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TRANSPORTATION SECTOR

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# AUTO PARTS

## Sustainability Accounting Standard

Sustainable Industry Classification System® (SICS®) TR-AP

Prepared by the  
Sustainability Accounting Standards Board

October 2018

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# AUTO PARTS

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### 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.

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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<sup>1</sup>. In general, a company would use the SASB standard specific to its primary industry as identified in *SICS*<sup>®</sup>. However, companies with substantial business in multiple *SICS*<sup>®</sup> 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

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.

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<sup>1</sup> **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 (%)	TR-AP-130a.1
Waste Management	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled <sup>2</sup>	Quantitative	Metric tons (t), Percentage (%)	TR-AP-150a.1
Product Safety	Number of recalls issued, total units recalled <sup>3</sup>	Quantitative	Number	TR-AP-250a.1
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	Quantitative	Reporting currency	TR-AP-410a.1
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	TR-AP-440a.1
Materials Efficiency	Percentage of products sold that are recyclable	Quantitative	Percentage (%)	TR-AP-440b.1
	Percentage of input materials from recycled or remanufactured content <sup>4</sup>	Quantitative	Percentage (%)	TR-AP-440b.2
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations <sup>5</sup>	Quantitative	Reporting currency	TR-AP-520a.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 <sup>2</sup> )	TR-AP-000.C

<sup>2</sup> Note to **TR-AP-150a.1** – The entity shall disclose the legal or regulatory framework(s) used to define hazardous waste and the amounts of waste defined in accordance with each applicable framework.

<sup>3</sup> Note to **TR-AP-250a.1** – Disclosure shall include a discussion of notable recalls, such as those that affected a significant number of vehicles, multiple vehicle models, or those related to a serious injury or fatality.

<sup>4</sup> Note to **TR-AP-440b.2** – The entity shall describe its initiatives to obtain end-of-life products and parts for remanufacturing, including product take-back programs.

<sup>5</sup> Note to **TR-AP-520a.1** – The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

# 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.

## Accounting 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).



# Waste Management

## Topic Summary

Manufacturing auto parts involves the use of significant amounts of materials (including steel, iron, aluminum, and plastics, among others). Types of waste generated by the industry include machine lubricants and coolants, aqueous and solvent cleaning systems, paint, and scrap metals and plastics. A significant portion of auto parts manufacturers' revenue is spent on the cost of materials. Therefore, companies that are able to manage their manufacturing inputs through reducing and recycling waste are likely to be better protected from price volatility and the risk of supply disruptions. Moreover, auto parts manufacturers can achieve savings and improve operational efficiency by increasing the amount of waste that is recycled. At the same time, auto parts manufacturers that cause negative environmental impacts through their waste management practices are likely to face regulatory oversight. Violation of environmental regulations is likely to generate legal expenses as well as capital expenditures for pollution-control facilities and occupational safety and health projects.

## Accounting Metrics

### **TR-AP-150a.1. (1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled**

- 1 The entity shall disclose (1) the total amount of waste generated, in metric tons, from its manufacturing operations.
  - 1.1 Waste is defined as anything for which the entity has no further use and which is discarded or released to the environment.
- 2 The entity shall disclose (2) the percentage of waste generated from manufacturing operations that is hazardous.
  - 2.1 Hazardous wastes are defined per the legal or regulatory framework(s) applicable within the jurisdiction(s) where the waste is generated.
  - 2.2 The percentage shall be calculated as the weight of hazardous waste generated from manufacturing operations, divided by the total weight of waste generated from manufacturing operations.
- 3 The entity shall disclose (3) the percentage of waste generated from manufacturing operations that was recycled.
  - 3.1 The percentage shall be calculated as the weight of waste generated from manufacturing operations that was recycled divided by the total weight of waste generated from manufacturing operations.
  - 3.2 Recycled waste (including remanufactured waste) is defined as waste material that has been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.

- 3.3 The scope of recycled waste includes material that was reused.
  - 3.3.1 Reused material is defined as recovered products or components of products that are used for the same purpose for which they were conceived.
- 3.4 The scope of recycled waste excludes portions of products and materials that are disposed of in landfills.
- 3.5 The scope of recycled waste excludes materials that were incinerated, including for energy recovery.
  - 3.5.1 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.
- 3.6 The scope of recycled material includes primary recycled material, co-products (outputs of equal value to primary recycled materials), by-products (outputs of lesser value to primary recycled materials), and material sent externally for further recycling.
- 4 The entity may use the U.S. Environmental Protection Agency'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 waste for operations located in jurisdictions that lack applicable legal or regulatory definitions.
- 5 The entity may separately disclose the percentage of waste generated that was incinerated.

Note to **TR-AP-150a.1**

- 1 The entity shall disclose the legal or regulatory framework(s) used to define 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, the entity shall specify this in its disclosures of the amount of waste generated and the percentage hazardous.

