SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

AGRICULTURAL PRODUCTS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0101
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

AGRICULTURAL PRODUCTS
Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Agricultural Products industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Agricultural Products industry is engaged in growing, processing, trading, and distributing all vegetables and fruits and producing and milling agricultural commodities including all grains, sugar, consumable oils, maize, soybeans, animal feed, and ethanol. The industry operates globally, sourcing and distributing agricultural products from around the world. Agricultural products are sold directly to consumers as well as to businesses for use in consumer and industrial products. Industry participants have differing degrees of vertical integration into agriculture products, with some companies operating farms, processing facilities, and storage and distribution networks.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Agricultural Products industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management
- Water Withdrawal
- Land Use & Ecological Impacts
- Food Safety
- Fair Labor Practices & Workforce Health & Safety
- Climate Change Impacts on Crop Yields
- Environmental & Social Impacts of Ingredient Supply Chains
- Political Spending

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available." [1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

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[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment that are or primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Agricultural Products industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production by major product line[6]	Quantitative	Metric Tons	CN0101-A
Number of processing facilities	Quantitative	Number	CN0101-B
Total land area under active production	Quantitative	Hectares	CN0101-C
Amount of agricultural raw materials sourced externally[7]	Quantitative	U.S. Dollars ($)	CN0101-D

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

[6] Major product lines are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.
[7] The amount of agricultural raw materials sourced externally should be calculated on a cost of goods sold (COGS) basis where agricultural raw materials are defined by CN0101-16.92.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO_2-e	CN0101-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets	Discussion & Analysis	n/a	CN0101-02
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0101-03
Water Withdrawal	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0101-04
Land Use & Ecological Impacts	Amount of fertilizer consumption by: (1) nitrogen-based, (2) phosphate-based, and (3) potassium-based fertilizers	Quantitative	Metric tons (t)	CN0101-05
	Number of incidents of non-compliance with water quality permits, standards, and regulations	Quantitative	Number	CN0101-06
	Volume of wastewater generated, percentage (1) reused and (2) discharged to the environment[8]	Quantitative	Cubic meters (m^3), Percentage (%)	CN0101-07
	Amount of pesticide consumption, by hazard level	Quantitative	Metric tons (t)	CN0101-08
Food Safety	Global Food Safety Initiative audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0101-09
	Number of recalls issued, total amount of food product recalled[9]	Quantitative	Number, Metric tons (t)	CN0101-10

[8] Note to **CN0101-07—** Disclosure shall include a description of wastewater treatment methods used and the reason for choosing such methods.

[9] Note to **CN0101-10**—Disclosure shall include a description of notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

Table 1.Sustainability DisclosureTopics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Fair Labor Practices & Workforce Health & Safety	Amount of production certified for fair labor practices	Quantitative	Metric tons (t)	CN0101-11
	(1) Total Recordable Injury Rate (TRIR), (2) Fatality Rate, and (3) Near Miss Frequency Rate for (a) full-time employees and (b) seasonal and migrant employees	Quantitative	Rate	CN0101-12
	Description of efforts to assess, monitor, and reduce exposure of full-time and migrant/seasonal employees to pesticides	Discussion & Analysis	n/a	CN0101-13
Climate Change Impacts on Crop Yields	Amount of crop losses, percentage offset through financial mechanisms	Quantitative	U.S. Dollars ($), Percentage (%)	CN0101-14
	Identification of priority crops and discussion of risks and/or opportunities presented by climate change	Discussion & Analysis	n/a	CN0101-15
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of agricultural raw materials sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0101-16
	Percentage of agricultural raw materials that are certified to a third-party environmental and/or social standard	Quantitative	Percentage (%) by spend	CN0101-17
	Description of management strategy for environmental and social risks arising from contract growers and commodity sourcing	Discussion & Analysis	n/a	CN0101-18
Political Spending	Amount of political campaign spending, lobbying expenditures, and contributions to tax-exempt groups including trade associations	Quantitative	U.S. Dollars ($)	CN0101-19
	Five largest political, lobbying, or tax-exempt group expenditures	Quantitative	U.S. Dollars ($)	CN0101-20

Greenhouse Gas Emissions

Description

The Agricultural Products industry faces regulatory risks associated with its direct contribution to greenhouse gas (GHG) emissions. Agriculture is a significant source of global GHG emissions, and unlike other GHG-intensive industries such as manufacturing and energy production, which burn large quantities of fossil fuels and generate carbon dioxide (CO_2), the majority of emissions in crop cultivation stem from land management practices, including fertilizer application, land clearing, and crop burning. The monitoring and control of non-point emissions such as these is challenging. Additionally, less significant sources of GHG emissions in the industry include energy use for processing agricultural products, operating machinery such as irrigation pumps, and milling processes. Proposals for regulations that target emissions from crop cultivation and processing sources have been set forth in the U.S. and internationally. These actions suggest that future GHG regulations are likely to affect crop cultivation and processing facilities within the Agricultural Products industry.

Accounting Metrics

CN0101-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO_2-e), calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report (1995).

- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.

- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March 2004 (hereafter, the “GHG Protocol”).

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[10]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB *Climate Change Reporting Framework* (CCRF).[11]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

CN0101-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets

.08 The registrant shall discuss the following where relevant:

- The scope, such as whether strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

- Whether strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

- The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

.09 For emission-reduction targets, the registrant shall disclose:

[10] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.
[11] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

- The percentage of emissions within the scope of the reduction plan;
- The percentage reduction from the base year;
  - The base year is the first year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been, or may be, recalculated retrospectively or where the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions."[12]
- CDP questionnaire CC3, "Targets and Initiatives."

.12 Relevant initiatives to discuss may include, but are not limited to, precision fertilizer application, reducing changes in land use, implementing minimum till practices, and avoided drainage of wetlands, consistent with the IPCC Fourth Assessment Report: Climate Change 2007: Working Group III: Mitigation of Climate Change.

[12] 4.12, "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

Energy Management

Description

Agricultural products companies are reliant on purchased energy and fuel as a primary input for value creation in processing, milling, and operating farm equipment. Electricity consumption can indirectly contribute to climate change and air pollution through combustion of fossil fuels at the utility level. The cost of grid electricity may increase to offset carbon pricing regulation of utilities, presenting price volatility risks to large consumers of purchased electricity. With manufacturing plants located in multiple regions, the likelihood and impact of energy price volatility will vary depending on the exact location of facilities. Energy management, understood as the way in which a company manages its overall purchased energy usage, reliance on different types of energy, and ability to access alternative sources of energy, is becoming increasingly material for the industry. Agriculture producers have begun implementing energy conservation practices to save costs on increasing energy prices.

Accounting Metrics

CN0101-03. Total energy consumed, percentage grid electricity, percentage renewable

.13 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.14 In calculating energy consumption from fuels and biofuels, the registrant 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).

.15 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.16 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
    - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[13]

.17 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

  - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

  - Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.18 The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

[13] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

Water Withdrawal

Description

The Agricultural Products industry is highly reliant on water for crop cultivation and product processing. Individual company risk is determined by the degree of vertical integration, the type of crops processed or grown, and the presence of operations in regions of elevated water stress. For companies with no direct cultivation operations, water risk is present primarily in the availability of water for product processing. Direct water consumption introduces operating risks due to reduced availability, higher water prices, and competition with other water users. These factors are exacerbated by inefficient irrigation practices and climate change, which raises the probability of extreme weather events, including droughts and floods, which can adversely affect crop yields.

Accounting Metrics

CN0101-04. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.19 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.

- Water obtained from a water utility can be assumed to meet the definition of fresh water.[14]

.20 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.21 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.22 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[14] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

Land Use & Ecological Impacts

Description

Land and ecosystems are key natural resources for the Agricultural Products industry. The vast global footprint of crop cultivation, combined with intensive modern agricultural practices, has diverse ecological impacts, which generate regulatory risks and can adversely affect the cultivation of crops. The primary channels of ecological impacts are species habitat degradation and biodiversity loss resulting from the use of agrochemicals (including pesticides and fertilizers), monoculture cultivation, forest fragmentation, and land clearing. Water, air, and soil pollution resulting from the use of agrochemicals also presents a regulatory risk due to potential bans on the use of pesticides or restrictions on land use in ecologically sensitive areas. Furthermore, species habitat degradation and biodiversity loss due to agricultural practices can have an adverse impact on crop yields. Agricultural products companies can mitigate operating risks from these factors by implementing cultivation and production practices that account for harmful environmental externalities.

Accounting Metrics

CN0101-05. Amount of fertilizer consumption by: (1) nitrogen-based, (2) phosphate-based, and (3) potassium-based fertilizers

.23 The registrant shall disclose the amount of fertilizer (in metric tons) that was consumed for use in operations.

- The amount of fertilizer consumed should be calculated as the amount of fertilizer in inventory at the beginning of the reporting period, plus any purchase of fertilizer made during the reporting period, less any fertilizer inventory on hand at the end of the reporting period.

.24 The registrant shall disclose fertilizer consumption by the amount (in metric tons) of primary nutrient type, according to the Association of American Plant Food Control Officials (AAPFCO) Product Label Guide (available here). Substances include:

- Nitrogen-based (including, but not limited to, NH_4 and NO_3), reported as N
- Phosphate-based (including, but not limited to, $Ca(H_2PO_4)_2$) and $(NH_4)_2HPO_4$), reported as P_2O_5
- Potassium-based (including, but not limited to, K_2SO_4 and KCl), reported as K_2O

.25 The registrant should discuss the calculation methodology for its fertilizer consumption, such as whether data are from weight measurements or estimations and the conversion factor used.

- The conversion factor is the amount of primary nutrient found in a unit of the fertilizer compound.
- Where fertilizer conversion rates are not readily available, the registrant may use the relevant rate determined by the Fertilizer Statistics Methodology (FAOSTAT) as developed by the Food and Agriculture Organization (FAO) (publicly available here).

CN0101-06. Number of incidents of non-compliance with water quality permits, standards, and regulations

.26 The registrant shall disclose the total number of instances of non-compliance with water quality permits, standards, and regulations, including violations of technology-based standards and exceedances of quality-based standards.

.27 The scope of disclosure includes incidents related to statutory permits and regulations or voluntary agreements, standards, or guidelines, such as total maximum daily load (TMDL) exceedances.

.28 Voluntary standards include, among others, the registrant's own water quality standards (parameters) or "effluent guidelines" from the International Finance Corporation's (IFC) General Environmental, Health, and Safety Guidelines, or where outlined in the following industry-specific processing facility guidelines:

- Sugar Manufacturing
- Vegetable Oil Manufacturing

.29 Typical parameters of concern include total nitrogen, total phosphorous, biological oxygen demand (BOD), chemical oxygen demand (COD), total coliform bacteria, biocides, total suspended solids (TSS), and pH.

.30 An incident of non-compliance shall be disclosed regardless of whether it resulted in an enforcement action (e.g., fine, warning letter, etc.).

.31 Violations, regardless of their measurement methodology or frequency, shall be disclosed. These include:

- For continuous discharges, limitations, standards, and prohibitions that are generally expressed as maximum daily, weekly average, and monthly averages.
- For non-continuous discharges, limitations that are generally expressed in terms of frequency, total mass, maximum rate of discharge, and mass or concentrations of specified pollutants.

CN0101-07. Volume of wastewater generated, percentage (1) reused and (2) discharged to environment

.32 The volume of wastewater shall be calculated in cubic meters, where:

- Wastewater is generally defined as water for which the registrant has no further use and is discarded or released to the environment and that results from agricultural land runoff, ground water contamination, and effluents from processing facilities and other point sources.

.33 The percentage reused shall be calculated as the volume of wastewater that was reused divided by the total volume of wastewater generated.

.34 The percentage discharged to the environment shall be calculated as the volume of wastewater that was discharged to the environment divided by the total volume of wastewater generated.

.35 The registrant should disclose the source (e.g., farm field operations or processing operations) from which its wastewater was generated, where:

- Appropriate measurements of wastewater generated from point sources, including processing facilities, should include those approved by the U.S. Clean Water Act 40 CFR 136.

- Appropriate measurements of wastewater generated from non-point sources may be through in-stream runoff gauges, edge-of-field monitoring, or estimations.

.36 For the registrant's operations that are not flowmetered in a way that allows direct measurement of wastewater generation, estimation is acceptable and shall be disclosed as such, where estimation methods may include:

- Average sample load

- Average sample concentration times average sample discharge

- Flow-weighted concentration times annual discharge

- Surface runoff load plus base-flow runoff load

- Wet season load plus dry season load

Note to CN0101-07.

.37 The registrant shall briefly describe treatment methods (e.g., mechanical, non-mechanical, or a combination) used for water discharged to the environment.

.38 The registrant shall describe the reasons for choosing such treatment methods. These may include, but are not limited to, the type of effluents being discharged, the environmental setting of the farm or facility, and the financial implications of developing such treatment methods.

CN0101-08. Amount of pesticide consumption, by hazard level

.39 The registrant shall disclose the amount of pesticides (in metric tons) consumed for use in operations.

- The amount of pesticides consumed should be calculated as the amount of pesticides in inventory at the beginning of the reporting period, plus any purchase of pesticides made during the reporting period, less any pesticide inventory on hand at the end of the reporting period.

- For purpose of this disclosure the amount of pesticides should be considered as the weight of active ingredients in pesticide mixtures, where this can be calculated by multiplying the proportion of active ingredients by the total weight of the mixture.

