RESOURCE TRANSFORMATION SECTOR

ELECTRICAL & ELECTRONIC EQUIPMENT

Sustainability Accounting Standard

Sustainable Industry Classification System® (SICS®) RT-EE

Prepared by the
Sustainability Accounting Standards Board

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ELECTRICAL & ELECTRONIC EQUIPMENT

Sustainability Accounting Standard

About SASB

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission is to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors.

The SASB Foundation operates in a governance structure similar to the structure adopted by other internationally recognized bodies that set standards for disclosure to investors, including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure includes a board of directors ("the Foundation Board") and a standards-setting board ("the Standards Board" or "the SASB"). The Standards Board develops, issues, and maintains the SASB standards. The Foundation Board oversees the strategy, finances and operations of the entire organization, and appoints the members of the Standards Board.

The Foundation Board is not involved in setting standards, but is responsible for overseeing the Standards Board's compliance with the organization's due process requirements. As set out in the SASB *Rules of Procedure,* the SASB's standards-setting activities are transparent and follow careful due process, including extensive consultation with companies, investors, and relevant experts.

The SASB Foundation is funded by a range of sources, including contributions from philanthropies, companies, and individuals, as well as through the sale and licensing of publications, educational materials, and other products. The SASB Foundation receives no government financing and is not affiliated with any governmental body, the FASB, the IASB, or any other financial accounting standards-setting body.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

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INTRODUCTION

Purpose of SASB Standards

The SASB's use of the term "sustainability" refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company's environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as "ESG" (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB's standards-setting activities.

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location. SASB standards are designed to enable communications on corporate performance on industry-level sustainability issues in a cost-effective and decision-useful manner using existing disclosure and reporting mechanisms.

Businesses can use the SASB standards to better identify, manage, and communicate to investors sustainability information that is financially material. Use of the standards can benefit businesses by improving transparency, risk management, and performance. SASB standards can help investors by encouraging reporting that is comparable, consistent, and financially material, thereby enabling investors to make better investment and voting decisions.

Overview of SASB Standards

The SASB has developed a set of 77 industry-specific sustainability accounting standards ("SASB standards" or "industry standards"), categorized pursuant to SASB's Sustainable Industry Classification System® (SICS®). Each SASB standard describes the industry that is the subject of the standard, including any assumptions about the predominant business model and industry segments that are included. SASB standards include:

1. **Disclosure topics** – A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.

2. **Accounting metrics** – A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.

3. **Technical protocols** – Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.

4. **Activity metrics** – A set of metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

Furthermore, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all industry standards and is considered part of the standards. Unless otherwise specified in the technical protocols contained in the industry standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation, and presentation of the metrics in the industry standards.

The *SASB Conceptual Framework* sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board in its approach to setting standards for sustainability accounting. The *SASB Rules of Procedure* is focused on the governance processes and practices for standards setting.

Use of the Standards

SASB standards are intended for use in communications to investors regarding sustainability issues that are likely to impact corporate ability to create value over the long term. Use of SASB standards is voluntary. A company determines which standard(s) is relevant to the company, which disclosure topics are financially material to its business, and which associated metrics to report, taking relevant legal requirements into account[1]. In general, a company would use the SASB standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries can consider reporting on these additional SASB industry standards.

It is up to a company to determine the means by which it reports SASB information to investors. One benefit of using SASB standards may be achieving regulatory compliance in some markets. Other investor communications using SASB information could be sustainability reports, integrated reports, websites, or annual reports to shareholders. There is no guarantee that SASB standards address all financially material sustainability risks or opportunities unique to a company's business model.

Industry Description

The Electrical & Electronic Equipment industry consists of companies that 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. Companies in this mature and competitive industry operate globally and typically generate a significant portion of their revenue from outside the country of their domicile.