# Product Safety

## Topic Summary

Driving is a risky activity, as distracted driving, speeding, drunk driving, and dangerous weather conditions, among other factors, can lead to accidents that expose drivers, passengers, and bystanders to possible injuries and deaths. Accidents can also be caused by defective parts in vehicles, and failure to detect defects before vehicles are sold can have significant financial repercussions for both automobile and auto parts manufacturers. Ensuring vehicle safety and responding in a timely manner when defects are identified can protect auto parts companies from regulatory action or customer lawsuits, which might otherwise result in significant costs. It can also help them retain their relationships with original equipment manufacturers (OEMs), which often select Tier 1 suppliers based on their safety performance and reliability. As cars incorporate more sophisticated electronics and other technologies, the risks related to recalls may increase. Through effective management of product safety, auto parts companies can enhance their reputation and drive higher sales over the long term.

## Accounting Metrics

### TR-AP-250a.1. Number of recalls issued, total units recalled

- 1 The entity shall disclose the total number of recalls issued, including voluntary recalls and involuntary recalls.
  - 1.1 Voluntary recalls are recalls initiated by entity, but not mandated by a regulatory authority.
  - 1.2 Involuntary recalls are those mandated by the U.S. National Highway Traffic Safety Administration (NHTSA) or by an equivalent regulatory authority or agency when (a) a motor vehicle or item of motor vehicle equipment does not comply with a governmental motor vehicle safety standard, or (b) when there is a safety-related defect in the vehicle or equipment.
- 2 The entity shall disclose the total number of units that were subject to a recall.
- 3 The entity may disclose the percentage of recalls that were (1) voluntary and (2) involuntary.

#### Note to TR-AP-250a.1

- 1 The entity shall describe notable recalls such as those that affected a significant number of vehicles, vehicle models, or those related to serious injury or fatality.
  - 1.1 A recall may be considered notable if it is mentioned in the NHSTA's [monthly recall reports](#).
- 2 For such recalls the entity may provide:
  - 2.1 Corrective actions

- 2.2 Description and cause of the recall issue
- 2.3 The total number of units (or vehicles) recalled
- 2.4 The cost to remedy the issue
- 2.5 Whether the recall was voluntary or involuntary
- 2.6 Any other significant outcomes (e.g., legal proceedings or passenger fatalities)

# 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.

## Accounting 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<sub>x</sub>), particulate matter (PM), sulfur oxides (SO<sub>x</sub>), 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.

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

# Materials Sourcing

## Topic Summary

Companies in the Auto Parts industry commonly rely on rare earth metals and other critical materials as key inputs for finished products. Many of these inputs have few or no available substitutes and are often sourced from deposits concentrated in few countries, many of which are subject to geopolitical uncertainty. Other sustainability impacts related to climate change, land use, resource scarcity, and conflict in regions where the industry's supply chain operates are also increasingly shaping the industry's ability to source materials. Additionally, increased competition for these materials due to growing global demand from other sectors can result in price increases and supply risks. These materials play a crucial role in clean energy technologies, such as electric and hybrid vehicles. As regulators aim to reduce greenhouse gas emissions and consumer demand grows for more fuel-efficient vehicles, the share of hybrids and zero-emission vehicles (ZEVs) produced by the Automobiles industry is likely to continue to increase in the future. Companies that are able to limit the use of critical materials, secure their sourcing, and develop alternatives will protect themselves from supply disruptions and volatile input prices, which may impact their margins, risk profile, and cost of capital.

## Accounting Metrics

### TR-AP-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.



# Materials Efficiency

## Topic Summary

Millions of vehicles worldwide reach the end of their useful lives every year. At the same time, the rate of vehicle ownership is expanding globally, leading to more end-of-life vehicles. To lower the lifecycle impact of vehicles, auto parts manufacturers can design their parts to be easily recyclable and reusable and can apply modularity principles to product design. They can also create take-back programs to ensure safe disposal and reuse of the products. Given input price volatility and resource constraints, auto parts companies that manage materials efficiency are likely to improve their long-term operational efficiency and strengthen their risk profile. In addition, companies can potentially reduce their manufacturing costs by using fewer materials and/or recycling materials, which will improve margins.

## Accounting Metrics

### TR-AP-440b.1. Percentage of products sold that are recyclable

- 1 The entity shall disclose the percentage of products sold, by revenue, that are recyclable.
- 2 The percentage shall be calculated as the revenue from products sold that are recyclable divided by the revenue from all products sold.
  - 2.1 Material is recyclable if it can be reprocessed for the original purpose or for other purposes at a reasonable cost with technology widely available in the markets in which the products are sold.
    - 2.1.1 Materials that are typically recyclable include ferrous and non-ferrous metals, glass, and certain plastics.
  - 2.2 The scope of recyclable material includes material that is reusable or able to be remanufactured.
    - 2.2.1 Materials and components that are typically reusable or able to be remanufactured include engines, transmissions, catalysts, tires (including retreadable tires), batteries, and chlorofluorocarbons (CFCs).
  - 2.3 The scope of recycled material includes scrap tires classified as non-hazardous secondary material and able to be collected via established tire collection programs, as defined by the U.S. Environmental Protection Agency ([CFR Title 40, Chapter I, Subchapter I, Part 241, Subpart A, Section 241.2](#)).
  - 2.4 The scope of recyclable material excludes recoverable material (except where noted above), which consistent with the EU [End of Life Vehicle Directive](#) (Annex IIB to Directive 75/442/EEC), is defined as material that can be salvaged for further use, including for energy recovery.
    - 2.4.1 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.