- The term "pesticide" is defined as any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any pest, or intended for use as a plant regulator, defoliant, or desiccant, in accordance with 40 CFR 152.3.

.40 The registrant shall disclose pesticide consumption of active ingredients (in metric tons) by hazard level, according to the World Health Organization (WHO): Acute Toxicity Hazard Categories (publicly available here), where hazard levels are defined as:

- Ia Extremely hazardous

- Ib Highly hazardous
- II Moderately hazardous
- III Slightly hazardous
- U Unlikely to present acute hazard

.41 The registrant should discuss the calculation methodology for its pesticide consumption, such as whether data are from weight measurements or estimations.

.42 The registrant may also choose to disclose the amount pesticide ingredients consumed that are inert (other ingredients) and that are persistent, bioaccumulative, and toxic (PBT) or which are carcinogenic, mutagenic, or reprotoxic (CMR), but which are not currently included on the list of WHO: Acute Toxicity Hazard Categories, where:

- An inert ingredient is defined as a substance other than an active ingredient that is intentionally included in a pesticide, in accordance with 40 CFR 153.125.
- PBT chemicals are defined as substances that remain unaffected in the environment, travel up the food chain due to their tendency to be soluble in fat but not in water, and are poisonous to animals and/or plants.
- Carcinogens (C) are defined as substances and preparations that, if inhaled, ingested, or allowed to penetrate the skin, may induce cancer or increase its incidence.
- Mutagens (M) are defined as substances and preparations that, if they are inhaled, ingested, or allowed to penetrate the skin, may induce heritable genetic defects or increase their incidence.
- Reprotoxins (R) are defined as substances and preparations that, if inhaled, ingested, or allowed to penetrate the skin, may produce or increase the incidence of non-heritable adverse effects in the progeny and/or an impairment of male or female reproductive functions or capacity.

Notes

Additional References

USDA Natural Resources Conservation Services: Edge of Field Monitoring

International Journal of Sediment Research: Nutrient Load Estimation Methods for Rivers

Food Safety

Description

Agricultural products are sold directly to consumers in raw form (e.g., vegetables) or are further processed into a wide variety of processed foods. Maintaining product quality and safety is critical, as contamination by pathogens, chemicals, or spoilage presents serious human and animal health risks. Companies can be impacted through product recalls, damaged brand reputation, and increased regulatory scrutiny. Companies can proactively manage product safety by maintaining strong product quality and food safety performance in order to mitigate these risks and avoid costly recalls.

Accounting Metrics

CN0101-09. Global Food Safety Initiative (GFSI) audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.43 The registrant shall disclose its conformance with GFSI-recognized food safety schemes based on the number of non-conformances that were identified during audits.

.44 The scope of disclosure includes audit results from facilities that are owned and/or operated by the registrant.

.45 The registrant shall calculate and disclose the major non-conformance rate as the total number of major and critical non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of non-conformance and require escalation by auditors. Major non-conformances may arise from a significant risk to food safety, non-compliance with relevant regulatory requirements, and failure to adequately address prior minor non-conformances. Major non-conformances must be corrected in accordance with the relevant GFSI scheme under audit.
- For schemes that contain both major and critical non-conformances, critical non-conformances shall be accounted for as major non-conformances.

.46 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance is defined by the relevant GFSI scheme and is by itself not indicative of a systemic problem.

.47 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed in accordance with the relevant GFSI scheme, not later than 30 days from the audit date, to address major non-conformances, divided by the total number of major non-conformances that have been identified.

.48 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than 365 days from the audit date, to address minor non-conformances, divided by the total number of minor non-conformances that have been identified.

.49 A corrective action is defined as an action to eliminate the cause of a detected non-conformity or other undesirable matter, in accordance with the GFSI, and may be further defined by the relevant GFSI scheme under audit.

.50 The scope of schemes includes those recognized by the GFSI, including, at time of publication:

- PrimusGFS Standard V2.1—December 2011
- GlobalG.A.P Integrated Farm Assurance Scheme Version 4 and Produce Safety Standard Version 4
- FSSC 22000—October 2011 Issue
- CanadaGAP Scheme Version 6 Options B and C and Program Management Manual Version 3
- SQF Code 7th Edition Level 2
- IFS Food Standard Version 6
- BRC Global Standard for Food Safety Issue 6

.51 The registrant should disclose the GFSI-recognized scheme to which its facilities are audited.

CN0101-10. Number of recalls issued, total amount of food product recalled

.52 The registrant shall disclose the total number of recalls issued, the scope of which includes voluntary recalls initiated by the registrant and involuntary recalls requested by the Food and Drug Administration (FDA) or foreign equivalent.

.53 The registrant shall disclose the total amount (in metric tons) of products recalled.

.54 Involuntary recalls are those required by government agencies (e.g., the FDA in the U.S. or the China Food and Drug Administration in China).

.55 A database of FDA-regulated recalls is available here.

.56 The registrant may choose, in addition to total units recalled, to disclose the percentage of recalls that were (1) voluntarily and (2) involuntarily issued.

Note to CN0101-10.

.57 The registrant shall discuss notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

.58 A recall should be considered notable if it is mentioned in the FDA's Recalls, Market Withdrawals, & Safety Alerts.

.59 For such recalls the registrant should provide:

- Description and cause of the recall issue
- The total weight of products recalled
- The cost to remedy the issue (in U.S. dollars)
- Whether the recall was voluntary or involuntary
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings or consumer fatalities)

Fair Labor Practices & Workforce Health & Safety

Description

Agricultural products companies have diverse operations ranging from crop cultivation to grain milling. The industry's human capital can be adversely affected by workforce safety and labor issues. Injury statistics indicate that the industry has relatively high injury and fatality rates as compared to other manufacturing industries. Common hazards include falls, transportation accidents, heat-related injuries, asphyxiation, and machinery accidents. Furthermore, workers are exposed to substances in the workplace that can be harmful due to long-term exposure. These issues create regulatory risks, including violations of safety standards. The presence of migrant workers and children in farm work raises concerns over fair labor standards and child safety, and may lead to underreporting of accidents and safety abuses. Developing a strong internal safety and fair labor culture, including improved workforce training and incident reporting, can minimize or avoid negative consequences related to workforce safety and labor issues.

Accounting Metrics

CN0101-11. Amount of production certified for fair labor practices

.60 The registrant shall disclose the total amount, in metric tons, of its production that is certified for fair labor practices.

- Certified fair labor practices include, but are not limited to, fair compensation of employees, training of agrochemical applicators, continual monitoring of health and safety risks associated with applications of agrochemicals, and the absence of harmful child-labor practices.
    - Harmful child-labor practices include, but are not limited to, labor that is harmful to the child's health, development, and/or schooling.

.61 The registrant shall calculate the amount as the weight of its products produced on farms or processed at facilities that are certified for fair labor practices.

.62 The scope of disclosure shall include company-owned and -operated farms and processing facilities.

.63 A farm or processing facility is considered to be certified for fair labor practices if it has been granted certification by one or more of the following:

- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Responsible Soy (RTRS)
- Rainforest Alliance
- Fair Trade USA
- Fair Trade International
- UTZ Certified

- EcoSocial
- SA8000
- Fair for Life
- Bon Sucro
- Any other fair labor certification, audit, or program that in *de minimis* contains standards on the fair labor practices included in CN0101-09.52.

.64 The registrant should indicate to which standards its farms are certified.

CN0101-12. (1) Total Recordable Injury Rate (TRIR), (2) Fatality Rate, and (3) Near Miss Frequency Rate for (a) full-time employees and (b) seasonal and migrant employees

.65 For registrants whose workforce is entirely U.S.-based, the registrant shall disclose its Total Recordable Injury Rate (TRIR) and fatality rate as calculated and reported in the Occupational Safety and Health Administration's (OSHA) Form 300.

- OSHA guidelines provide details on determining whether an event is a recordable occupational incident and definitions for exemptions for incidents that occur in the work environment but are not occupational.

.66 For registrants whose workforce includes non-U.S.-based employees, the registrant shall calculate its TRIR and fatality rate according to the U.S. Bureau of Labor Statistics guidance and/or using the U.S. Bureau of Labor Statistics calculator.

.67 The registrant shall disclose its near miss frequency rate (NMFR), where a near miss is defined as an incident where no property or environmental damage or personal injury occurred, but where damage or personal injury easily could have occurred but for a slight circumstantial shift.

- The registrant should refer to organizations such as the National Safety Council (NSC) for guidance on implementing near miss reporting.
- The registrant should disclose its process for classifying, identifying, and reporting near miss incidents.

.68 The registrant shall disclose its TRIR, Fatality Rate, and NMFR for each of the following categories of employee:

- Direct, full time employees;
- Contract employees; and
- Seasonal and migrant employees.

.69 Seasonal employees are defined as individuals employed in a seasonal or other temporary nature who are not required to be absent overnight from their permanent place of residence, in accordance with the U.S. Department of Labor (DOL).

.70 Migrant employees are defined as individuals employed in a seasonal or other temporary nature who are required to be absent overnight from their permanent place of residence, in accordance with the DOL, but not to exclude employees with H2-A visas or the foreign equivalent.

.71 The scope includes all employees, domestic and foreign.

.72 Rates shall be calculated as: (statistic count / total hours worked)*200,000.

- Where the rate for seasonal and migrant employees is calculated as [(seasonal employees statistic count + migrant employees statistic count) / (seasonal employees total hours worked + migrant employees hours worked)]*200,000.

CN0101-13. Description of efforts to assess, monitor, and reduce exposure of full-time and migrant/seasonal employees to pesticides

.73 The registrant shall discuss efforts to assess, monitor, and reduce exposure of employees to pesticides.

- The term "pesticide" is defined as any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any pest, or intended for use as a plant regulator, defoliant, or desiccant, in accordance with 40 CFR 152.3.

.74 The registrant shall describe its approach to managing both short-term (i.e., acute) exposure and prolonged (i.e., chronic) exposure.

.75 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, health and wellness monitoring programs, providing readily accessible protective equipment, and implementation of pesticide applicator training and certification programs.

.76 Relevant efforts to discuss pertaining to seasonal and migrant employees include, but are not limited to, translation of training programs and labels into employees' native languages, providing readily available information on local health care providers, and implementation of no-spray buffer zones surrounding on-site employee housing

.77 Seasonal employees are defined as individuals employed in a seasonal or other temporary nature who are not required to be absent overnight from their permanent place of residence, in accordance with the U.S. Department of Labor's (DOL) definition.

.78 Migrant employees are defined as individuals employed in a seasonal or other temporary nature, who are required to be absent overnight from their permanent place of residence, in accordance with the DOL definition, but not to exclude employees with H2-A visas or the foreign equivalent.

.79 The registrant may discuss compliance with the EPA's Agricultural Worker Protection Standard.

.80 The scope of employees shall focus on farm employees, but should discuss other employees that handle pesticides as relevant.

Climate Change Impacts on Crop Yields

Description

Climate change presents a significant challenge to the Agricultural Products industry due to the migration of pests, changes in heat and rainfall patterns, and increases in the number and severity of extreme weather events, all of which can significantly influence crop yields. Research suggests that crop yields could be harmed by rising temperatures associated with climate change. To mitigate any such crop yield reduction, companies in this industry have introduced adaptation strategies, which range from implementing farm practices that promote crop resilience to investing in the development of crops that are tolerant to shifting climate patterns. Furthermore, global gridded crop models can be used to better understand climate risks to crops in various regions and hedging and crop insurance can be used to reduce financial losses. Additionally, non-vertically integrated firms that understand the sourcing risks associated with climate change may be able to make better-informed decisions as to where and how investments in capital infrastructure should be made.

Accounting Metrics

CN0101-14. Amount of crop losses, percentage offset through financial mechanisms

.81 The registrant shall disclose the amount (in U.S. dollars) of crop losses related to climate and weather events that it is has incurred.

.82 The registrant shall calculate the amount of crop losses as the guaranteed yield value less the actual yield value.

.83 The registrant shall disclose the relevant method used to determine the guaranteed yield values, where relevant methods include, but are not limited to, those listed in the U.S. Department of Agriculture (USDA) Risk Management Agency's Policies, such as:

- Actual Production History (APH)
- Actual Revenue History (ARH)
- Adjusted Gross Revenue (AGR)

.84 The percentage offset through financial mechanisms shall be calculated as the amount (in U.S. dollars) of financial gain received due to events resulting in crop losses divided by the total amount (in U.S. dollars) of crop losses incurred, where:

- Financial gain may include crop insurance payouts, gains on weather derivatives, gains on futures contracts, or other financial gains received due to an underlying event that resulted in crop losses to the registrant.

.85 The registrant should disclose the mechanism by which losses ore offset.

CN0101-15. Identification of priority crops and discussion of risks and/or opportunities presented by climate change

.86 The registrant shall identify any crops that are a priority to the registrant's business, where:

- Priority crops are defined as those crops which are essential to the registrant's principal products, where principal products are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

.87 The scope of disclosure shall include crops that are cultivated directly by the registrant, grown on a contract basis, or sourced as a commodity, where:

- Crops cultivated directly by the registrant include those grown on farms owned and/or operated by the registrant.
- Crops grown on a contract basis include those for which the registrant has directly contracted the conditions of crop production and the quality of crops with the farmer, consistent with the FAO's definition (available here).
- Crops sourced as a commodity include those bought through the spot market, to-arrive bids, grain elevators, or other measures by which the registrant is not able to control the production process.