1 **Legal Note**: SASB standards are not intended to, and indeed cannot, replace any legal or regulatory requirements that may be applicable to a reporting entity's operations.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-EE-130a.1
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled[2]	Quantitative	Metric tons (t), Percentage (%)	RT-EE-150a.1
	Number and aggregate quantity of reportable spills, quantity recovered[3]	Quantitative	Number, Kilograms (kg)	RT-EE-150a.2
Product Safety	Number of recalls issued, total units recalled[4]	Quantitative	Number	RT-EE-250a.1
	Total amount of monetary losses as a result of legal proceedings associated with product safety[5]	Quantitative	Reporting currency	RT-EE-250a.2
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances[6]	Quantitative	Percentage (%) by revenue	RT-EE-410a.1
	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Quantitative	Percentage (%) by revenue	RT-EE-410a.2
	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	Reporting currency	RT-EE-410a.3
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	RT-EE-440a.1
Business Ethics	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	Discussion and Analysis	n/a	RT-EE-510a.1
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption[7]	Quantitative	Reporting currency	RT-EE-510a.2
	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations[8]	Quantitative	Reporting currency	RT-EE-510a.3

[2] Note to **RT-EE-150a.1** – The entity shall disclose the legal or regulatory framework(s) used to define hazardous waste and recycled hazardous waste, and the amounts of waste defined in accordance with each applicable framework.

[3] Note to **RT-EE-150a.2** – The entity shall discuss its long-term activities to remediate spills that occurred in years prior to the reporting period but for which remediation activities are ongoing.

[4] Note to **RT-EE-250a.1** – The entity shall discuss notable recalls, such as those that affected a significant number of products or those related to serious injury or fatality.

[5] Note to **RT-EE-250a.2** – The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

[6] Note to **RT-EE-410a.1** – Disclosure shall include a discussion of approach to managing the use of IEC 62474 declarable substances.

[7] Note to **RT-EE-510a.2** – The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

[8] Note to **RT-EE-510a.3** – The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, non-prosecution agreement) and context (e.g., price fixing, patent misuse, or antitrust) of all monetary losses as a result of legal proceedings.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of units produced by product category[9]	Quantitative	Number	RT-EE-000.A
Number of employees	Quantitative	Number	RT-EE-000.B

[9] 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 companies may use significant amounts of energy. Purchased electricity represents the largest share of energy expenditures in the industry, followed by purchased fuels. The type of energy used, magnitude of consumption, and energy management strategies depends on the type of products manufactured. A company's energy mix, including the use of electricity generated on-site, grid-sourced electricity, and the use of alternative energy, can play an important role in lowering the cost and increasing the reliability of energy supply, and ultimately affect the company's cost structure and exposure to regulatory shifts.

Accounting Metrics

RT-EE-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).

Hazardous Waste Management

Topic Summary

Electrical and electronic equipment manufacturing may generate hazardous waste, including but not limited to heavy metals and wastewater treatment sludge. Companies face regulatory and operational challenges in managing waste, as some wastes are subject to regulations pertaining to their transport, treatment, storage, and disposal. Waste management strategies include reduced generation, effective treatment and disposal, and recycling and recovery, where possible. Such activities, while requiring initial investment or operating costs, can lower companies' long-term cost structure and mitigate the risk of remediation liabilities or regulatory penalties.

Accounting Metrics

RT-EE-150a.1. Amount of hazardous waste generated, percentage recycled

1 The entity shall calculate and disclose the total amount of hazardous waste generated, in metric tons.

1.1 Hazardous wastes are defined per the legal or regulatory framework(s) applicable within the jurisdiction(s) where the waste is generated.

2 The entity shall calculate and disclose the percentage of hazardous waste recycled as the total weight of hazardous waste generated that was recycled, divided by the total weight of hazardous waste generated.

2.1 Hazardous waste that is reused, reclaimed, and/or remanufactured shall be considered within the scope of recycled.

2.2 Recycled, reused, reclaimed, and remanufactured hazardous waste is defined per the legal or regulatory framework(s) applicable within the jurisdiction where the waste is generated.

2.3 Materials incinerated, including for energy recovery, shall not be considered within the scope of recycled.

2.3.1 Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, but with recovery of the heat.

2.3.2 The entity may separately disclose the percentage of hazardous waste generated that was incinerated.

3 The entity may use the U.S. Resources Conservation and Recovery Act (RCRA) or the EU Waste Framework Directive (Directive 2008/98/EC on waste, including its subsequent amendments), for the purposes of defining hazardous waste and/or recycled hazardous waste for operations located in jurisdictions that lack applicable legal or regulatory definitions.

Note to **RT-EE-150a.1**

1 The entity shall disclose the legal or regulatory framework(s) used to define hazardous waste and recycled hazardous waste, and the amounts defined in accordance with each applicable framework.