- 2.4.2 Materials that are typically disposed of as waste or used for energy recovery include fluids, hazardous materials, automotive shredder residue (including glass, foam, and fabric), automotive safety glass, and certain plastics.
- 3 The scope of disclosure is limited to products that are automotive parts, components, and materials.

## **TR-AP-440b.2. Percentage of input materials from recycled or remanufactured content**

- 1 The entity shall disclose the percentage of input materials that are derived from recycled or remanufactured content.
  - 1.1 The scope of input materials includes all inputs that are processed to be sold as a finished good, including but not limited to, recycled, remanufactured, and virgin input materials.
- 2 The percentage shall be calculated as the weight of input materials consumed that are derived from recycled or remanufactured content divided by the total weight of all input materials consumed.
  - 2.1 Recycled content is defined, consistent with definitions in [ISO 14021:2016](#), *Environmental labels and declarations—Self-declared environmental claims (Type II environmental labelling)*, as the portion, by mass, of recycled or recovered material in a product or packaging.
    - 2.1.1 Recycled material is defined as pre-consumer or post-consumer material that has been reprocessed from recovered (or reclaimed) material by means of a manufacturing process and made into a final product or a component for incorporation into a product.
    - 2.1.2 Pre-consumer material is defined as material that has been diverted from the waste stream during a manufacturing process. Excluded are materials such as rework, regrind, or scrap that is generated in a process and is capable of being reclaimed within the same process in which it was generated.
    - 2.1.3 Post-consumer material is defined as material generated by households or by commercial, industrial, and institutional facilities in their role as end-users of the product that can no longer be used for its intended purpose. This includes returns of material from the distribution chain.
    - 2.1.4 Recovered material is defined as material that would have otherwise been disposed of as waste or used for energy recovery, but has instead been collected and recovered (or reclaimed) as a material input, in lieu of new primary material, for a recycling or manufacturing process.
  - 2.2 Remanufactured content is defined, consistent with definitions in [U.S. 16 CFR Part 20](#), as an end-of-life product or component (i.e., one that was previously sold, worn, or non-functional) that undergoes an industrial process to be returned to original working condition (i.e., is considered “like new”).
  - 2.3 The scope of recycled or remanufactured content excludes virgin input material.

2.3.1 Virgin input material is defined as material that has never been processed into any form of end-use product.

- 3 The weight of input materials may be calculated using the amount of materials in inventory at the beginning of the reporting period, plus any purchase of materials made during the reporting period, less any materials in input materials inventory on hand at the end of the reporting period.

Note to **TR-AP-440b.2**

- 1 The entity shall describe its initiatives to obtain end-of-life products and parts for remanufacturing, including product take-back programs.

1.1 Relevant initiatives include, but are not limited to, customer and supplier engagement efforts, equipment servicing or exchange programs, and other incentives to encourage end-of-life parts remanufacturing.

# Competitive Behavior

## Topic Summary

Competitive business practices are an important governance issue for companies in the Auto Parts industry. Although industry concentration is low, there is a wide range of auto parts, and competition for business within each category of parts may not be robust. Thus, leading producers of any specific auto part may wield substantial market power in that segment, creating antitrust concerns. Collusion and price fixing by auto parts manufacturers ultimately leads to costs being passed on to consumers through higher vehicle prices. If involvement in such activities is discovered, the imposed penalties and reputational damage may have an acute impact on a company's valuation and balance sheet.

## Accounting Metrics

### **TR-AP-520a.1. 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 regulations, such as those related to enforcement of laws and regulations on price fixing, anti-trust behavior (e.g., exclusivity contracts), patent misuse, or network effects, as well as 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 regulations, such as:
  - 5.1 Articles 101 to 109 of the Treaty on the Functioning of the European Union
  - 5.2 Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade
  - 5.3 U.S. Clayton Antitrust Act of 1914
  - 5.4 U.S. Federal Trade Commission Act of 1914

5.5 U.S. Sherman Antitrust Act of 1890

6 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations promulgated by regional, national, state, and local regulatory authorities, such as:

6.1 Japan Fair Trade Commission

6.2 U.S. Federal Trade Commission

Note to **TR-AP-520a.1**

- 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 anti-trust) 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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