.88 The registrant shall discuss the risks and/or opportunities that are presented by climate change scenarios to its priority crops, including, where relevant:

- Identification of the risks presented by climate change, including, but not limited to, availability of water, shifts in crop regions, pest migration, and extreme weather events.
- Discussion of the scenarios used to determine the risks and opportunities presented by climate change.
- Discussion of how such scenarios will manifest (e.g., effects directly on the registrant or effects on the registrant's supply chain) and the potential implications that this would have on its priority crops.
- The timeline over which such risks and opportunities are expected to manifest.

.89 The registrant may include discussion of the methods or models used to develop these scenarios, including the use of global gridded crop models or scientific research provided by governmental and non-governmental organizations (e.g., Intergovernmental Panel on Climate Change Climate Scenario Process).

.90 The registrant shall discuss efforts to assess and monitor the impacts of climate change and the related strategies to alleviate and/or adapt to any risks and/or utilize any opportunities, where:

- Alleviation strategies include, but are not limited to, use of crop insurance, investments in hedging instruments, and supply chain diversification.

- Adaptation strategies include, but are not limited to, improving ecosystem management and biodiversity, development of tolerant crop varieties, and optimizing timing of planting and harvesting.

.91 Where relevant, the registrant shall discuss any climate change mitigation strategies under disclosure CN0101-02.

Notes

Additional References

FAO: “Climate-Smart” Agriculture

Environmental & Social Impacts of Ingredient Supply Chains

Description

Depending on the degree of vertical integration, agricultural product companies source a significant portion of their inputs from farmers or other corporations. Managing sustainability risks, including environmental and social issues, within the supply chain is critical to securing raw materials and reducing the risk of price increases. Specific factors that can affect the supply of raw materials include reduced crop yields due to climate change, increasing water scarcity, land management, fair labor practices, workforce health and safety, and environmental impacts of cultivation. Lower crop yields among suppliers could directly increase purchase costs, while purchasers associated with suppliers that perform poorly on environmental or social issues could face reputational damage. Companies should recognize these risks and proactively engage with key suppliers to implement sustainable agricultural practices and/or certifications.

Accounting Metrics

CN0101-16. Percentage of agricultural raw materials sourced from regions with High or Extremely High Baseline Water Stress

.92 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of agricultural raw materials sourced from regions with High or Extremely High Baseline Water Stress, where:

- Agricultural raw materials are defined as those raw materials such as food, feed, and biofuel ingredients that are sourced for use in the registrant's production operations.

.93 The scope of agricultural raw materials shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale.

.94 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of agricultural raw materials sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of agricultural raw materials sourced.

.95 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress

.96 For the registrant's sources that are unknown and cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0101-17. Percentage of agricultural raw materials that are certified to a third-party environmental and/or social standard

.97 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of agricultural raw materials sourced to third-party environmental and/or social standards, where:

- The percentage shall be calculated as the COGS that are certified to a third party environmental and/or social standard, divided by total COGS.
- Agricultural raw materials are defined as those raw materials such as food, feed, and biofuel ingredients that are sourced for use in the registrants' production operations.
- Environmental standards include, but are not limited to, protection of primary forests, maintenance of surface and ground water quality, and implementation of integrated pest management solutions or an Organic System Plan.
- Social standards include, but are not limited to, fair compensation of employees, training of agrochemical applicators, continual monitoring of health and safety risks associated with applications of agrochemicals, and the absence of harmful child-labor practices.
- Standards that include both social and environmental criteria contain measures that incorporate both social and environmental requirements, as mentioned above.

.98 The scope of this disclosure includes third-party certifications that are based on either environmental or social best practices, or both.

.99 The scope of agricultural raw materials shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale. Where, environmental and/or social certifications include, but are not limited to:

- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Responsible Soy (RTRS)
- Rainforest Alliance
- Fair Trade USA
- Fair Trade International
- UTZ Certified
- Bon Sucro
- USDA Organic
- SA8000

.100 The registrant should indicate to which standards its food supply is certified.

CN0101-18. Description of management strategy for environmental and social risks arising from contract growers and commodity sourcing

.101 The registrant shall discuss its strategic approach to managing its environmental and social risks arising from its contract growers and commodity sourcing practices, where:

- The scope of disclosure should focus on agricultural raw materials sourced from directly contracted growers or through producer supply agreements, or that are procured through other means.

- Environmental and social risks include, but are not limited to, extreme weather events, water stress, degradation of the environment, labor rights, community rights, and harmful child-labor practices.

.102 The registrant should identify which commodities or agricultural raw materials present a risk to its operations, which risk they represent, and the strategies the registrant uses to mitigate that risk.

.103 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.104 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, maintenance of a supply chain code of conduct, and audits or certifications of suppliers' social practices.

Political Spending

Description

Political spending and corporate lobbying can have positive short-term outcomes for the Agricultural Products industry and its businesses and shareholders, but policy decisions influenced by lobbying may also have negative impacts on society, the environment, and, in the long term, shareholder value, as social pressure may lead to over-protective regulations. In the Agricultural Products industry, corporate lobbying can influence crop prices and crop insurance subsidy policies that may be harmful to the environment. In some instances, government payments support overproduction, which may lead to environmental degradation through expanded acreage into marginal lands or more harmful intensive farming practices. As climate change could significantly impact the industry in the future through increased risk of crop loss, support for policies that affect or delay climate mitigation policy action could exacerbate this risk to agricultural operations.

Accounting Metrics

CN0101-19. Amount of political campaign spending, lobbying expenditures, and contributions to tax-exempt groups including trade associations

.105 The registrant shall disclose its total monetary contributions to political campaigns, lobbyists or lobbying organizations, and tax-exempt groups, including trade associations that aim to influence political campaigns or participate in political lobbying.

.106 The scope of disclosure includes the following:

- Political spending, which includes any direct or indirect contributions or expenditures in support of, or opposition to, a candidate for public office or a ballot measure.
- Any payments made to trade associations or tax-exempt entities that are used to influence a political campaign (including advocacy organizations, commonly classified as social welfare organizations under Section 501(c)(4) of the Internal Revenue Code, or business leagues, chambers of commerce, boards of trade, and similar organizations classified under Section 501(c)(6) of the Internal Revenue Code).
- Any direct or indirect political expenditure(s) (one-time or recurring) that must be reported to the Federal Election Commission, the Internal Revenue Service, or a state disclosure agency.
- Any direct or indirect contributions to registered lobbyists or lobbying organizations, including contributions made to trade organizations that contribute to political lobbying efforts.

CN0101-20. Five largest political, lobbying, or tax-exempt group expenditures

.107 The registrant shall disclose the recipients of its five largest contributions disclosed in CN0101-18, defined as the five largest amounts in aggregate during the fiscal year to an individual candidate, organization, ballot measure, or lobbying issue topic.

.108 The registrant shall disclose the amount (in U.S. dollars) contributed to each individual, organization, ballot measure, or lobbying issue topic.

.109 The registrant shall consider lobbying issue topics, at a minimum, to be general lobbying issue codes defined by The Lobbying Disclosure Act of 1995, but should include specific lobbying issues where available.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

MEAT, POULTRY, AND DAIRY
Sustainability Accounting Standard

DRAFT

Sustainable Industry Classification System™ (SICS™) #CN0102
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

MEAT, POULTRY, AND DAIRY

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

Table of Contents

INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Meat, Poultry, and Dairy industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Meat, Poultry, and Dairy industry produces raw and processed animal products, including meats, seafood, eggs, and dairy products, for human and animal consumption. Key activities include animal raising, slaughtering, processing, and packaging. Participants in this industry are vertically integrated to varying degrees, with some companies directly operating farms along with processing and distribution operations. The industry sells products primarily to the Processed Foods industry and to retail distributors that distribute finished products to key end-markets including restaurants, livestock and pet feed consumers, grocery retailers, and exporters. The sustainable management of key industry inputs such as land, animals, labor, electricity, water, fuel, and oil has the ability to influence the industry's competitive landscape.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Meat, Poultry, and Dairy industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management
- Water Withdrawal
- Land Use & Animal Waste Management
- Food Safety
- Workforce Health & Safety
- Animal Care & Welfare
- Climate Change Impacts on Livestock Production & Feed Sourcing
- Environmental & Social Impacts of Animal & Feed Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available." [1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).
[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Meat, Poultry, and Dairy industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of processing and manufacturing facilities	Quantitative	Number	CN0102-A
Animal protein production, by category; percentage outsourced	Quantitative	Metric tons (t), Percentage (%)	CN0102-B

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO_2-e	CN0102-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	Discussion & Analysis	n/a	CN0102-02
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0102-03
Water Withdrawal	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0102-04
Land Use & Animal Waste Management	Number of incidents of non-compliance with water-quality permits, standards, and regulations	Quantitative	Number	CN0102-05
	Amount of animal litter and manure generated, percentage managed according to a nutrient management plan	Quantitative	Metric tons (t), Percentage (%)	CN0102-06
	Percentage of pasture and grazing land managed to NRCS Conservation Plan criteria	Quantitative	Percentage by hectares (%)	CN0102-07
	Animal protein production from concentrated animal feeding operations (CAFO)	Quantitative	Metric tons (t)	CN0102-08
Food Safety	Number of recalls issued, total weight of product recalled[6]	Quantitative	Number, Metric tons (t)	CN0102-09
	Global Food Safety Initiative (GFSI) audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate, Percentage (%)	CN0102-10
	Discussion of markets banning imports of the registrant's products	Discussion & Analysis	n/a	CN0102-11

[6] Note to **CN0102-09—**Disclosure shall include a description of notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Workforce Health & Safety	(1) Total Recordable Injury Rate (TRIR) and (2) Fatality Rate	Quantitative	Rate	CN0102-12
	Description of practices to monitor for and mitigate chronic and acute respiratory conditions	Discussion & Analysis	n/a	CN0102-13
Animal Care & Welfare	Percentage of pork produced without use of gestation crates	Quantitative	Percentage by weight (%)	CN0102-14
	Percentage of cage-free shell egg sales	Quantitative	Percentage (%)	CN0102-15
	Percentage of production certified to a third-party animal welfare standard	Quantitative	Percentage by weight (%)	CN0102-16
	Amount of nontherapeutic antibiotic usage, percentage of animal production receiving nontherapeutic antibiotics	Quantitative	Metric tons (t)	CN0102-17
Climate Change Impacts on Livestock Production & Feed Sourcing	Discussion of strategy to manage opportunities and risks to livestock production and feed sourcing presented by climate change	Discussion & Analysis	n/a	CN0102-18
Environ-mental & Social Impacts of Animal & Feed Supply Chains	Percentage of contract producers verified to meet fair labor standards	Quantitative	Percentage	CN0102-19
	Percentage of livestock from suppliers implementing NRCS Conservation Plans or the equivalent	Quantitative	Percentage by weight (%)	CN0102-20
	Percentage of contract producers in water-stressed regions	Quantitative	Percentage by contract value (%)	CN0102-21
	Percentage of feed sourced from water-stressed regions	Quantitative	Percentage by weight (%)	CN0102-22

Greenhouse Gas Emissions

Description

The Meat, Poultry, and Dairy industry generates significant direct emissions of Scope 1 greenhouse gases (GHG), contributing to climate change and thus facing regulatory risks due to climate change mitigation policies. The majority of emissions in this industry stem directly or indirectly from the animals themselves. The direct emissions from livestock production, including manure management and the processing and transportation of animal products, represent a large portion of global and U.S. GHG emissions. Companies in this industry use large quantities of fossil fuels (in addition to Scope 2 purchased electricity) to meet energy and transportation requirements, which generates additional direct GHG emissions. Given the industry's considerable contribution to climate-change inducing GHGs, future emissions regulation could result in additional operating or compliance costs. By implementing new technology to capture animal emissions and focusing on energy efficiency, companies can mitigate their exposure to regulation and volatile energy costs and limit their contribution to both direct and indirect GHG emissions.

Accounting Metrics

CN0102-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO2-e), calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report (1995).

- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.

- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).[7]

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March 2004 (hereafter, the "GHG Protocol").

[7] An update to the responses for CDP Questionnaire section 4.25 of the CDSB CCRF shall be updated to the response to **CN0102-01**.

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[8]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB *Climate Change Reporting Framework* (CCRF).[9]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

CN0102-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets

.08 The registrant shall discuss the following where relevant:

- The scope, such as whether strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

[8] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.

[9] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

- Whether strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and
- The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

.09 For emission-reduction targets, the registrant shall disclose:

- The percentage of emissions within the scope of the reduction plan;
- The percentage reduction from the base year;
    - The base year is the first year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been, or may be, recalculated retrospectively or where the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions." [10]
- CDP questionnaire CC3, "Targets and Initiatives."

.12 Relevant initiatives to discuss may include, but are not limited to, improved feeding practices, enhanced manure management, management of animal breeding practices, and appropriate fire management, consistent with the [IPCC Fourth Assessment Report: Climate Change 2007: Working Group III: Mitigation of Climate Change](#).