1.1 For example, if the entity's operations fall under the jurisdiction of the EU Waste Framework Directive (Directive 2008/98/EC on waste, including its subsequent amendments), and therefore, the Waste Framework Directive was used to define all hazardous waste and recycled hazardous waste, the entity shall specify this in its disclosures of the amount of hazardous waste generated and the percentage recycled.

RT-EE-150a.2. Number and aggregate quantity of reportable spills, quantity recovered

1 The entity shall disclose the total number and quantity (in kilograms) of reportable spills, where:

1.1 Reportable spills are defined as any release of a hazardous substance in an amount equal to or greater than the reportable quantity as listed in Table 302.4 in U.S. 40 CFR Part 302.4 of the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), including consideration of reportable quantities of mixtures and solutions as defined under 40 CFR Part 302.6 (b)(1).

1.2 The number of reportable spills shall include any leaks, emissions, discharges, injections, disposals, and abandonment releases over time, counted once at the time identified, consistent with CERCLA definition of the term "release" (42 USC 9601(22)) and guidelines for reporting requirements (40 CFR Part 302).

1.3 The aggregate quantity reported shall represent the total quantity of material released to the environment, and shall not be reduced by the amount of such hazardous substances that are subsequently recovered, evaporated, or otherwise lost.

1.4 The scope of disclosure includes all spills, even those in jurisdictions that are not subject to regulation under CERCLA.

2 The entity shall calculate the quantity of spills recovered as the quantity of spilled hazardous substances (in kilograms) removed from the environment through short-term release response activities, excluding:

2.1 Amounts that were recovered during longer-term remediation at spill sites

2.2 Amounts that evaporated, burned, or were dispersed

3 The entity may disclose releases to soil and water separately.

3.1 A release that qualifies as a release to both soil and water may be reported as a single release to water, with the volume properly apportioned to soil and water.

4 The entity may separately indicate spills that occurred in the past, such as those that resulted from abandoned, legacy, or decommissioned operations but which were identified and disclosed during the reporting period.

Note to **RT-EE-150a.2**

1 Where applicable, the entity shall discuss its activities to remediate spills that occurred in years prior to the reporting period but for which remediation activities are ongoing and long term.

2 Relevant activities include, but are not limited to, land-use controls, site monitoring, site maintenance, and continued cleanup.

Additional References

For guidance on the "legitimate recycling" of hazardous waste see U.S. 40 CFR 260.43.

Product Safety

Topic Summary

The proper and safe functioning of electrical and electronic equipment is an important issue because of potential risks to customers, including electrical fires. In the event of a product safety incident, companies could be exposed to product liability claims, revenue loss due to damaged reputation, redesign costs, recalls, litigation, or fines. Proper safety procedures, tests, and protocols for products can help companies reduce the risk of such adverse impacts and strengthen a company's brand.

Accounting Metrics

RT-EE-250a.1. Number of recalls issued, total units recalled

1 The entity shall disclose the number of recalls issued and the total number of units recalled, where:

1.1 A recall is defined as any repair, replacement, refund, or notice/warning program intended to protect consumers from products that present a safety risk, consistent with the definition established in the U.S. Consumer Product Safety Commission's Recall Handbook.

1.2 The total number of units recalled is defined as the combined quantity of products that were recalled as part of any recall during the reporting period.

2 The scope of disclosure includes voluntary recalls initiated by the entity and involuntary recalls mandated by governmental regulatory agencies, where:

2.1 Involuntary recalls are those required by regulatory agencies, and are issued when a product does not comply with regulatory safety standards, or when there is a safety-related defect in a product.

2.2 Voluntary recalls are those initiated by the entity in order to remove products from the market to address safety-related concerns.

2.3 Governmental agencies with regulatory oversight include, but are not limited to:

2.3.1 U.S. Consumer Product Safety Commission (CPSC)

2.3.2 U.S. Food and Drug Administration (FDA)

3 In addition to total units recalled, the entity may disclose the percentage of recalls that were (1) voluntarily and (2) involuntarily issued.

Note to **RT-EE-250a.1**

1 The entity shall discuss notable recalls, such as those that affected a significant number of products or those related to serious injury or fatality.

