SASB STANDARDS
Now part of IFRS Foundation

Hardware

Sustainability Accounting Standard

TECHNOLOGY & COMMUNICATIONS SECTOR

Sustainable Industry Classification System® (SICS®) TC-HW

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS Sustainability

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ABOUT THE SASB STANDARDS

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards ("SASB Standards" or "Industry Standards"), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, 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.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

Hardware industry entities design and sell technology hardware products, including computers, consumer electronics, communications equipment, storage devices, components and peripherals. Many entities in the industry rely heavily upon the Electronic Manufacturing Services & Original Design Manufacturing (EMS & ODM) industry for manufacturing services. The industry is expected to continue to grow as technology use rapidly increases, especially among emerging market consumers.

Note: Entities engaged in activities of the Software & IT Services industry (TC-SI), Internet Media & Services (TC-IM) industry or the EMS & ODM industry (TC-ES) should consider the disclosure topics and metrics in those industries

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Security	Description of approach to identifying and addressing data security risks in products	Discussion and Analysis	n/a	TC-HW-230a.1
Employee Diversity & Inclusion	Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees [1]	Quantitative	Percentage (%)	TC-HW-330a.1
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances [2]	Quantitative	Percentage (%)	TC-HW-410a.1
	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent [3]	Quantitative	Percentage (%)	TC-HW-410a.2
	Percentage of eligible products, by revenue, certified to an energy efficiency certification	Quantitative	Percentage (%)	TC-HW-410a.3
	Weight of end-of-life products and e-waste recovered; percentage recycled	Quantitative	Metric tonnes (t), Percentage (%)	TC-HW-410a.4
Supply Chain Management	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	Quantitative	Percentage (%)	TC-HW-430a.1
	Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances	Quantitative	Rate	TC-HW-430a.2
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	TC-HW-440a.1

[1] Note to **TC-HW-330a.1** – The entity shall discuss its policies and programmes for fostering equitable employee representation across its operations.

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

[3] Note to **TC-HW-410a.2** – Disclosure shall include a discussion of efforts to incorporate environmentally focused principles into product design.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of units produced by product category[4]	Quantitative	Number	TC-HW-000.A
Area of manufacturing facilities	Quantitative	Square metres (m^2)	TC-HW-000.B
Percentage of production from owned facilities	Quantitative	Percentage (%)	TC-HW-000.C

[4] Note to **TC-HW-000.A** – The entity shall indicate the number of units produced during the reporting period, whether the entity manufactured them in its own facilities, or contract manufacturers or suppliers produced them. The disclosure shall use the following product categories: communications equipment, components, computer hardware, computer peripherals, computer storage, consumer electronics, other hardware, printing & imaging and transaction management systems.

Product Security

Topic Summary

The hardware products and related software offered by entities in the Hardware industry may have vulnerabilities that expose consumers to data security threats. Therefore, hardware manufacturers must help ensure user data security. Such vulnerabilities may occur at any stage of a product lifecycle, including product design, the manufacturing supply chain, product distribution and the product's use-phase. Entities in the industry unable to identify vulnerabilities may risk exposing consumer data to security threats and potentially eroding the trust of their customer base. Cybersecurity threats create both risks and opportunities for the Hardware industry, as effective product security may be a source of competitive advantage for entities, potentially increasing their sales and market share. Additionally, user concerns about data security and related government actions may also serve as revenue-generating opportunities for securing government contracts and providing security products.

Metrics

TC-HW-230a.1. Description of approach to identifying and addressing data security risks in products

1 The entity shall describe its approach to identifying information system vulnerabilities that may pose a data security risk in the entity's products.

1.1 Vulnerability is defined as a weakness in an information system, implementation, system security procedure or internal control that could be exploited.

1.2 Data security risk is defined as the risk of any circumstance or event with the potential to affect organisational operations (including mission, functions, image or reputation), assets, products, individuals, or other organisations or governments through an information system via unauthorised access, destruction, disclosure, modification of information or denial of service.

2 The entity shall describe its approach to managing identified data security risks and vulnerabilities associated with the entity's products.