[10] 4.12, "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

Energy Management

Description

Purchased electricity for energy production and consumption contributes to significant environmental impacts, including climate change and pollution, which have the potential to indirectly yet materially impact the results of operation for companies in the Meat, Poultry, and Dairy industry. These firms are highly reliant on energy and fuel as a primary input for value creation in meat and dairy processing facilities. Material benefits can come in the form of incentives for energy efficiency and renewable energy, as rising costs are associated with various forms of energy, and there is risk associated with heavy reliance on specific forms of energy that are facing significant regulation. Decisions about the use of alternative fuels, renewable energy, and on-site generation of electricity (versus purchases from the grid) can play an important role in influencing both the costs and the reliability of the energy supply. Efficient energy usage is essential for competitive advantage in this industry, as purchased fuels and electricity account for a significant portion of total production costs.

Accounting Metrics

CN0102-03. Total energy consumed, percentage grid electricity, percentage renewable

.13 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.14 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), and 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).

.15 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.16 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
    - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold)

- and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[11]

.17 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

  - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

  - Energy from biomass sources is limited to those that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.18 The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

[11] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

Water Withdrawal

Description

Water is an essential factor of production in the Meat, Poultry, and Dairy industry, as it is required to hydrate animals and process animal products. The availability of adequate water supplies presents a growing operating challenge. While water has historically been an abundant commodity in many parts of the world, it is becoming an increasingly scarce resource due to population growth, increasing consumption per capita, poor water withdrawal, and climate change. Water scarcity can result in higher supply costs and risks of shortages for companies that rely on stable water supplies, including meat, poultry, and dairy producers. In this industry, operations reliant on surface water for animal hydration and pasture are particularly vulnerable to increases in water stress, and processing facilities need to be located near where the animals are raised.

Accounting Metrics

CN0102-04. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.19 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.
- Water obtained from a water utility can be assumed to meet the definition of fresh water.[12]

.20 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.21 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.22 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[12] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

Land Use & Animal Waste Management

Description

Meat, poultry, and dairy operations have diverse ecological impacts, including biodiversity loss, which is primarily a result of land use and contamination by waste. The primary channels of impact are contamination of water, air, and land and land degradation, including deforestation and erosion. While the impacts are different, both traditional and Concentrated Animal Feeding Operations (CAFO) lead to significant land ecological impacts. Non-CAFO animal farming, which requires large tracts of pastureland, can lead to physical degradation of land resources. The primary concern for CAFOs and animal product processing facilities is the generation of animal waste, which can release pollutants into the environment. Land use and ecological impacts result in legal and regulatory risks in the form of fines, litigation, and difficulties obtaining permits for facility expansions or waste discharges. Companies could face regulatory or reputational barriers to expanding operations in ecologically sensitive areas due to more stringent permitting, including rules to protect ecosystems and endangered species. Water contamination may also indirectly affect the industry by increasing treatment costs for purchased or naturally sourced water.

Accounting Metrics

CN0102-05. Number of incidents of non-compliance with water quality permits, standards, and regulations

.23 The registrant shall disclose the total number of instances of non-compliance, including violations of a technology-based standard and exceedances of a quality-based standard.

- The scope includes instances from operations that the registrant owns and operates and those with which it directly contracts animal production.

.24 The scope of disclosure includes incidents related to statutory permits and regulations or voluntary agreements, standards, or guidelines, such as total maximum daily load (TMDL) exceedances.

.25 Voluntary standards include, among others, the registrant’s own water quality standards (parameters) or “effluent guidelines” from the International Finance Corporation’s (IFC) Environmental, Health, and Safety Guidelines as outlined in the following industry-specific guidelines, where *production* guidelines correspond to rearing activities and *processing* guidelines relate to the processing of animals into products to be sold:

- Mammalian Livestock Production
- Poultry Production
- Dairy Processing
- Meat Processing
- Poultry Processing

.26 Typical parameters of concern include total nitrogen, total phosphorous, biological oxygen demand (BOD), chemical oxygen demand (COD), total coliform bacteria, total suspended solids (TSS), oil and grease, temperature increase, and pH.

.27 An incident of non-compliance shall be disclosed regardless of whether it resulted in an enforcement action (e.g., fine, warning letter, etc.).

.28 Violations, regardless of their measurement methodology or frequency, shall be disclosed. These include:

- For continuous discharges, limitations, standards, and prohibitions that are generally expressed as maximum daily, weekly average, and monthly averages.
- For non-continuous discharges, limitations that are generally expressed in terms of frequency, total mass, maximum rate of discharge, and mass or concentrations of specified pollutants.

CN0102-06. Amount of animal litter and manure generated, percentage managed according to a nutrient management plan

.29 The registrant shall disclose the total amount of animal litter and manure its facilities generated, where:

- The scope includes both dry and liquid manures and litter.

.30 The registrant shall calculate the percentage as the amount of animal litter and manure generated from facilities that implement a nutrient management plan divided by the total amount of animal litter and manure generated, where:

- A nutrient management plan is a documented management practice that addresses the generation, collection, treatment, storage, and agronomic use of all manure for both:
    - The production area, including the animal confinement area, feed and other raw materials storage areas, animal mortality facilities, the manure handling containment or storage areas; and
    - The land treatment area, including any land under control of the registrant, whether it is owned, rented, or leased, and to which manure or process wastewater is, or might be, applied for crop, hay, pasture production, or other uses.

.31 At a minimum, the nutrient management plan shall meet the minimum specific elements of the NRCS Comprehensive Nutrient Management Plan (CNMP) which are:

- Background and Site Information
- Manure and Wastewater Handling and Storage
- Farmstead Safety and Security
- Land Treatment Practices
- Soil and Risk Assessment Analyses
- Nutrient Management according to the criteria in the Nutrient Management Conservation Practice (Code 590)
- Recordkeeping
- References

CN0102-07. Percentage of pasture and grazing land managed to NRCS Conservation Plan criteria

.32 The registrant shall calculate the percentage as the area of pasture and grazing land, in hectares, that is managed to Natural Resources Conservation Service (NRCS) conservation plan criteria divided by the total area, in hectares, of the registrant's pasture and grazing land.

.33 Land shall be considered to be managed to a NRCS conservation plan if its management:

- Follows the planning process described by the National Planning Procedures Handbook, and
- Follows management practices outlined in the National Range and Pasture Handbook (NRPH), USDA, NRCS, Grazing Lands Technology Institute Revision 1, December 2003.

.34 Land is within the scope of disclosure if it is addressed by the NRPH definition of rangeland, which includes grazed forest, naturalized pasture, pastureland, hayland, and grazed and hayed cropland.

.35 The scope includes land that is owned, operated, and/or controlled by the registrant.

CN0102-08. Animal protein production from concentrated animal feeding operations (CAFO)

.36 The registrant shall disclose the amount, in metric tons, of animal protein produced that was raised in concentrated animal feeding operations (CAFO) where:

- The amount shall be calculated as the carcass (or dressed) weight of animal protein.
- CAFO is defined according to CFR Title 40, Part 122.23 Concentrated animal feeding operations.

.37 The scope includes animal protein from CAFOs that the registrant owns and operates, those with which it contracts animal production (e.g., independent producers), and those which otherwise supply animal protein to the registrant (e.g., for processing by the registrant).

.38 The registrant may choose to provide a breakdown of the amount of production from CAFOs it owns and operates as compared to CAFOs owned and operated by third parties.

Food Safety

Description

Meat, poultry, and dairy products are either sold directly to consumers in their raw form (e.g., milk or eggs) or are further processed into a wide variety of foods. Maintaining product quality and safety is crucial, as contamination by pathogens, chemicals, or spoilage presents serious human and animal health risks. Food safety issues include sub-therapeutic antibiotic use in animal raising. Food safety practices and procedures in the meat processing industry have recently been subject to more intense scrutiny and oversight, and future outbreaks of diseases among cattle, poultry or pigs could lead to further governmental regulation. As food safety issues may arise at any time during the production or processing phase, companies can be impacted through product recalls, damaged brand reputation, and increased regulatory scrutiny, making it an important issue to manage effectively.

Accounting Metrics

CN0102-09. Number of recalls issued, total weight of product recalled

.39 The registrant shall disclose the total number of recalls issued, the scope of which includes voluntary recalls initiated by the registrant and recalls requested by the Food Safety and Inspection Service (FSIS) of the U.S. Department of Agriculture (USDA), or equivalent national authority.

.40 The registrant shall disclose the total amount, in metric tons, of products recalled.

.41 A database of USDA-regulated recalls is available here.

.42 The registrant may choose, in addition to the total number of recalls, to disclose the percentage of recalls that were (1) registrant initiated and (2) requested by a regulatory agency, where:

- Recalls requested by a regulatory agency are those requested by governmental entities (e.g., the USDA in the U.S. or the China Food and Drug Administration).
- Registrant-initiated recalls are those proactively initiated by the registrant or its business partners in order to take foods off the market prior to any request from a regulatory agency.

Note to CN0102-09.

.43 The registrant shall discuss notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

.44 For such recalls, the registrant should provide:

- Description and cause of the recall issue
- The total weight of products recalled
- The cost to remedy the issue (in U.S. dollars)

- Whether the recall was voluntary or involuntary (mandated by the USDA)
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings or fatalities)

CN0102-10. Global Food Safety Initiative (GFSI) audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.45 The registrant shall disclose its conformance with Global Food Safety Initiative (GFSI) recognized food safety schemes based on the number of non-conformances that were identified during audits.

.46 The scope of disclosure includes audit results from facilities that are owned and/or operated by the registrant.

.47 The registrant shall calculate and disclose the major non-conformance rate as: total number of major (or critical) non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of non-conformance and require escalation by auditors. Major non-conformances may arise from a significant risk to food safety, non-compliance with relevant regulatory requirements, and failure to adequately address prior minor non-conformances. Major non-conformances must be corrected in accordance with the relevant GFSI scheme under audit.
- Priority non-conformances may also be referred to as critical non-conformances.

.48 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance is defined by the relevant GFSI scheme and is by itself not indicative of a systemic problem.

.49 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than 30 days from the audit date, to address major non-conformances, divided by the total number of major non-conformances that have been identified.

.50 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than 365 days from the audit date, to address minor non-conformances, divided by the total number of minor non-conformances that have been identified.

.51 A corrective action is defined as an action to eliminate the cause of a detected non-conformity or other undesirable matter, in accordance with the GFSI, and may be further defined by the relevant GFSI scheme under audit.

.52 The scope of schemes includes those recognized by GFSI, including, at the time of publication:

- PrimusGFS Standard V2.1—December 2011
- GlobalG.A.P Integrated Farm Assurance Scheme Version 4 and Produce Safety Standard Version 4
- FSSC 22000—October 2011 Issue
- CanadaGAP Scheme Version 6 Options B and C and Program Management Manual Version 3
- SQF Code 7th Edition Level 2
- IFS Food standard Version 6
- BRC Global Standard for Food Safety Issue 6

.53 The registrant should disclose the GFSI-recognized scheme to which its facilities are audited.

CN0102-11. Discussion of markets banning imports of the registrant's products

.54 The registrant shall disclose a list of countries and regions that restrict, ban, or have suspended imports of the registrant's products due to sanitary and phytosanitary (SPS) measures.

- The scope of disclosure excludes import bans, embargoes, or restrictions that are in place due to non-SPS measures.

.55 SPS measures are food, animal, and plant safety and health standards and regulations enacted by governments to protect human, animal, or plant life or health in accordance with the World Trade Organization (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).

.56 The registrant shall discuss the following with respect to each ban: the scope of meat or meat products affected, the length of time the ban has been in place, the stated reason for the ban (e.g., risk of bovine spongiform encephalopathy), and the effect on the registrant's results of operations and financial condition.

Workforce Health & Safety

Description

Bureau of Labor Statistics (BLS) data indicates that the Meat, Poultry, and Dairy industry has relatively high injury rates compared to other industries. Common hazards include falls, transportation accidents, heat-related injuries, asphyxiation, and machinery injuries. Industry safety data indicates persistently high accident and fatality rates, despite advances in safety technology and awareness. Exposure to hazardous air emissions, including particulate matter dust, may increase the risk of chronic illnesses, and workers can also fall ill from pathogens they contact when handling meat or animal waste. Worker risk exposure can result in costly lawsuits and employee health and safety violations. Developing a strong company safety culture and reducing employees' exposure to harmful situations is critical in order to proactively guard against accidents and improve employees' health and safety.

Accounting Metrics

CN0102-12. (1) Total Recordable Injury Rate (TRIR) and (2) Fatality Rate

.57 For registrants whose workforce is entirely U.S.-based, the registrant shall disclose its total recordable injury rate (TRIR) and fatality rate as calculated and reported in the Occupational Safety and Health Administration's (OSHA) Form 300.

- OSHA guidelines provide details on determining whether an event is a recordable occupational incident and definitions for exemptions for incidents that occur in the work environment but are not occupational.

.58 For registrants whose workforce includes non-U.S.-based employees, the registrant shall calculate its TRIR and fatality rate according to the U.S. Bureau of Labor Statistics guidance and/or using the U.S. Bureau of Labor Statistics calculator.

.59 The registrant shall disclose its TRIR and Fatality Rate for all employees, including direct, full-time employees; contract employees; and seasonal and migrant employees.

.60 The scope includes all employees, domestic and foreign.

.61 Rates shall be calculated as: (statistic count / total hours worked)*200,000.

