passenger fleet fuel economy, by region	Quantitative	Mpg, L/km, gCO_2/km, km/L	TR-AU-410a.1
	Number of (1) zero emission vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles sold	Quantitative	Number	TR-AU-410a.2
	Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities	Discussion and Analysis	n/a	TR-AU-410a.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of vehicles manufactured	Quantitative	Number	TR-AU-000.A
Number of vehicles sold	Quantitative	Number	TR-AU-000.B

Fuel Economy & Use-phase Emissions

Topic Summary

The combustion of petroleum-based fuels by motor vehicles accounts for a significant share of greenhouse gas (GHG) emissions that contribute to global climate change. It also generates local air pollutants such as nitrogen oxides (NO_x), volatile organic compounds (VOCs), and particulate matter (PM), which can threaten human health and the environment. In this context, vehicle emissions are increasingly of concern to consumers and regulators around the world. While use-phase emissions are downstream from auto manufacturers, regulations often focus on auto manufacturers to help reduce these emissions, such as through fuel economy standards. More stringent emissions standards and changing consumer demands are driving the expansion of markets for electric vehicles and hybrids, as well as for conventional vehicles with high fuel efficiency. Moreover, manufacturers are innovating by designing vehicles made with lighter-weight materials to improve fuel efficiency. Companies that can meet current fuel-efficiency and emissions standards and continue to innovate to meet or exceed future regulatory standards in different markets are likely to strengthen their competitive position and expand their market share, while mitigating the risk of reduced demand for conventional vehicles.

Metrics

TR-AU-410a.1. Sales-weighted average passenger fleet fuel economy, by region

1 The entity shall disclose the average fuel economy of its passenger and light-duty vehicle fleet, weighted for the footprint of vehicles sold, by geographic region.

1.1 The average fuel economy shall be calculated by model year as required for regulatory purposes.

1.2 In the absence of regulatory guidance on calculating a fleet average, the entity shall calculate performance based on the fuel economy of vehicles sold during the reporting period weighted by sales volume.

1.3 The calculation shall be made on a fleet-average basis regardless of whether regulations are based on vehicle weight.

2 The entity shall disclose the percentage by geographic region.

2.1 Geographic regions are defined as the regions for which the entity conducts segment financial reporting and which are subject to fleet fuel economy, fuel consumption, or emissions standards.

3 Disclosure may be provided in different units for each geographic region, including, but not limited to:

3.1 Grams of carbon dioxide per kilometer (gCO_2 / km) for (1) passenger cars and (2) light commercial vehicles sold in the European Union

3.2 Liters of petrol per kilometer (L / km) for passenger vehicles sold in Japan

3.3 Miles per gallon (mpg) for (1) domestic passenger cars, (2) imported passenger cars, and (3) light trucks sold in the U.S. and subject to Corporate Average Fuel Economy (CAFE) standards, where these vehicle categories are defined in U.S. 49 CFR Part 523

3.4 Kilometers per liter (km / L) for passenger vehicles sold in New Zealand

4 The scope of disclosure shall include all vehicles subject to national passenger vehicle standards for fleet fuel economy, fuel consumption, or emissions.

5 The entity may disclose fleet performance for other vehicle segments such as:

5.1 Cargo vehicles in Japan

5.2 Heavy-duty vehicles in the U.S.

5.3 Light commercial vehicles in the EU

TR-AU-410a.2. Number of (1) zero emission vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles sold

1 The entity shall disclose the number of vehicles sold during the reporting period that can be classified as: (1) zero emission vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid electric vehicles.

1.1 ZEVs are vehicles driven only by an electric motor that are powered by advanced-technology batteries or hydrogen fuel cell, and have no tailpipe emissions over their entire lifetime under any and all possible operational modes and conditions.

1.2 Hybrid vehicles (hybrid electric vehicle or HEVs) are vehicles that can draw propulsion energy from both of the following on-vehicle sources of stored energy: (a) a consumable fuel and (b) an energy storage device such as a battery, capacitor, or flywheel.

1.3 Plug-in hybrid electric vehicles are vehicles that offer electric driving with an electric motor powered by a large battery pack that is charged by plugging into a source of electricity.

2 The scope of disclosure includes all vehicles sold globally that are eligible to be classified in accordance with the above guidance.

TR-AU-410a.3. Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities

1 The entity shall discuss its strategy for improving the fuel economy and reducing the use-phase emissions of its fleet.

1.1 Use-phase emissions include greenhouse gasses and air pollutants such as carbon dioxide, nitrogen oxides, volatile organic compounds, and particulate matter.

2 Relevant aspects of the strategy include improvements to existing vehicles and technologies, the introduction of new technologies, research and development efforts into advanced technologies, and partnerships with peers, academic institutions, and/or customers.

3 Relevant technologies include, but are not limited to, those related to materials design and engineering, advanced powertrains, renewable fuels, energy storage and batteries, aerodynamic design, fuel injection systems, particulate filters, and products and fuels that otherwise result in reduced emissions.

3.1 Advanced powertrain technologies include vehicles and vehicle components that are electric, hybrid electric, plug-in hybrid, dual-fuel, and zero-emissions (e.g., fuel cell).

3.2 Renewable fuels and energy technologies are those that operate on sources that are capable of being replenished in a short time through ecological cycles, including biomass (including ethanol, first-generation biofuels, and advanced biofuels).

3.3 Products that result in reduced emissions include any vehicle or technology that achieves a significant reduction in fuel consumption.

3.4 Fuels that result in reduced emissions further include biodiesel, ethanol, natural gas, propane, and hydrogen~~, as described in the U.S. Energy Policy Act of 2005~~.

3.5 Internal combustion engines include those equipped with technology (e.g., selective catalytic reduction) to reduce nitrogen oxide emissions.

3.6 Particulate filters (e.g., wall-flow filter or partial flow filter) include those that reduce emissions (including carbon monoxide, hydrocarbons, and particulate matter).

3.6.1 Where relevant, the entity shall discuss the technologies it is prioritizing to improve the fuel economy and reduce emissions of its vehicles, such as the specific type of fuel systems it is developing (e.g., hybrid, electric, or fuel cell).

4 The entity shall discuss the factors influencing fuel economy and emissions efforts, such as meeting customer demand and/or meeting regulatory requirements of the markets it operates in, or plans to operate in.

4.1 Relevant programs and initiatives include, but are not limited to:

4.1.1 California Low-Emission Vehicle Program – LEV III

4.1.2 China VI emission standard

4.1.3 Euro 6 standards for light duty vehicles

4.1.4 U.S. Clean Air Act

4.1.5 U.S. Corporate Average Fuel Economy (CAFE) standards

5 The entity shall discuss whether it is meeting fuel economy and use-phase regulatory obligations, whether such existing regulations require future improvements, progress toward meeting such regulations, and strategies to maintain compliance with emerging regulations.

6 The scope of disclosure includes all vehicles subject to national and local vehicle standards.

7 The entity may discuss the benchmarks it uses to measure improvements in fuel economy and emissions reductions, including targets for fuel economy improvements and emissions reductions.