2.1 The discussion may include:

2.1.1 policies and procedures that determine the entity's approach to responding to identified data security risks and vulnerabilities;

2.1.2 corrective actions taken by the entity in response to identified vulnerabilities; and

2.1.3 financial consequences from identified data security risks and vulnerabilities, including remediation costs and reputational risk.

3 If relevant, the entity may describe its products and services that specifically enable enhanced data security for users, or features it integrates into existing products to specifically enhance data security.

3.1 Examples of security-related products and services include hardware-based encryption products, multi-factor authentication devices (such as security tokens or biometric scanners), information assurance systems, secure communications systems, intelligence-driven computer network defence systems, penetration testing and threat monitoring.

4 The scope of the disclosure shall include all stages of the product lifecycle, as relevant, such as product design, the manufacturing supply chain, product distribution, the product use-phase and end-of-life management.

4.1 Examples of data security risks in the supply chain may include weaknesses in supplier information systems, risk of 'backdoors' being inserted into products, or counterfeit products, components or parts that present a data security risk.

4.2 Examples of approaches to address data security risks in the manufacturing supply chain may include hardware-based security considerations integrated into the product design and development process, management systems required of suppliers, the use of cybersecurity specialists, 'ethical hacking', and supply chain controls.

5 The entity may discuss observed trends in type, frequency and origination of attacks on its data security and information systems.

6 The entity may describe the degree to which its approach aligns with an external standard or framework, or applicable jurisdictional legal or regulatory framework for managing data security, such as:

6.1 the ISO/IEC 27000-series; and

6.2 the National Institute of Standards and Technology (NIST) *Framework for Improving Critical Infrastructure Cybersecurity*, 2018.

7 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 data privacy and security.

Employee Diversity & Inclusion

Topic Summary

Greater workforce diversity is important for innovation since it helps entities understand the needs of a diverse and global customer base, which results in the ability to design desirable products and communicate with customers effectively. Entities unable to attract and retain diverse talent may risk losing market share to competitors that successfully employ a staff capable of recognising the needs of diverse populations and capturing demand from segments of the population that have been traditionally overlooked. Furthermore, entities perceived as being more representative of a diverse, global customer base may increase brand loyalty which also may be a source of competitive advantage. Entities successful in recruiting and retaining a diverse and inclusive workforce also may achieve lower employee turnover rates, resulting in cost savings.

Metrics

TC-HW-330a.1. Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees

1 The entity shall disclose (1) the percentage of gender representation among its employees for (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees.

1.1 The entity shall categorise the gender of its employees as women, men or not disclosed.

1.1.1 The entity may disclose additional categories of gender identity or expression.

1.2 The entity shall use these employee categories: (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees.

1.3 Executive management is defined as chief executives and senior officials who formulate and review the entity's policies, and plan, direct, coordinate and evaluate the overall activities of the entity with the support of other managers.

1.3.1 The entity may refer to the International Standard Classification of Occupations (ISCO) Sub-Major Group 11 or an applicable jurisdictional occupation classification system for a definition of executive management. In such cases, the entity shall disclose the occupation classification standard used to classify executive management.

1.4 Non-executive management is defined as those who plan, direct, coordinate and evaluate the activities of the entity, or of organisational units within it, and formulate and review its policies, rules and regulations, other than executive management.

1.4.1 The entity may refer to the ISCO Major Group 1 (excluding Sub-Major Group 11) or an applicable jurisdictional occupational classification system for a definition of non-executive management. In such cases, the entity shall disclose the occupation classification standard used to classify non-executive management.

1.5 Technical employees are defined as employees who perform highly skilled or highly qualified work generally categorised in the computing, mathematical, architectural and engineering occupations.

1.5.1 The entity may refer to the ISCO Sub-Major Groups 21 and 25 or an applicable jurisdictional occupation classification system for a definition of technical employees. In such cases, the entity shall disclose the occupation classification system used to classify technical employees.

1.6 All other employees are defined as those employees who are not classified as executive management, non-executive management or technical employees.

1.7 The entity shall calculate the percentage of gender representation for each employee category as the number of employees in each gender category divided by the total number of employees in the respective employee category.