CN0102-13. Description of practices to monitor for and mitigate chronic and acute respiratory conditions

.62 The registrant shall discuss efforts to assess, monitor, and mitigate chronic and acute respiratory conditions in employees, where:

- Chronic respiratory conditions include, but are not limited to, chronic bronchitis, chronic lung disease (e.g., COPD), declines in lung functioning, organic toxic dust syndrome, and conditions resulting from particulate matter.

- Acute respiratory conditions include, but are not limited to, chemical burns, inflammation of the respiratory tract, acute or subacute bronchitis, and death.

.63 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, health and wellness monitoring programs, readily accessible personal protective equipment (PPE), and implementation of relevant worker training programs.

Animal Care & Welfare

Description

Consumer and regulatory trends are key value drivers of demand in the Meat, Poultry, and Dairy industry. Issues concerning animal treatment and the methods by which animals are produced are increasingly under public and regulatory scrutiny. In recent years, consumers have shifted demand away from specific production methods that are viewed as inhumane and unhealthy. These issues include animal welfare and the use of antibiotics and growth hormones. In the U.S., farm animals are largely excluded from federal and state animal welfare statutes, including the Animal Welfare Act. Thus, the pressure on the industry to improve animal welfare and certain animal-raising methods have come from consumer and advocacy group action and shifting consumer trends. Companies that are prepared to meet these shifting trends may achieve a competitive advantage by better capturing market demand and complying with new regulations.

Accounting Metrics

CN0102-14. Percentage of pork produced without use of gestation crates

.64 The registrant shall calculate the percentage as the weight, in metric tons, of pork produced from gestation-crate-free sources divided by the total weight of pork production.

- Weight of production shall be calculated using carcass weight or retail weight (where the registrant has sourced pork or pork products that had already been processed).

.65 A gestation crate is defined as enclosure for housing an individual breeding sow where the enclosure fulfills the animal's static space requirements but does not allow for dynamic movement such as turning around, and is typically non-bedded, with concrete floors and metal stalls.

.66 The scope of disclosure includes pork or pork products that originated from breeding sows that were confined to gestation crates, regardless of whether or not the registrant housed the sow.

.67 The registrant should discuss, where relevant:

- How, if in any way, use of gestation crates is addressed in contracts with producers and independent farmers.
- Requirements that key customers have related to the use of gestation crates and how the registrant addresses them.
- Any targets the registrant has related to phasing out gestation crates and its progress toward those targets.

CN0102-15. Percentage of cage-free shell egg sales

.68 The registrant shall calculate the percentage as the number of shell eggs produced from cage-free hens divided by the total shell egg production, where:

- Cage-free is defined as confinement of laying hens in a building, room, or open area with unlimited access to food and water, and with freedom to roam within these areas during the production cycle.

.69 The scope includes eggs produced by the registrant, those for which it contracts production, and those it purchases from independent producers for resale.

CN0102-16. Percentage of production certified to a third-party animal welfare standard

.70 The registrant shall calculate the percentage as the weight, in metric tons, of animal protein production verified to have been raised in accordance with a third-party animal welfare standard divided by the total weight of animal protein production.

- Weight of production shall be calculated using carcass weight or retail weight (where the registrant has sourced animals or animal products that had already been processed).

.71 The scope includes all animal protein production that the registrant brings to market, including that from facilities that the registrant owns and operates and that from facilities from which it contracts animal production (e.g., independent producers).

.72 Animal welfare standards are those that relate to the following aspects of beef, pork, and/or poultry production:

- Animal treatment and handling
- Housing and transportation conditions
- Slaughter facilities and procedures
- Use of antibiotics and hormones

.73 Applicable certifications include, but are not limited to, the following: Animal Welfare Approved, Food Alliance, Global Animal Partnership's 5-Step Program, Certified Humane Certification Program, and American Humane Certified.

.74 The registrant should disclose to which animal welfare standards its production is certified.

.75 The registrant may choose to discuss animal welfare standards that it implements in its operations and/or supply chain that are not third-party verified (i.e., those that are enforced by the registrant or a trade association).

CN0102-17. Amount of nontherapeutic antibiotic usage, percentage of animal production receiving nontherapeutic antibiotics

.76 The registrant shall disclose the amount, in metric tons, of antibiotics it used for nontherapeutic purposes, where:

- Usage shall be calculated as beginning inventory of this category of antibiotics plus purchases of these antibiotics, less ending inventory of these antibiotics.

.77 Nontherapeutic (or subtherapeutic) antibiotic usage includes any use of the drug as a feed or water additive for an animal, in the absence of any clinical sign of disease in the animal, for the purpose of growth promotion, feed efficiency, weight gain, routine disease prevention, or other routine purpose.

.78 The registrant shall calculate and disclose the percentage as the total weight of animal protein production from animals that received nontherapeutic antibiotics during their lifetime divided by the total weight of animal protein production.

- The amount shall be calculated as the carcass (or dressed) weight of animal protein.
- The scope includes animal protein from operations hat the registrant owns and operates, those with which it contracts animal production (e.g., independent producers), and those which otherwise supply animal protein to the registrant (e.g., for processing by the registrant).

.79 The scope of antibiotics includes both antibiotics that treat human disease and those that do not (e.g., ionophores).

Climate Change Impacts on Livestock Production & Feed Sourcing

Description

Climate change presents a long-term challenge for the Meat, Poultry, and Dairy industry. The global footprint of top companies in this industry heightens the probability of diverse physical impacts within operations. Warmer average global temperatures are expected to contribute to a wide variety of climatic outcomes, including variations in precipitation patterns, increased magnitude of temperature extremes, and more frequent or severe storms. These climatic outcomes can significantly affect the factors of production within this industry, including animal feed crops, grasslands, and water availability. Furthermore, climate change is expected to increase the number and range of animal diseases and pests, while temperatures beyond the normal ranges for animals can affect animal health. Adaptation to a changing climate is a critical long-term concern for the industry.

Accounting Metrics

CN0102-18. Discussion of strategy to manage opportunities and risks to livestock production and feed sourcing presented by climate change

.80 The registrant shall discuss the risks and/or opportunities to its livestock production and feed sourcing that may be presented by climate change scenarios.

- Livestock production risks and opportunities include those affecting all lifecycle phases of bringing animal protein to market, including breeding, grazing, feedlot, slaughter, processing, and distribution/transportation of live animals and processed animal protein products.
- Feed-sourcing risks and opportunities include those at the cultivation, milling and other processing, and transportation phases of animal feed production.

.81 The registrant should identify the risks presented by climate change, including, but not limited to, availability of water, shifts in rangeland quality, disease migration, and increased extreme weather events.

.82 The registrant should discuss how such scenarios will manifest (e.g., if the effects will be directly felt by the registrant or if they will affect the registrant's supply chain) and how each type of livestock (i.e., beef cattle, dairy cattle, pigs, poultry, etc.) and feed (i.e., soybean meal, cornmeal and other grains, hay, forage, etc.) would specifically be affected or how other operating conditions would be affected (e.g., transportation and logistics, physical infrastructure, etc.).

.83 The registrant should discuss the probability that risks and opportunities will come to fruition, the likely magnitude of the impact on financial results and operating conditions, and the timeframe over which such risks and opportunities are expected to manifest.

.84 The registrant may include discussion on the methods or models used to develop the climate change scenario(s) it uses, including the use of global gridded crop models or scientific research provided by governmental and non-governmental organizations (e.g., Intergovernmental Panel on Climate Change Climate Scenario Process).

.85 The registrant shall discuss efforts to assess and monitor the impacts of climate change and the related strategies it employs to adapt to any risks and/or recognize any opportunities.

- Strategies include, but are not limited to, use of insurance, investments in hedging instruments, supply chain diversification, improving ecosystem management and biodiversity, and development of tolerant livestock breeds.

.86 Climate change mitigation strategies in which the registrant engages, such as the reduction of direct CO_2 emissions or the promotion of reduced-emissions techniques to partners (e.g., contact growers or independent suppliers), shall be addressed in CN102-02.

Environmental & Social Impacts of Animal & Feed Supply Chains

Description

Environmental & Social Impacts of Animal & Feed Supply Chains for meat, dairy, and poultry producers includes the management of environmental and social issues that can affect the industry's sourcing of animal feed and animals. Key supply chain risks include land management, labor conditions, and environmental impacts of cultivation. Additionally, climate change and water scarcity increasingly affect the production of animal feed and animals. Non-vertically integrated companies source a significant portion of their inputs from farmers or other corporations that operate farming operations. Thus, assessing and managing environmental and social issues within the supply chain is critical to securing a stable supply of raw materials and reducing the risk of cost increases.

Accounting Metrics

CN0102-19. Percentage of contract producers verified to meet fair labor standards

.87 The registrant shall calculate the percentage as the number of its contract producers that have been verified to meet fair labor standards divided by the total number of contract producers with which the registrant engages, where:

- A contract producer (or grower) is an entity with which the registrant has an agreement under which the producer typically agrees to provide facilities, labor, utilities, and care for livestock owned by the registrant in return for a payment.

.88 At a minimum, fair labor standards shall include the requirements of the Social Accountability 8000 International Standard, June 2014 (SA8000®: 2014), which are organized into the following nine categories:

- Child labor
- Forced or compulsory labor
- Health and safety
- Freedom of association & right to collective bargaining
- Discrimination
- Disciplinary practices
- Working hours
- Remuneration
- Management system

.89 At a minimum, verification of a contract producer's compliance with fair labor standards shall include inspection or auditing conducted but the registrant (i.e., first-party verification).

.90 The registrant should describe the source of its fair labor standards and indicate how compliance is verified (e.g., though first-party verification, third-party auditing, etc.).

CN0102-20. Percentage of livestock sourced from suppliers implementing NRCS Conservation Plans or the equivalent

.91 The registrant shall calculate the percentage as the total live weight of livestock sourced from suppliers that manage pasture and grazing land to Natural Resources Conservation Service (NRCS) conservation plan criteria divided by the live weight of livestock sourced by the registrant.

- The scope of disclosure shall include livestock purchased by the registrant during the fiscal year, adjusted for any changes in inventory of live animals.

.92 Land shall be considered to be managed to a NRCS conservation plan if its management:

- Follows the planning process described by the National Planning Procedures Handbook, and

- Follows management practices outlined in the National Range and Pasture Handbook (NRPH), USDA, NRCS, Grazing Lands Technology Institute Revision 1, December 2003.

.93 Land is within the scope of disclosure if it is addressed by the NRPH definition of rangeland, which includes grazed forest, naturalized pasture, pastureland, hayland, and grazed and hayed cropland.

CN0102-21. Percentage of contract producers in water-stressed regions

.94 The registrant shall calculate the percentage as the value of contracts, in U.S. dollars, associated with contract production of animal protein from entities located in water-stressed regions divided by the total value of contracts associated with contract production of animal protein, where:

- Water-stressed regions are defined according to the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), as areas with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

- A contract producer (or grower) is an entity with which the registrant has an agreement under which the producer typically agrees to provide facilities, labor, utilities, and care for livestock owned by the registrant in return for a payment.

CN0102-22. Percentage of feed sourced from water-stressed regions

.95 The registrant shall calculate the percentage as the amount of feed, in metric tons, sourced from water-stressed areas divided by the total amount of feed utilized by the registrant, where:

- Water-stressed regions are defined according to the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), as areas with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

- Feed includes soybean meal, cornmeal and other grains, and other fodder provided to livestock, but excludes forage.

- The amount of feed sourced shall be calculated as the amount purchased, adjusted for any changes in inventory of feed.

.96 The scope of disclosure includes feed grown and/or manufactured by the registrant and feed that is purchased by the registrant.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

PROCESSED FOODS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0103
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

PROCESSED FOODS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

Table of Contents

INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Processed Foods industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Processed Foods industry includes companies that produce various prepared and ready-to-consume food products including cereal, snack foods, frozen foods, canned fruits and vegetables, soup, candy, and condiments. Companies in the industry transform raw ingredients into consumable products using energy, water, and other key inputs. For snack food companies, these raw ingredients include large quantities of sugar, wheat, corn, vegetable oil, flour, oats, potatoes, seasonings, cocoa, and other fruits and vegetables. Frozen food producers often use similar raw ingredients including wheat, corn, soybeans, pork, poultry, and beef. Large companies in the industry generate sales globally. The largest customers of the Processed Foods industry include grocery stores and large retail chains such as Walmart.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Processed Foods industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management & Fleet Fuel Consumption
- Water Management
- Food Safety
- Health & Nutrition
- Product Labeling & Marketing
- Packaging Lifecycle Management
- Environmental & Social Impacts of Ingredient Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).
[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/."

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Processed Foods industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Weight of products sold	Quantitative	Metric tons (t)	CN0103-A
Total fleet road miles	Quantitative	Miles	CN0103-B
Number of production facilities	Quantitative	Number	CN0103-C

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons CO_2-e	CN0103-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	CN0103-02
Energy Management & Fleet Fuel Consumption	Operational energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0103-03
	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0103-04
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0103-05
	Number of incidents of non-compliance with water quality and/or quantity permits, standards, and regulations	Quantitative	Number	CN0103-06
Food Safety	Global Food Safety Initiative audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0103-07
	Notice of food safety violations received, percentage corrected	Quantitative	Number, Percentage (%)	CN0103-08
	Number of recalls issued, total amount of food product recalled[6]	Quantitative	Number, Metric tons (t)	CN0103-09
Health & Nutrition	Revenue from products labeled and/or marketed to promote health and nutrition attributes[7]	Quantitative	U.S. Dollars ($)	CN0103-10
	Revenue from products that meet Smart Snacks in School criteria or foreign equivalent	Quantitative	U.S. Dollars ($)	CN0103-11
	Description of the process to identify and manage risks associated with products and ingredients of consumer concern	Discussion & Analysis	n/a	CN0103-12

[6] Note to **CN0103-09**—Disclosure shall include a description of notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

[7] Note to **CN0103-10 —**Disclosure shall include a description of other strategies, such as portion control, to address public health concerns.

