



**IFRS<sup>®</sup>**  
Sustainability

June 2023

# **IFRS S2**

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

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## **Industry-based Guidance on implementing Climate-related Disclosures**

Volume 49—Electrical & Electronic Equipment

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**International Sustainability Standards Board**

## IFRS S2 CLIMATE-RELATED DISCLOSURES–JUNE 2023

This Industry-based Guidance accompanies IFRS S2 *Climate related Disclosures* (published June 2023; see separate booklet) and is issued by the International Sustainability Standards Board (ISSB).

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## IFRS S2 INDUSTRY-BASED GUIDANCE

### **Introduction**

*This volume is part of the Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures. This guidance suggests possible ways to apply some of the disclosure requirements in IFRS S2 but does not create additional requirements.*

This volume suggests possible ways to identify, measure and disclose information about climate-related risks and opportunities that are associated with particular business models, economic activities and other common features that characterise participation in this industry.

This industry-based guidance has been derived from Sustainability Accounting Standards Board (SASB) Standards, which are maintained by the International Sustainability Standards Board (ISSB). The metric codes used in SASB Standards have been included for ease of reference. For additional context regarding the industry-based guidance contained in this volume, including structure and terminology, application and illustrative examples, refer to Section III of the Accompanying Guidance to IFRS S2.

## Volume 49—Electrical & Electronic Equipment

### Industry Description

Electrical and electronic equipment industry entities 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. In a mature and competitive industry, these entities 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 and (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>84</sup>	Quantitative	Percentage (%) by revenue	RT-EE-410a.1
	Percentage of eligible products, by revenue, certified to an energy efficiency certification	Quantitative	Percentage (%) by revenue	RT-EE-410a.2
	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	Presentation currency	RT-EE-410a.3

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of units produced by product category <sup>85</sup>	Quantitative	Number	RT-EE-000.A
Number of employees	Quantitative	Number	RT-EE-000.B

<sup>84</sup> Note to RT-EE-410a.1 – Disclosure shall include a discussion of approach to managing the use of IEC 62474 declarable substances.

<sup>85</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 entities may use significant amounts of energy. Purchased electricity is the largest share of energy expenditure in the industry, followed by purchased fuels. The type of energy used, amount consumed and energy management strategies depend on the type of products manufactured. Including the use of electricity generated on site, grid-sourced electricity and alternative energy, an entity's energy mix may be important in reducing the cost and increasing the reliability of energy supply and, ultimately, affecting the entity's cost structure and exposure to regulatory shifts.

### Metrics

*RT-EE-130a.1. (1) Total energy consumed, (2) percentage grid electricity and (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 external sources and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling and steam energy all are 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 measured directly or taken from the Intergovernmental Panel on Climate Change (IPCC).
- 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 was 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

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Certified utility or supplier programme, 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 shall be retained (not sold) and retired or cancelled on behalf of the entity for the entity to claim them as renewable energy.
  - 3.3.2 For renewable PPAs and green power products, the agreement shall explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity for the entity to claim them as renewable energy.
  - 3.3.3 The renewable portion of the electricity grid mix 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 biomass sources is limited to materials certified to a third-party standard (for example, 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, or materials eligible for an applicable jurisdictional 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 entities face increasing challenges and opportunities associated with environmental and social externalities that may stem from the use of their products. Regulations are incentivising entities to reduce or eliminate the use of harmful chemicals in their products. To a lesser extent, regulations and customers are encouraging entities to reduce the environmental footprint of their products in the use-phase, primarily in terms of energy intensity. Electrical and electronic equipment entities that develop cost-effective products and energy efficiency solutions may benefit from increased revenue and market share, stronger competitive positioning and enhanced brand value. Similarly, products with reduced chemical safety concerns may provide opportunities for increased market share.

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### 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 the International Electrotechnical Commission's (IEC) 62474 declarable substances.
  - 1.1 A product contains a declarable substance if, according to 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 is within the mandatory 'reporting requirement'.
  - 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 making declarations, according to IEC 62474.

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

- 1 The entity shall discuss how it manages the 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 the actions the entity has taken to manage the use of these substances.
- 2 Relevant management approaches and actions to describe may include:
  - 2.1 Product design criteria for the exclusion of substances (for example, banned substances lists)
  - 2.2 Use of material substitution assessments, materials and parts procurement guidelines, product safety testing, product declarations (for example, material safety data sheets) and product labelling
- 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 identify those practices, and it shall describe the degree of overlap with IEC 62474.

#### *RT-EE-410a.2. Percentage of eligible products, by revenue, certified to an energy efficiency certification*

- 1 The entity shall disclose the percentage of its revenue from eligible products certified to an energy efficiency certification.
  - 1.1 The entity shall calculate the percentage as the revenue from products meeting the requirements for the applicable certification divided by total revenue from products eligible for certification by certification.

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- 1.1.1 Eligible products are those in a product category for which certification exists, which may include: uninterruptible power supply products, heating, cooling and ventilation equipment, and lighting and fans.
- 2 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 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 time lines 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 programme.

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

- 1 The entity shall disclose total revenue from renewable energy-related and energy efficiency-related products.
- 2 Renewable energy-related products are defined as products or systems that enable the inclusion of renewable energy into established energy infrastructure.
  - 2.1 Renewable energy is defined as energy derived from sources that are capable of being replenished quickly through ecological cycles, such as geothermal, wind, solar, hydroelectric and biomass (including ethanol, first-generation biofuels and advanced biofuels).
  - 2.2 Examples of products and systems may include 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 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, modelled or otherwise established an increase in energy efficiency during the product's use-phase.
  - 3.1 Examples of products that increase energy efficiency may include: smart grid technologies and infrastructure (for example, 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.

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- 3.1.1 Smart grid is defined as a modernisation of the electricity delivery systems to monitor, protect and automatically optimise 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.
- 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 or with EU Directive 2012/27/EU, 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 (for example, a conventional product that is slightly lighter than the previous generation of the product).



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