2 The entity shall disclose (2) the percentage of diversity group representation among its employees for (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees.

2.1 The entity shall identify diversity groups in its workforce.

2.1.1 Diversity is defined as the presence of people from populations who have been underrepresented in a particular field or are otherwise historically marginalised in a particular society.

2.1.2 Diversity groups may be defined by dimensions such as race, ethnicity, disability status, region of origin, migrant status, indigenous background, age, socioeconomic background, religious affiliation, sexual orientation or gender identity.

2.1.3 Diversity groups may be defined by applicable jurisdictional laws or regulations or third-party frameworks.

2.1.4 The entity may omit diversity groups if collecting data on that group would be prohibited by applicable jurisdictional laws or regulations or would pose a risk of harm to members of the group.

2.2 The entity shall calculate the percentage of diversity group representation for each employee category as the number of employees in each diversity group, divided by the total number of employees in the respective employee category.

3 The entity may provide disclosures on gender or diversity group disaggregated by jurisdiction.

4 The entity may provide supplementary contextual disclosures on factors that significantly influence gender or diversity representation, such as the jurisdiction in which employees are located.

5 The entity may disclose gender or diversity group representation by employee category in these table formats:

Table 3. Gender Representation of Global Employees (%)

	WOMEN	MEN	...	N/D*
Executive Management				
Non-executive Management				
Technical Employees				
All Other Employees				

*N/D = not disclosed

Table 4. Diversity Group Representation of Global Employees (%)

	GROUP A	GROUP B	GROUP C	...	N/A*
Executive Management					
Non-executive Management					
Technical Employees					
All Other Employees					

*N/A = not available or not disclosed

Note to **TC-HW-330a.1**

1 The entity shall describe its policies and programmes for fostering equitable employee representation in its global operations.

1.1 Relevant policies may include maintaining transparency of hiring, promotion and wage practices, ensuring equal employment opportunities, developing and disseminating diversity policies and ensuring management accountability for equitable representation.

1.2 Relevant programmes may include training on diversity, mentorship and sponsorship programmes, partnership with employee resource and advisory groups and provision of flexible work schedules to accommodate the varying needs of employees.

Product Lifecycle Management

Topic Summary

Entities in the Hardware industry face increasing challenges associated with environmental and social externalities attributed to product manufacturing, transport, use and disposal. Rapid obsolescence of hardware products may worsen these externalities. Entities are designing more products with the entire lifecycle in mind. Specific considerations include energy efficiency of products, hazardous material inputs, and designing for and facilitating safe end-of-life disposal and recycling. Entities that prioritise designing and manufacturing products with improved environmental and social impacts may avoid costs associated with externalities, and they may be more likely to grow consumer demand and market share, while eliminating potentially harmful materials. Furthermore, entities that minimise environmental and social externalities of products may be less exposed to increasing regulation and costs, such as those related to extended producer responsibility.

Metrics

TC-HW-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 declarable substances.

1.1 A product contains a declarable substance if, according to the International Electrotechnical Commission's IEC 62474—*Material Declaration for Products of and for the Electrotechnical Industry*, it contains an amount of the declarable substance that is:

1.1.1 Above the 'reporting threshold'

1.1.2 Within the scope of the 'reporting application' identified

1.1.3 Within the mandatory 'reporting requirement'

1.2 The entity shall calculate the percentage as the revenue from electrical, electronic and related technology products sold that contain a declarable substance(s) divided by total revenue from electrical, electronic and related technology products sold.

2 The scope of disclosure includes all electrical, electronic and related technology products, including products from an entity not required to declare or otherwise making declarations, according to IEC 62474.

Note to **TC-HW-410a.1**

1 The entity shall describe 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.

1.1 Relevant management approaches and actions to describe may include:

1.1.1 Product design criteria for the exclusion of substances (for example, banned substances lists)

1.1.2 Use of material substitution assessments, materials and parts procurement guidelines, product safety testing, product declarations (for example, material safety data sheets) and product labelling

2 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.