Table 1. Sustainability DisclosureTopics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Labeling & Marketing	Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria	Quantitative	Number, Percentage (%)	CN0103-13
	Percentage of product portfolio labeled as (1) GMO and (2) non-GMO	Quantitative	Percentage (%) by revenue	CN0103-14
	Notices of violations received for non-conformance with regulatory labeling and/or marketing codes	Quantitative	Number, Percentage (%)	CN0103-15
	Amount of legal and regulatory fines and settlements associated with marketing and/or labeling[8]	Quantitative	U.S. Dollars ($)	CN0103-16
Packaging Lifecycle Management	Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable	Quantitative	Metric tons (t)	CN0103-17
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0103-18
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0103-19
	Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards	Quantitative	Percentage (%) by spend	CN0103-20
	Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0103-21
	List of priority food ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0103-22

[8] Note to **CN0103-16**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Greenhouse Gas Emissions

Description

The Processed Foods industry generates significant direct emissions of Scope 1 greenhouse gases (GHG) as a result of cogenerating its own energy from fossil fuel sources. This contributes directly to climate change and exposes industry participants to regulatory risks from climate change mitigation policies. Companies that cost-effectively reduce GHG emissions from their operations by implementing industry-leading technologies and processes can create operational efficiency. They can also mitigate the impact on value of increased fuel costs and regulations that limit or put a put a price on carbon emissions amid increasing regulatory and public concern about climate change in the U.S. and globally.

Accounting Metrics

CN0103-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO2-e), calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report (1995).

- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.

- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March 2004 (hereafter, the "GHG Protocol").

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[9]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB *Climate Change Reporting Framework* (CCRF).[10]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

CN0103-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets

.08 The registrant shall discuss the following where relevant:

- The scope, such as whether strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

- Whether strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

- The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

[9] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.
[10] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

.09 For emission-reduction targets, the registrant shall disclose:

- The percentage of emissions within the scope of the reduction plan;
- The percentage reduction from the base year;
    - The base year is the first year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been, or may be, recalculated retrospectively or where the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions."[11]
- CDP questionnaire CC3, "Targets and Initiatives."

.12 Relevant initiatives to discuss may include, but are not limited to, fuel optimization efforts such as route and load optimization. Truck-related efforts include adoption of technology such as engine and powertrain efficiency and aerodynamic improvements, weight reduction, improved tire rolling resistance, hybridization, and automatic engine shutdown.

[11] 4.12, "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

Energy Management & Fleet Fuel Consumption

Description

Processed food companies are reliant on energy as a primary input for value creation. Electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level. The cost of grid electricity may increase in order to offset carbon pricing regulation of utilities, presenting price volatility risks to large consumers of purchased electricity. With processed food manufacturing plants located in multiple regions, the likelihood and impact of energy price volatility will vary depending on the exact location of facilities. Large fleets used by the industry to transport and distribute goods can also contribute to GHG emissions. Companies' investments in energy efficiency, decisions about the use of alternative fuels, use of renewable energy, and on-site generation of electricity (versus purchasing from the grid) can play an important role in their ability to influence both the costs and the reliability of energy supplies. Efficient energy usage is essential for competitive advantage in this industry, as purchased fuels and electricity account for a significant portion of total production costs.

Accounting Metrics

CN0103-03. Operational energy consumed, percentage grid electricity, percentage renewable

.13 The registrant shall disclose energy consumption from all sources, except fleet vehicles, as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.14 In calculating energy consumption from fuels and biofuels, the registrant 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).

.15 The registrant shall disclose purchased grid electricity consumption as a percentage of its energy consumption.

.16 The registrant shall disclose renewable energy consumption as a percentage of its energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.

- For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[12]

.17 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

  - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

  - Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.18 The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

CN0103-04. Fleet fuel consumed, percentage renewable

.19 The registrant shall disclose total fuel consumption by fleet vehicles as an aggregate figure in gigajoules or their multiples.

- The scope includes fuel consumed by vehicles owned or operated by the registrant.

.20 Fuel consumption shall be based on actual fuel consumed (i.e., not based on design parameters).

.21 Acceptable methods for calculating fuel consumption include fuel purchases made during the year plus any inventory at the start of the year, minus any fuel inventory at the end of the year; or fuel consumption tracked by vehicle or through expense reports.

.22 The registrant shall disclose renewable fuel consumption as a percentage of its total fuel consumption.

- Renewable fuel is defined, consistent with U.S. EPA's Renewable Fuel Standard (40 CFR Section 80.1401), as a fuel which meets the following requirements:

[12] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

- Fuel that is produced from renewable biomass.
- Fuel that is used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel.
- Fuel that has lifecycle GHG emissions that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to § 80.1403.

.23 In calculating energy consumption from fuels and biofuels, the registrant 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).

.24 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

Water Management

Description

The Processed Foods industry uses large amounts of water for cooking, processing, and cleaning. The quantity of water used depends largely on the process and type of food being prepared. As the global population increases, the demand for water is expected to increase, while at the same time, increasing pollution and climate change are constraining water supplies. This creates major operational risks for processed food companies that are dependent on access to water, especially those operating in water-scarce regions. Companies that are unable to secure a stable water supply could face production disruptions, while rising water prices could directly increase production costs. Additionally, companies may face risks associated with discharging polluted water from the food-making process, which can lead to costly fines and stricter regulations. Consequently, the adoption of technologies and processes that reduce water consumption could lower operating risks and costs for companies and create a competitive advantage. This could minimize the impact of regulations, water supply shortages, and community-related disruptions on company operations.

Accounting Metrics

CN0103-05. Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.25 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.

- Water obtained from a water utility can be assumed to meet the definition of fresh water.[13]

.26 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.27 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.28 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[13] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

CN0103-06. Number of incidents of non-compliance with water quality and/or quantity permits, standards, and regulations

.29 The registrant shall disclose the total number of instances of non-compliance, including violations of technology-based standards and exceedances of quantity- or quality-based standards.

.30 The scope of disclosure includes incidents related to statutory permits and regulations as well as voluntary agreements, standards, and guidelines, such as total maximum daily load (TMDL) and/or groundwater withdrawal exceedances.

.31 Voluntary quality standards include, among others, the registrant's own water quality standards (parameters) or "effluent guidelines" from the International Finance Corporation's (IFC) "Environmental, Health, and Safety Guidelines for Food and Beverage Processing."

- Typical parameters of concern include total nitrogen, total phosphorous, biological oxygen demand (BOD), chemical oxygen demand (COD), total coliform bacteria, oil and grease, total suspended solids (TSS), and pH.

.32 Voluntary quantity standards include, among others, the registrant's own water quantity standards (targets), alignment with the United Nations CEO Water Mandate, and the EPA's WaterSense program.

.33 Other permits, standards, and regulations include, among others, localized mandatory restrictions, voluntary measures, and emergency drought curtailments.

.34 An incident of non-compliance shall be disclosed regardless of whether it resulted in an enforcement action (e.g., fine, warning letter, etc.).

.35 Violations, regardless of their measurement methodology or frequency, shall be disclosed. These include:

- For continuous discharges, limitations, standards, and prohibitions that are generally expressed as maximum daily, weekly average, and monthly averages.

- For non-continuous discharges, limitations that which are generally expressed in terms of frequency, total mass, maximum rate of discharge, and mass or concentrations of specified pollutants.

Food Safety

Description

Food safety, as it relates to quality in production, spoilage, contamination, and allergy labeling, can affect company operations as a result of product recalls, lawsuits, fines, and capital expenditures. The U.S. Food and Drug Administration and European Food Safety Authority maintain oversight of the operations of companies that process food in order to ensure that proper procedures are followed and unsafe food is prevented from being distributed. Additionally, such agencies often oversee product recalls and procedures to remove products form circulation and correct issues when they occur. While many companies have procedures in place to address food quality and safety, issues still occur—a significant number of Americans are exposed to foodborne illness every year. Strong internal food safety protocols and monitoring could help companies avoid recalls, which can tarnish their brand reputation.

Accounting Metrics

CN0103-07. Global Food Safety Initiative (GFSI) audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.36 The registrant shall disclose its conformance with Global Food Safety Initiative (GFSI) recognized food safety schemes based on the number of non-conformances that were identified during audits.

.37 The scope of disclosure includes audit results from facilities that are owned and/or operated by the registrant.

.38 The registrant shall calculate and disclose the major non-conformance rate as: total number of major (and/or critical) non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of non-conformance and require escalation by auditors. Major non-conformances may arise from a significant risk to food safety, non-compliance with relevant regulatory requirements, and failure to adequately address prior minor non-conformances. Major non-conformances must be corrected in accordance with the relevant GFSI scheme under audit.

- For schemes that contain both major and critical non-conformances, critical non-conformances shall be accounted for as major non-conformances.

.39 The registrant shall calculate and disclose the minor non-conformance rate as: total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance is defined by the relevant GFSI scheme and is by itself not indicative of a systemic problem.

.40 The registrant shall calculate and disclose its corrective action rate for major non-conformances as: the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than

30 days from the audit date, to address major non-conformances, divided by the total number of major non-conformances that have been identified.

.41 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as: the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than 365 days from the audit date, to address minor non-conformances, divided by the total number of minor non-conformances that have been identified

.42 A corrective action is defined as an action to eliminate the cause of a detected non-conformity or other undesirable matter, in accordance with the GFSI, and may be further defined by the relevant GFSI scheme under audit.

.43 The scope of schemes includes those recognized by the GFSI, including, at time of publication:

- PrimusGFS Standard V2.1—December 2011
- Global Aquacullture Alliance BAP Seafood Processing Standard
- FSSC 22000—October 2011 Issue
- SQF Code 7th Edition Level 2
- IFS Food Standard Version 6
- BRC Global Standard for Food Safety Issue 6
- Global Red Meat Standard 4th Edition Version 4.1

.44 The registrant should disclose the GFSI-recognized scheme to which its facilities are audited.

CN0103-08. Notice of food safety violations received, percentage corrected

.45 The registrant shall disclose the number of notices received that substantiate a violation of advisory and administrative code(s), statute(s), or other requirement(s).

- Food and Drug Administration's (FDA) notices of violation (NOV) include, but are not limited to, Untitled Letters, Warning Letters, Section 305 Notices (Citations), or Administrative Detention.
- U.S. Department of Agriculture (USDA) notices of violation include, but are not limited to, product withholdings and suspensions, Notice of Warning, and regulatory control actions.
- A listing of USDA NOVs is available here, a database for FDA Warning Letters is available here, Untitled Letters are available here, and a listing of Section 305 Notices and Administrative Detentions can be requested through the Freedom of Information Act here.

.46 The scope of disclosure includes advisory and administrative violations for any food safety-related issue including, but not limited to, those related to facilities' hygienic practices, product allergen labeling, product contamination, food and color additive violations, and other food safety issues covered by the Food Drug and Cosmetic Act, the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act.

.47 The registrant shall calculate the percent of NOVs corrected as the number of NOVs received and corrected divided by the total number of NOVs received.

- An NOV is considered corrected when a company takes corrective action(s) before the regulatory agency initiates an enforcement action.

CN0103-09. Number of recalls issued, total amount of food product recalled

.48 The registrant shall disclose the total number of recalls issued, the scope of which includes recalls initiated by the registrant as well as recalls requested by the FDA, USDA, or equivalent foreign regulatory organization.

- The scope of this disclosure shall include instances of import refusals, a database for which is available here.

.49 The registrant shall disclose the total amount (in metric tons) of products recalled.

.50 A database of FDA-regulated recalls is available here and a listing of USDA-regulated recalls is available here.

.51 The registrant may choose, in addition to the total number of recalls, to disclose the percentage of recalls that were (1) registrant-initiated and (2) requested by a regulatory agency, where:

- Recalls requested by a regulatory agency are those requested by governmental entities (e.g., the FDA or USDA in the U.S. or the China Food and Drug Administration).

- Registrant-initiated recalls are those proactively initiated by a food manufacturer or distributor in order to take foods off the market, prior to any request from a regulatory agency.

Note to CN0103-09

.52 The registrant shall discuss notable recalls such as those that affected a significant amount of product or those related to serious illness or fatality.

.53 A recall should be considered notable if it is mentioned in the FDA's Recalls, Market Withdrawals, & Safety Alerts or the USDA's Current Recalls and Alerts.