2 For such recalls, the entity may provide:

2.1 Description and cause of the recall issue

2.2 The total number of units recalled

2.3 The cost to remedy the issue

2.4 Whether the recall was voluntary or involuntary

2.5 Corrective actions

2.6 Any other significant outcomes (e.g., legal proceedings or fatalities)

RT-EE-250a.2. Total amount of monetary losses as a result of legal proceedings associated with product safety

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with product safety.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations, such as:

5.1 U.S. Consumer Product Safety Act

5.2 U.S. Federal Food, Drug, and Cosmetic Act (e.g., the Electronic Product Radiation Control Provisions)

5.3 U.S. National Electrical Code

5.4 U.S. Occupational Safety and Health Administration (OSHA) Safety Standards (e.g., requirements for testing and certification of electrical equipment by a Nationally Recognized Testing Laboratory [NRTL] under 29 CFR Part 1910, or by a Qualified Testing Laboratory [QTL] under 29 CFR Part 1926).

Note to **RT-EE-250a.2**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, non-prosecution agreement) and context (e.g., inadequate testing or certification) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Product Lifecycle Management

Topic Summary

Electrical and electronic equipment companies face increasing challenges and opportunities associated with environmental and social externalities that stem from the use of their products. Regulations are incentivizing companies to reduce or eliminate the use of harmful chemicals in their products. To a lesser extent, regulations and customers are driving companies to lower the environmental footprint of their products in the use phase, primarily in terms of energy intensity. Electrical and electronic equipment companies that develop cost-effective products and solutions for energy efficiency can benefit from increased revenues and market share, stronger competitive positioning, and enhanced brand value. Similarly, products with reduced chemical safety concerns can provide opportunities for increased market share.

Accounting 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 IEC 62474 declarable substances.

1.1 A product contains a declarable substance if, according to International Electrotechnical Commission's 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 for which the "reporting requirement" is mandatory, according to IEC 62474.

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 make declarations, according to IEC 62474.

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

1 The entity shall discuss its approach to managing its 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 a discussion of actions the entity has taken to manage the use of these substances.

2 Relevant management approaches and actions to describe include, but are not limited to:

2.1 Product design criteria for the exclusion of substances (e.g., banned substances lists)

2.2 Use of material substitution assessments, materials and parts procurement guidelines, product safety testing, product declarations (e.g., material safety data sheets), and product labeling

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 choose to identify those practices, and it shall describe the degree of overlap with IEC 62474.

RT-EE-410a.2. Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria

1 The entity shall disclose the percentage of eligible products, by revenue, that meet ENERGY STAR® criteria.

1.1 The entity shall calculate the percentage as: the revenue from products meeting the requirements for ENERGY STAR® certification divided by total revenue from products eligible for ENERGY STAR® certification.

1.2 Eligible products are those in a product category for which ENERGY STAR® certification exists, which includes the following electrical and electronic equipment product categories: uninterruptible power supply products, heating and cooling and ventilation equipment, and lighting and fans.

2 The scope of disclosure includes products meeting the criteria of the most current version of the applicable ENERGY STAR® standard.

2.1 If the entity has products certified to a previous version of an ENERGY STAR® standard, 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 timelines to achieve certification to the most current version of the standard.

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

1 The entity shall disclose its total revenue from renewable energy-related and energy efficiency-related products.

2 Renewable energy-related products are defined as products and/or systems that enable the incorporation of renewable energy into established energy infrastructure, where:

2.1 Renewable energy is defined as energy derived from sources that are capable of being replenished in a short time 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 include, but are not limited to, 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 and/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, modeled, or otherwise established an increase in energy efficiency during the product's use phase.

3.1 Examples of products that increase energy efficiency include, but are not limited to: smart grid technologies and infrastructure (e.g., 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.

3.1.1 Smart grid is defined as a modernization of the electricity delivery systems so as to monitor, protect, and automatically optimize 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, consistent with the National Institute of Standards and Technology (NIST) Smart Grid Interoperability Standards.

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 and/or with EU Directive 2012/27/EU, and/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 (e.g., a conventional product that is slightly lighter than the previous generation of the product).