TC-HW-410a.2. Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent

1 The entity shall disclose the percentage of products sold during the reporting period that meet the requirements for Electronic Product Environmental Assessment Tool (EPEAT) registration or an equivalent standard.

1.1 A product meets the requirements of EPEAT registration if it appears on the EPEAT Registry, or the entity can otherwise demonstrate that the product meets these requirements.

1.2 Standards that are equivalent to EPEAT include those that have criteria and requirements related to substantially similar topics, such as:

1.2.1 Reduction or elimination of environmentally sensitive materials

1.2.2 Material selection and declaration

1.2.3 Design for end-of-life

1.2.4 Product longevity or lifecycle extension

1.2.5 Energy conservation

1.2.6 End-of-life management

1.2.7 Corporate performance

1.2.8 Packaging

1.3 Examples of standards equivalent to EPEAT may include the Total Cost of Ownership (TCO) Development fourth generation family of standards.

2 The entity shall calculate the percentage as the revenue from products sold during the reporting period that meet the requirements for EPEAT registration, or an equivalent standard, divided by total revenue from products eligible for EPEAT registration.

2.1 Eligible products are those in a product category for which EPEAT registration exists, which includes desktop computers, notebook computers, computer displays and mobile phones.

2.1 Product categories currently outside the scope of EPEAT registration, but for which an equivalent standard exists may be considered eligible products.

Note to **TC-HW-410a.2**

1 The entity shall describe how it includes environmentally focused principles into product design.

1.1 Environmentally focused principles or criteria include those outlined in the International Electrotechnical Commission's (IEC) Environmentally Conscious Design (IEC-62430 or IEC-62075).

1.2 The discussion shall include:

1.2.1 Elimination of toxic substances

1.2.2 Use of recycled materials

1.2.3 Reduction of packaging

1.2.4 Design for consolidated shipping

1.2.5 Design of low energy consumption products

1.2.6 Design for product take-back

1.2.7 Labelling for recycling

1.2.8 Elimination or replacement of materials subject to resource scarcity (for example, cobalt and rare earth elements)

TC-HW-410a.3. 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.

1.1.1 Eligible products are those in a product category for which certification exists, which may include: audio and video equipment, battery charging systems, computers, data centre storage, displays, enterprise servers, imaging equipment, set-top boxes and cable boxes, large network equipment, small network equipment, telephony, televisions and uninterruptible power supplies.

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 which 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 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.

TC-HW-410a.4. Weight of end-of-life products and e-waste recovered; percentage recycled

1 The entity shall disclose the weight, in metric tonnes, of end-of-life material recovered, including through reverse logistics services, recycling services, product take-back programmes and refurbishment services.

1.1 End-of-life material recovered is defined as products, materials and parts, including electronic waste material (e-waste) that at the end of their useful life would have otherwise been disposed of as waste or used for energy recovery, but have instead been collected.

1.2 The scope of end-of-life material recovered includes materials physically handled by the entity.

1.3 The scope of end-of-life material recovered includes materials of which the entity did not take physical possession, but were collected by a third party for the expressed purpose of reuse, recycling or refurbishment.

1.4 The scope of end-of-life material recovered excludes materials collected for repair or that are under warranty and subject to recall.

2 The entity shall disclose the percentage of end-of-life material recovered and subsequently recycled.

2.1 The percentage shall be calculated as the weight of end-of-life material recovered and subsequently recycled divided by the total weight of end-of-life material recovered.

2.2 Recycled material (including remanufactured material) is defined as waste material reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.

2.3 The scope of recycled material includes material reused or reclaimed.

2.3.1 Reused material is defined as recovered products or components of products used for the same purpose for which they were conceived, including products donated or refurbished by the entity or by third parties.

2.3.2 Reclaimed material is defined as material processed to recover or regenerate a usable product.

2.4 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.

2.5 The scope of recycled material excludes portions of products and materials discarded in landfills.

2.6 Electronic waste material (e-waste) shall be considered recycled only if the entity can demonstrate that it transferred this material to entities with third-party certification to a standard for e-waste recycling such as the e-Stewards® Standard for Responsible Recycling and Reuse of Electronic Equipment or the Responsible Recycling Practices (R2) Standard for Electronic Recyclers.