.54 For such recalls, the registrant should provide:

- Description and cause of the recall issue

- The total weight of products recalled

- The cost to remedy the issue (in U.S. dollars)

- Whether the recall was voluntary or involuntary

- Corrective actions
- Any other significant outcomes (e.g., legal proceedings, consumer fatalities)

Health & Nutrition

Description

Key nutritional and health concerns among consumers and regulators related to obesity, artificial ingredients, and nutritional value are shaping the Processed Foods industry's competitive landscape. These can affect a company's social license to operate and its ability to provide long-term value to shareholders. Studies have suggested adverse health consequences from consuming large quantities of food with little nutritional value, which can lead to health issues such as higher levels of cholesterol, increased risk of heart disease, and higher levels of obesity. Processed food producers are recognizing the risk of consumers' shifting preferences and increased awareness of the health consequences of products. Together with new regulations or taxes on processed foods such as snack foods, changing consumer demand has the ability to influence industry profitability and remains a risk for industry participants. Addressing shifting diet trends and producing products that address consumers' health and nutritional concerns can create new opportunities in the food industry and long-term value for shareholders.

Accounting Metrics

CN0103-10. Revenue from products labeled and/or marketed to promote health and nutrition attributes

.55 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its products that are labeled and/or marketed to promote health and nutrition attributes, including:

- Products that contain labels and other written, printed, or graphic matter on the article itself or on any containers and wrappers or otherwise accompanying the article, consistent with 21 U.S.C. § 321(m), which promote health and nutrition attributes.

- Products for which the registrant communicates, delivers, and exchanges products that promote health and nutrition attributes, consistent with the American Marketing Association's definition of marketing.

.56 Products are considered to promote health and nutrition attributes when labeling or marketing contains claims that:

- Additives (e.g., artificial sweeteners, colors, preservatives, and industrially produced trans fats) have been eliminated.

- Fat, saturated fat, sodium, and cholesterol are equal to or less than the requirements for the use of the term "healthy" and related terms, prescribed by the FDA's Food Labeling Guide, available here.

- Beneficial nutrients (e.g., vitamins A and C, calcium, iron, protein, and fiber) meet or exceed the requirements for the use of the term "healthy" and related terms, prescribed by the FDA's Food Labeling Guide, available here.

- A relative claim, such as "light," "reduced," or "less" can be made regarding the product's added sugar content, consistent with the FDA's Food Labeling Guide, available here.

Note CN0103-10

.57 The registrant shall discuss the use of other strategies, such as portion control, to address public health concerns.

- Disclosure shall include the products for which such a strategy has been implemented as well as a discussion of the rationale for using portion control.

.58 The registrant shall discuss whether strategies are related to or associated with a health and nutrition initiative or strategy (e.g., WHO Global Strategy on Diet, Physical Activity and Health, Healthy Weight Commitment Foundation, or the Alliance for a healthier Generation), including regional, national, international, or industry-specific programs.

CN0103-11. Revenue from products that meet Smart Snacks in School criteria or foreign equivalent

.59 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its products that meet the Smart Snacks in School criteria or a foreign equivalent.

- The Smart Snacks in School criteria are defined by the Healthy, Hunger-Free Kids Act of 2010, as codified by 7 CFR Section 210.11, available here.

.60 The scope of disclosure shall include all products that meet the general nutrition standards of the Hunger-Free Kids Act of 2010 or foreign equivalent, and is not limited to the revenue derived from the sale of products on school campuses or during the school day.

.61 The registrant shall disclose when foreign equivalents have been used in place of the Smart Snacks in School criteria, where foreign equivalents include, but are not limited to:

- England's Nutritional Standards and Requirements for School Food
- Canada's School Food Guidelines for School Food Providers, Second Edition
- Mexico's General Guidelines for Dispensing and Distribution of Processed Foods and Beverages in the National Education System

CN0103-12. Description of the process to identify and manage products and ingredients of consumer concern

.62 The registrant shall discuss its process to identify and manage products and ingredients of consumer concern, including, but not limited to, artificial colors, flavors, sweeteners, preservatives, and other ingredients or additives as described by the FDA, available here.

- The scope of disclosure shall focus on food ingredients, additives, and novel foods, but should include potential synergistic effects of ingredients or products as relevant.

.63 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, completion of toxicological screens, procedures for receiving and reviewing consumer concerns, labeling of novel food items, and phasing out, substituting, or using alternative materials for ingredients of concern.

.64 The registrant shall discuss any significant complaints, such as those resulting in lawsuits, relating to products of consumer concern and any efforts to mitigate the relating future risks

.65 The registrant may choose to discuss implementation of relevant food ingredient and additive standards, such as those under the CODEX Alimentarius International Food Standards of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO), available here.

Product Labeling & Marketing

Description

Companies in the Processed Foods industry have come under scrutiny for misleading consumers about the contents of processed foods, asserting undue influence on children to consume nutrient-poor foods, and lacking transparency surrounding the use of genetically modified organisms (GMO) in food products. These practices have been linked to externalities including increasing rates of childhood obesity and diabetes. In the U.S. and abroad, these externalities have manifested into numerous lawsuits and public outcry for further regulation. Settlements resulting in significant fines and reputational harm show the importance of registrants being careful and transparent when labeling and marketing their products. Firms that proactively address public and governmental concerns regarding the misleading use of marketing and labeling, promote healthier products to children, and transparently label the GMO content of products will be better positioned in the event of further regulations and/or market shifts in demand, and will benefit from enhanced brand reputation.

Accounting Metrics

CN0103-13. Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria

.66 The registrant shall disclose the total number of advertising impressions made on children, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.
- Children are defined as age 12 and under, consistent with the Children's Food and Beverage Initiative (CFBAI).

.67 The scope includes advertising impressions made through media such as television, radio, print, Internet, interactive games (including advergames), tablets, smartphones, video games, computer games, DVDs, and word of mouth, consistent with the CFBAI.

.68 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made on children, including its method for collecting such data. Where reasonable estimation methods include, but are not limited to:

- Gross rating points and target ratios to determine impressions in television, radio, and print advertising.
- Average visits per month, average page visits per month, and targeted index by age for company-owned websites.
- Total number of ads viewed and child audience share on third-party websites, advergames, tablets, smartphones, video games, and computer games.

.69 The registrant shall disclose the percentage of advertising impressions made on children that promote products which meet the CFBAI's Uniform Nutritional Criteria.

.70 The percentage is calculated as the total number of child advertising impressions promoting products that meet the CFBAI Uniform Nutritional Criteria divided by the total number of child advertising impressions made.

CN0103-14. Percentage of product portfolio labeled as (1) GMO and (2) non-GMO

.71 The registrant shall disclose the percentage (by revenue) of its product portfolio that is labeled as (1) containing Genetically Modified Organism (GMO) and (2) free of GMOs, where:

- GMOs are defined as organisms, with the exception of human beings, in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, consistent with E.U. Directive 2001/18/EC.

.72 The scope of disclosure includes GMOs that are defined by, or subject to, the following:

- E.U. Directive 2001/18/EC;
- Regulation EC 1829/2003;
- Maine HP 0490 LD 718;
- Vermont H. 112 Act 0120;
- Connecticut House Bill 6527; or
- Other U.S. state or federal regulation, as enacted.

.73 The registrant shall calculate the percentage of its product portfolio that is labeled: (1) GMO as the total revenue received from products that are labeled as containing GMOs divided by the total revenue received from products in this portfolio; and (2) non-GMO as the total revenue received from products that are labeled as free of GMOs divided by the total revenue received from products in this portfolio.

CN0103-15. Notices of violations received for non-conformance with regulatory labeling and/or marketing codes

.74 The registrant shall disclose the number of notices received that substantiate a violation of labeling- and/or marketing-related regulatory code(s), statute(s), or other requirement(s).

- A labeling- and/or marketing-related non-conformance, consistent with the United States Fair Packaging and Labeling Act (Title 15, Chapter 39) and the Federal Trade Commission (FTC) Act (Title 15 Chapter 2), includes products with labels that are misbranded or use deceptive acts of advertising.
- Incidences include, but are not limited to, the FDA's Untitled Letters, Warning Letters, or foreign equivalents and the FTC's cease-and-desist orders, civil penalties, corrective advertising remedies, or foreign equivalents.
- A database of Warning Letters is available here, and Untitled Letters are available here.

.75 The scope of disclosure includes non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Food and Drugs Act of 1906 (Title 21, Chapter 1)
- The Federal Food Drug and Cosmetic Act (Title 21, Chapter 9)
- The Fair Packaging and Labeling Act (Title 15, Chapter 39)
- The Federal Trade Commission Act (Title 15, Chapter 2)
- Other U.S. state or federal and foreign regulations, as enacted

.76 The registrant may disclose any other non-conformances with third-party, industry, or internal codes on labeling and/or marketing.

CN0103-16. Amount of legal and regulatory fines and settlements associated with marketing and/or labeling practices

.77 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with marketing and/or labeling practices, such as those related to enforcement of U.S. laws and regulations on nutrient content claims, health claims, other unfair or deceptive claims, and/or misbranded labeling, including violations of the Federal Food and Drugs Act of 1906 and the Nutrition Labeling and Education Act of 1990, among others.

.78 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to CN0103-16

.79 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., nutrient content claims, health claims, misbranded labeling, etc.) of fines and settlements.

.80 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in practices, management, codes, products, or training.

Packaging Lifecycle Management

Description

Packaging represents major business and environmental risks and opportunities for processed food companies throughout various lifecycle stages including material design, transportation, and disposal. Environmental benefits can include reducing the resources needed for packaging materials, reducing GHG emissions in transportation, and reducing the amount of solid waste consumers send to landfills. Containers and packaging waste contributes significantly to annual amounts of waste in the U.S. and globally. While many processed food companies do not manufacture their own containers and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. Processed foods companies can influence the design of their packaging, which can help reduce their environmental footprint. The sustainability performance of packaging depends largely on the type, use, and ultimate disposal of materials, however, companies that effectively manage the sustainability characteristics and weight of their product packaging are likely to be better positioned to capture market shifting consumer demand, and avoid regulation, while also potentially reducing input and transportation costs.

Accounting Metrics

CN0103-17. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.81 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.

.82 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.

- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.83 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.84 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable

based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.

.85 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- "Recyclable" is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.

- "Reusable" is defined as a durable packaging product that is able to be reused multiple times for the original purpose for which it was conceived.

- For the purposes of this disclosure, reusable shall be considered recyclable.

- "Compostable" is defined as the ability of a material to undergo degradation by biological processes to yield CO_2, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials, and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.86 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

N0103-18. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.87 The registrant shall discuss its strategies to reduce the environmental impact of packaging throughout its lifecycle, such as reducing packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.88 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.

- Performance on the Sustainable Packaging Coalition's Material Use metrics, such as Material Use to Packaged Product Yield or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.

- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

.89 The registrant may choose to discuss Lifecycle Assessments (LCA) analysis of its packaging in the context of its management approach to maximizing product efficiency, including weight reduction, transportation efficiency, and reduced toxicity. The efficiency and health of product packaging should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Additional References

EPA Waste Hierarchy

Summary of the EPA Municipal Solid Waste Program

Environmental & Social Impacts of Ingredient Supply Chains

Description

Concerns over climate change, water scarcity, land use, impacts on biodiversity, and labor conditions in supply chains are shaping the competitive landscape of the Processed Foods industry. Companies in this industry utilize significant amounts of agricultural inputs that are susceptible to shifts in weather patterns, and many are produced in areas affected by drought. At the same time, agricultural products with negative environmental externalities can affect crop yields and the ecosystem on which agriculture production depends. Processed food companies are exposed to risks of supply chain disruptions, input price increases, regulatory compliance costs, and reputational damage associated with environmental and social externalities from raw material sourcing. Climate change, water scarcity, environmental degradation, and land-use restrictions present risks to a company's long-term ability to source key materials and ingredients. At the same time, companies are continually competing on ethical sourcing practices and certifications for their products in order to improve and maintain brand reputation. Responsible sourcing practices have the potential to offer companies opportunities to capture growing demand from socially conscious consumers while also ensuring a steady supply of inputs. Companies can proactively address risks by engaging with key suppliers to implement environmentally and socially sustainable agricultural and animal-farming practices in order to generate a more resilient supply of key ingredients.

Accounting Metrics

CN0103-19. Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress

.90 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of food ingredients sourced from regions with High or Extremely High Baseline Water Stress.

.91 The scope of food ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale.

.92 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of food ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of food ingredients sourced.

.93 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

.94 For the registrant's sources that are unknown and cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0103-20. Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards

.95 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of food ingredients sourced that have been certified to third-party environmental and/or social standards, where:

- Environmental standards include, but are not limited to, protection of primary forests, maintenance of surface- and ground-water quality, and implementation of integrated pest management solutions or an Organic System Plan.
- Social Standards include, but are not limited to, fair compensation of employees, training of agrochemical applicators, continual monitoring of health and safety risks associated with applications of agrochemicals, and absence of harmful child-labor practices.
- Standards that include both social and environmental criteria contain measures that incorporate both social and environmental requirements, as mentioned above.

.96 The percentage shall be calculated as the COGS that are certified to a third-party environmental and/or social standard, divided by the total COGS.

.97 The scope of disclosure includes third-party certifications that are based on either environmental or social best practices or both.

.98 The scope of food ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale. Where environmental and/or social certifications include, but are not limited to:

- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Responsible Soy (RTRS)
- Rainforest Alliance
- Fair Trade USA
- Fair Trade International
- UTZ Certified
- Bon Sucro
- USDA Organic
- SA8000

.99 The registrant should indicate to which standards its food supply is certified.