Materials Sourcing

Topic Summary

Electrical and electronic equipment companies are exposed to supply chain risks when critical materials are used in products. Companies in the industry manufacture products using critical materials with few or no available substitutes, many of which are sourced from deposits concentrated in only a few countries which are subject to geopolitical uncertainty. Companies in this industry also face competition due to increasing global demand for these materials from other sectors, which can result in price increases and supply risks. Companies that are able to limit the use of critical materials through use of alternatives, as well as secure their supply, can mitigate the potential for financial impacts stemming from supply disruptions and volatile input prices.

Accounting Metrics

RT-EE-440a.1. Description of the management of risks associated with the use of critical materials

1 The entity shall describe its strategic approach to managing its risks associated with the use of critical materials in its products, including physical limits on availability and access, changes in price, and regulatory and reputational risks, where:

1.1 A critical material is defined as a material that is both essential in use and subject to the risk of supply restriction. This definition is derived from the U.S. National Research Council of the National Academies' *Minerals, Critical Minerals, and the U.S. Economy* .

1.2 Examples of critical materials include, but are not limited to, the following as defined by the National Research Council:

1.2.1 Antimony, cobalt, fluorspar, gallium, germanium, graphite, indium, magnesium, niobium, tantalum, and tungsten;

1.2.2 Platinum group metals (platinum, palladium, iridium, rhodium, ruthenium, and osmium); and

1.2.3 Rare earth elements, which include yttrium, scandium, lanthanum, and the lanthanides (cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium).

2 The entity shall identify the critical materials that present a significant risk to its operations, the type of risk(s) they represent, and the strategies the entity uses to mitigate the risk(s).

2.1 Relevant strategies may include diversification of suppliers, stockpiling of materials, development or procurement of alternative and substitute materials, and investments in recycling technology for critical materials.

3 All disclosure shall be sufficient such that it is specific to the risks the entity faces but disclosure itself would not compromise the entity's ability to maintain confidential information.

3.1 For example, if an entity determines not to identify a specific critical material that presents a significant risk to its operations due to competitive harm that could result from the disclosure, the entity shall disclose the existence of such risk(s), the type of risk(s), and the strategies used to mitigate the risk(s), but is not required to disclose the relevant critical material.

Business Ethics

Topic Summary

Electrical and electronic equipment manufacturers may be vulnerable to regulatory scrutiny of business ethics because of their operations in regions with weaker government enforcement of business ethics laws. Companies in this industry have been found in violation of corruption laws such as the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, as well as anti-competitive behavior. Unethical practices may jeopardize future revenue growth due to reputational risks and can result in significant legal costs and a higher risk profile. As such, strong governance practices can mitigate the risk of violations of business ethics laws and resulting regulatory penalties or brand-value impacts.

Accounting Metrics

RT-EE-510a.1. Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior

1 The entity shall discuss its management system and due diligence procedures for assessing and managing corruption and bribery risks both internally and associated with business partners in its value chain.

1.1 Relevant business partners include customers, suppliers, contractors, subcontractors, and joint venture partners.

2 Relevant aspects of a management system include employee awareness programs, internal mechanisms for reporting and following up on suspected violations, and anticorruption policies.

3 The entity may discuss the implementation of one or more of the following:

3.1 Key Organisation for Economic Co-operation and Development (OECD) guidelines.

3.2 International Chamber of Commerce (ICC) Rules of Conduct against Extortion and Bribery

3.3 Transparency International Business Principles for Countering Bribery

3.4 United Nations Global Compact 10th Principle

3.5 World Economic Forum (WEF) Partnering Against Corruption Initiative (PACI)

RT-EE-510a.2. Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with incidents relating to bribery and corruption.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations, such as:

5.1 U.K. Bribery Act

5.2 U.S. Foreign Corrupt Practices Act of 1977 (FCPA) 15 U.S.C. § 78dd-1, et seq.).

Note to **RT-EE-510a.2**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, non-prosecution agreement) and context (e.g., bribing an official) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

RT-EE-510a.3. Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with anti-competitive behavior, such as those related to enforcement of laws and regulations on price fixing, antitrust behavior (e.g., exclusivity contracts), patent misuse, or network effects and bundling of services and products to limit competition.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement,

or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations, such as:

5.1 U.S. Clayton Antitrust Act of 1914

5.2 U.S. Sherman Antitrust Act of 1890

Note to **RT-EE-510a.3**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, or non-prosecution agreement) and context (e.g., price fixing, patent misuse, or antitrust) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

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