2.6.1 The entity shall disclose the standard(s) complied with by the entities to which it has transferred e-waste.

Supply Chain Management

Topic Summary

Entities in the Hardware industry commonly have relatively narrow profit margins and remain competitive by relying on complex, global supply chains and outsourced production to electronics manufacturing services (EMS) entities. Because entities in the industry typically contract with suppliers in countries with lower direct costs, entities often manufacture products in countries that have limited labour regulations or enforcement protecting workers. Entities in the industry may have limited direct control over social and environmental standards in production, making management of this issue difficult. This dynamic may increase an entity's exposure to reputational risks and impacts on short- and long-term costs and sales. Such effects may arise from increasing regulation and enforcement in response to high-profile safety or labour incidents, or through a shift in demand away from entities associated with such incidents. Entities that actively manage the impacts generated by the supply chain using supplier standards, monitoring and engagement may better protect shareholder value over the long term.

Metrics

TC-HW-430a.1. Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities

1 The entity shall disclose the percentage of its Tier 1 suppliers' manufacturing facilities audited in compliance with the Responsible Business Alliance (RBA) Validated Audit Process (VAP) protocol for (a) all Tier 1 suppliers' manufacturing facilities, and separately, (b) the Tier 1 suppliers' manufacturing facilities classified as 'high-risk'.

1.1 Tier 1 suppliers are defined as those that transact directly with the entity for goods and services directly related to manufacturing.

1.2 High-risk facilities are defined as facilities that scored 65% or less on at least five sections of the RBA Self-Assessment Questionnaire, or that exhibit any of the disqualifying priority findings noted by the RBA such as:

1.2.1 child labour;

1.2.2 forced labour;

1.2.3 bonded labour;

1.2.4 inhumane treatment;

1.2.5 imminent health and safety issues as defined by the VAP or equivalent;

1.2.6 imminent environmental issues as defined by the VAP or equivalent;

1.2.7 falsifying records; and

1.2.8 bribery.

2 The entity shall calculate percentages by dividing the number of the Tier 1 suppliers' manufacturing facilities audited in compliance with the RBA VAP in each category (all facilities or high-risk facilities) by the total number of the Tier 1 suppliers' manufacturing facilities in each respective category.

3 The entity may use an alternative code of conduct and audit process to the RBA VAP, if the code of conduct and audit process are similar in scope and criteria to the VAP (an equivalent code of conduct). At a minimum, the criteria of an equivalent code of conduct shall include:

3.1 labour provisions, including criteria focused on freely chosen employment, child labour avoidance, working hours, wage and benefits, humane treatment, non-discrimination and freedom of association;

3.2 health and safety provisions, including criteria focused on occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, and dormitory and canteen operations;

3.3 environment provisions, including criteria focused on environmental permits and reporting, pollution prevention and source reduction, hazardous substances, wastewater and solid waste, air emissions and product content restrictions;

3.4 ethics provisions, including those focused on business integrity, improper advantage, payments and gifts policy, disclosure of information, intellectual property, fair business, advertising, competition, protection of identity, responsible sourcing of minerals, privacy and non-retaliation; and

3.5 management system provisions, including management system certification, management accountability to labour and ethics, worker feedback and participation mechanisms, and demonstration that the management systems consider social and environmental responsibility-related issues through the tracking of laws and regulations, the tracking of customer requirements, risk assessments, the measurement of objectives and implementation plans, training and communication, audits and assessments, corrective action processes and the maintenance of documentation and records.

4 If an equivalent code of conduct is used, the entity shall disclose this, as well as how the criteria of the code of conduct are equivalent to those of the RBA VAP.

5 The entity may limit disclosure to those suppliers that, in aggregate, account for greater than or equal to 80% of its supplier spending directly related to manufacturing.

TC-HW-430a.2. Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances

1 The entity shall disclose (1) the rates of non-conformance with the Responsible Business Alliance (RBA) Validated Audit Program (VAP) for (a) priority non-conformances, and separately, (b) other non-conformances, for the entity's Tier 1 supplier manufacturing facilities.

1.1 The definition of priority non-conformances is aligned with that of the RBA VAP and includes the highest severity non-conformances with significant immediate effects that require escalation by auditors. Priority non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labour, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate community harm. Issues presenting an immediate danger must be corrected as soon as practical, but not longer than 30 days after discovery.

1.1.1 In equivalent codes of conduct, priority non-conformances may also be referenced as 'zero tolerance' issues or 'core violations'.

1.2 Other non-conformances include major non-conformances and minor non-conformances.

1.2.1 The definition of a major non-conformance is aligned with that of the RBA VAP and includes significant failures in the management system that affect the ability of the system to produce the desired results. They also may be caused by failure to implement an established process or procedure, or if the process or procedure is ineffective.

1.2.2 The definition of a minor non-conformance is aligned with that of the RBA VAP and includes non-conformances that by themselves do not confirm a systemic problem with the management system but are typically isolated or random incidents.

1.3 Tier 1 suppliers are defined as those that transact directly with the entity for goods and services directly related to manufacturing.

1.4 The entity shall calculate the non-conformance rates as the number of non-conformances (priority or other non-conformances) identified among its Tier 1 supplier manufacturing facilities divided by the number of Tier 1 supplier manufacturing facilities audited.

2 The entity shall disclose (2) the corrective action rates associated with (a) priority non-conformances, and separately, (b) other non-conformances, for the entity's Tier 1 supplier manufacturing facilities.

2.1 A corrective action is defined by the timely completion of a Corrective Action Plan (CAP), which describes how and when the facility will address each of the identified non-conformances (in each respective category), according to the applicable time line.

2.1.1 The time line for priority non-conformances is defined as submission of a CAP within one week of discovery and completion of a CAP within 30 days of discovery.

2.1.2 The time line for major non-conformance is defined as submission of a CAP within two weeks of receipt of final Validated Audit Report (VAR) and completion of a CAP within 90 days of receipt of final VAR.

2.1.3 The time line for minor non-conformance is defined as submission of a CAP within two weeks of receipt of final VAR and completion of a CAP within 270 days of receipt of final VAR.

2.2 For (a) priority non-conformances, the entity shall calculate the corrective action rate as the number of corrective actions to address priority non-conformances divided by the total number of priority non-conformances that have been identified for the entity's Tier 1 supplier manufacturing facilities.

2.3 For (b) other non-conformances, the entity shall calculate the corrective action rate as the number of corrective actions to address major non-conformances plus the number of corrective actions to address minor non-conformances divided by the total number of major and minor non-conformances that have been identified for the entity's Tier 1 supplier manufacturing facilities.

3 The entity may limit its disclosure to those Tier 1 suppliers that, in aggregate, account for greater than or equal to 80% of its Tier 1 supplier spending directly related to manufacturing.

4 The entity may disclose its compliance with an audit recognised by the RBA Membership Compliance Program or an equivalent code of conduct if the standard and audit are sufficiently similar in scope and enforcement to the VAP.

Materials Sourcing

Topic Summary

Entities in the Hardware industry rely on numerous critical materials as important inputs for finished products. Many of these inputs have few or no available substitutes and often are sourced from only a few countries, many of which may be 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 because of growing global demand from other sectors may result in price increases and supply risks. The ability of entities to manage potential material shortages, supply disruptions, price volatility and reputational risks is made more difficult by the practice of commonly sourcing materials from supply chains that may lack transparency. Failure to effectively manage sourcing may constrain access to necessary materials, reduce margins, impair revenue growth or increase costs of capital.

Metrics

TC-HW-440a.1. Description of the management of risks associated with the use of critical materials

1 The entity shall describe how it manages the 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, in which:

1.1 a critical material is defined as a material both essential in use and subject to the risk of supply restriction; and

1.2 examples of critical materials may include:

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 risks they represent and the strategies the entity uses to mitigate the risks.

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 that 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 because of the competitive harm that could result from the disclosure, the entity shall disclose the existence of such risks, the type of risks and the strategies used to mitigate the risks, but the entity is not required to disclose the relevant critical material.

SASB STANDARDS

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