CN0103-21. Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.100 The registrant shall disclose its suppliers' compliance with external social and environmental audit standards or internally developed supplier code(s) of conduct, based on the number of non-conformances identified.

- The registrant may limit its disclosure to those suppliers that, in aggregate, account for greater than, or equal to, 80 percent of its supplier sourcing that is directly related to manufacturing.

.101 The registrant shall calculate and disclose the major non-conformance rate as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of nonconformance and require escalation by auditors. Priority non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate harm to the community. Major non-conformance includes material breach or systemic breaking of code requirement or law. Issues representing an immediate danger must be corrected as soon as practical, but not longer than 90 days after discovery.
- In equivalent codes of conduct, major non-conformances may also be referred to as "zero tolerance" issues, "critical non-conformance," or "core violations."

.102 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance by itself doesn't indicate a systemic problem with the management system. It is typically an isolated or random incident and represents a low risk to workers and the environment.

.103 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed within 90 days to address major non-conformances divided by the total number of priority non-conformances that have been identified.

.104 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed within 90 days to address minor non-conformances divided by the total number of minor non-conformances that have been identified.

.105 A corrective action is defined as the implementation of practices or systems to eliminate any non-conformance and ensure there will be no reoccurrence of the non-conformance, and verification that the corrective action has taken place.

.106 The registrant shall disclose the standards to which it has measured social and environmental responsibility audit compliance.

- For internally developed supplier code(s) of conduct, the registrant shall disclose the public location where such code(s) can be viewed.

CN0103-22. List of priority food ingredients and discussion of sourcing risks due to environmental and social considerations

.107 The registrant shall identify any food ingredients that are a priority to the registrant's business.

- Priority food ingredients are defined as those which are essential to the registrant's principal products, where principal products are those that accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

.108 The registrant shall discuss its strategic approach to managing its environmental and social risks that arise from its priority food ingredients, where:

- The scope of disclosure should focus on food ingredients that are sourced from directly contracted growers, or through producer supply agreements, or are procured through other means.

.109 The registrant should identify which food ingredients present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.

.110 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.111 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

NON-ALCOHOLIC BEVERAGES
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0201
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

NON-ALCOHOLIC BEVERAGES

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Non-Alcoholic Beverages industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Non-Alcoholic Beverages industry produces a broad range of beverage products, including various carbonated soft drinks, syrup concentrates, juices, energy and sport drinks, teas, coffee, and water products. Industry participants partake in syrup manufacturing, marketing, bottling operations, and distribution, with larger companies typically being more vertically integrated into finished-product operations that bottle, sell, and distribute the finished products. The industry currently faces challenges with addressing the health and nutritional benefits of its products. Additionally, the purchase of raw ingredients such as water and sugar is among the industry's largest expenses and creates supply challenges in areas considered to be water-stressed and/or exposed to shifting weather patterns associated with climate change.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Non-Alcoholic Beverages industry, SASB has identified the following sustainability topics:

- Energy Management & Fleet Fuel Consumption
- Water Management
- Health & Nutrition
- Product Labeling & Marketing
- Packaging Lifecycle Management
- Environmental & Social Impacts of Ingredient Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Non-Alcoholic Beverages industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Volume of products sold	Quantitative	Millions of liters	CN0201-A
Total fleet road miles traveled	Quantitative	Miles	CN0201-B
Amount of raw materials sourced externally[6]	Quantitative	U.S. Dollars ($)	CN0201-C

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

[6] Note to **CN0201-C**—The amount of raw materials sourced externally shall be calculated on a cost of goods sold (COGS) basis.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management & Fleet Fuel Consumption	Operational energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0201-01
	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0201-02
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3) Percentage (%)	CN0201-03
	Description of strategy or plans to manage water consumption and disposal-related risks	Discussion and Analysis	n/a	CN0201-04
Health & Nutrition	Revenue from (1) zero-calorie, (2) low-calorie, (3) no-added-sugar, and (4) artificially sweetened beverages[7]	Quantitative	U.S. Dollars ($)	CN0201-05
	Description of the process to identify and manage products and ingredients of consumer concern	Discussion and Analysis	n/a	CN0201-06
Product Labeling & Marketing	Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria	Quantitative	Number, Percentage (%)	CN0201-07
	Percentage of product portfolio labeled as (1) GMO and (2) non-GMO	Quantitative	Percentage (%) by revenue	CN0201-08
	Notices of violations received for non-conformance with regulatory labeling and/or marketing codes	Quantitative	Number, Percentage (%)	CN0201-09
	Amount of legal and regulatory fines and settlements associated with labeling and/or marketing practices[8]	Quantitative	U.S. Dollars ($)	CN0201-10

[7] Note to **CN0201-05**—Disclosure shall include a description of other strategies, such as portion control, to address public health concerns.

[8] Note to **CN0201-10**— Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Packaging Lifecycle Management	Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable	Quantitative	Metric tons (t)	CN0201-11
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	CN0201-12
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0201-13
	Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0201-14
	List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0201-15

Energy Management & Fleet Fuel Consumption

Description

As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of tightening environmental regulations borne by utilities. With non-alcoholic beverage manufacturing plants located in multiple regions, the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities. Companies in the industry operate large beverage-production facilities and manage large fleets of vehicles. As a result, they are highly reliant on energy and fuel as a primary input for value creation in manufacturing and for use in the distribution of finished products to consumers. Beverage manufacturers may be able to reduce their risks from volatile fossil fuel energy costs by diversifying their energy portfolio across a range of sources and improving energy efficiency and vehicle fuel consumption.

Accounting Metrics

CN0201-01. Operational energy consumed, percentage grid electricity, percentage renewable

.01 The registrant shall disclose energy consumption from all sources, except fleet vehicles, as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.02 In calculating energy consumption from fuels and biofuels, the registrant 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).

.03 The registrant shall disclose purchased grid electricity consumption as a percentage of its energy consumption.

.04 The registrant shall disclose renewable energy consumption as a percentage of its energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
    - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold)

and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[9]

.05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

  Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

  Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.06 The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

CN0201-02. Fleet fuel consumed, percentage renewable

.07 The registrant shall disclose total fuel consumption by fleet vehicles as an aggregate figure in gigajoules or their multiples.

- The scope includes fuel consumed by vehicles owned or operated by the registrant.

.08 Fuel consumption shall be based on actual fuel consumed (i.e., not based on design parameters).

.09 Acceptable methods for calculating fuel consumption include adding fuel purchases made during the year to beginning inventory at the start of the year, less any fuel inventory at the end of the year, or tracking fuel consumption by vehicle or through expense reports.

.10 The registrant shall disclose renewable fuel consumption as a percentage of its total fuel consumption.

- Renewable fuel is defined, consistent with U.S. EPA's Renewable Fuel Standard (40 CFR Section 80.1401), as a fuel which meets the following requirements:

[9] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

- Fuel that is produced from renewable biomass.
- Fuel that is used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel.
- Fuel that has lifecycle greenhouse gas (GHG) emissions that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to § 80.1403.

.11 In calculating energy consumption from fuels and biofuels, the registrant 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).

.12 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

Water Management

Description

Water management, as it relates to the quantity of water used, its use in water-scarce regions, and disposal or treatment of wastewater in direct operations, is a growing concern for companies in the Non-Alcoholic Beverage industry. Water is the main ingredient in the majority of the industry's products, as industry participants utilize a large amount of water in operations to combine carbonated and non-carbonated water with raw ingredients to create finished beverage products. Due to their heavy reliance on access to water, non-alcoholic beverage companies may be exposed to disruptions that could materially impact operations and add to costs. Companies that operate globally in water-stressed regions that fail to address local water concerns may face further risks of losing their social license to operate. Additionally, proper wastewater treatment is an important dynamic for managing water issues in operations, since bottling plants release large quantities of effluents. Management of water scarcity in the company's supply chain is covered separately under the issue Environmental & Social Impacts of Supply Chains.

Accounting Metrics

CN0201-03. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.13 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.

- Water obtained from a water utility can be assumed to meet the definition of fresh water.[10]

.14 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.15 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.16 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[10] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

CN0201-04. Description of strategy or plans to manage water consumption and disposal-related risks

.17 The registrant shall discuss risks associated with its consumption of water and/or the disposal of wastewater and efforts to mitigate or address these risks.

.18 The registrant shall discuss the scope of its strategies, plans, and/or reduction activities, such as whether they pertain differently to different business units, geographies, or water sources.

.19 The registrant shall discuss the activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

.20 The registrant shall discuss the use of technologies that help production and bottling plant operators reduce water consumption, increase water recycling, and/or reduce water impact in other ways.

.21 The registrant shall discuss its short-term and long-term plans to address water consumption and disposal, where:

- Short-term strategies may include adopting best practices in water recycling or water efficiency initiatives.
- Long-term strategies may include process redesigns or technological innovations that reduce withdrawal of fresh water in constrained regions, increase water-use efficiency, provide new water-treatment or recycling systems, etc.

.22 For water-use efficiency targets, the registrant shall disclose:

- The percentage of water use within the scope of the reduction plan;
- The percentage change from the base year;
    - The base year is the first year against which water-use efficiency is evaluated toward the achievement of the target
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year.

Health & Nutrition

Description

The Health & Nutrition issue relates to key nutritional and health concerns such as obesity, ingredient safety, nutritional content, and acute health impacts resulting from the consumption of non-alcoholic beverages. Health and nutritional issues are constantly evolving and shaping much of the non-alcoholic beverage industry's competitive landscape. Beverage manufacturers are recognizing the risk of consumers' shifting preferences and their increased awareness of product health consequences. Efforts to reduce obesity, in the form of new regulations or taxes on sugar-sweetened beverages, have the ability to influence industry profitability and future demand. Studies have suggested adverse health consequences of consuming sugar-sweetened beverages, such as higher levels of cholesterol, increased risk for heart disease, and higher levels of obesity. These studies may induce new perceptions of the industry's products that lead to long-term shifts in consumer purchasing decisions. Opportunities exist in new segments of the beverage market that address consumers' demand for improved nutritional value. Additionally, the safety of beverages remains an issue for the industry as consumer perceptions of ingredients and quality shift, and adverse health effects may lead to lawsuits for beverage manufacturers. Safety concerns related to the use of any artificial ingredients, including acute health impacts such as heart attacks, will become increasingly material.

Accounting Metrics

CN0201-05. Revenue from (1) zero-calorie, (2) low-calorie, (3) no-added-sugar, and (4) artificially sweetened beverages

.23 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its (1) zero-calorie (2) low-calorie (3) no-sugar-added (4) artificially sweetened beverage products, where:

- Zero-calorie beverages are defined as those containing less than five calories per reference amount customarily consumed and per labeled serving, per 21 CFR Section 101.60.
- Low-calorie beverages are defined as those containing less than 40 calories per reference amount customarily consumed and per labeled serving, per 21 CFR Section 101.60.
- Beverages with no added sugars are defined as those where no amount of sugars or any other ingredient that contains sugars and that functionally substitutes for added sugars is added during processing or packaging, per 21 CFR Section 101.60. For purpose of this disclosure, artificially sweetened beverages are not to be considered beverages with no added sugars.
- Artificially sweetened beverages are those that contain chemically processed substances that are used in place of sweeteners with sugar or sugar alcohol, consistent with the U.S. National Library of Medicine's definition.

.24 The registrant shall disclose revenues that are accounted for under more than one of the above beverage categories.

Note CN0201-05

.25 The registrant shall discuss the use of other strategies, such as portion control, to address public health concerns associated with added sugars and calorie content of products.

.26 Disclosure shall include the products for which such a strategy has been implemented as well as a discussion of the rationale for the applicability of the strategy.

.27 The registrant shall discuss whether strategies are related to or associated with a health and nutrition initiative or strategy (e.g., WHO Global Strategy on Diet, Physical Activity and Health, Healthy Weight Commitment Foundation, or the Alliance for a Healthier Generation), including regional, national, international, or industry-specific programs.

CN0201-06. Description of the process to identify and manage products and ingredients of consumer concern

.28 The registrant shall discuss its process to identify and manage products and ingredients of consumer concern, including, but not limited to, artificial colors, flavors, sweeteners, preservatives, and other ingredients or additives as described by the FDA, available here.

- The scope of disclosure shall focus on beverage ingredients, additives, and novel beverages but should include potential synergistic effects of ingredients or products as relevant.

.29 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, completion of toxicological screens, procedures for receiving and reviewing consumer concerns, labeling of novel beverages, and phasing out, substituting, or using alternative materials for ingredients of concern.

.30 The registrant shall discuss any significant complaints, such as those resulting in lawsuits, relating to products of consumer concern and any efforts to mitigate the related future risks.

.31 The registrant may choose to discuss implementation of relevant beverage ingredient and additive standards, such as those under the CODEX Alimentarius International Food Standards of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO), available here.

Product Labeling & Marketing

Description

Companies in the Non-Alcoholic Beverage industry routinely make claims related to health benefits of consuming products, which may be misleading and untruthful. This results in litigation that can be materially harmful to operations and company reputations. In the U.S., the Federal Trade Commission (FTC) and the FDA oversee the truthfulness of advertising in the Non-Alcoholic Beverage industry, which includes holding advertisers accountable. Additionally, new laws and regulations surrounding the use and labeling of genetically modified organisms (GMO) may play an increasing role in customer purchasing decisions, as many of the ingredients in non-alcoholic beverages are genetically modified. Companies in the industry are also subject to criticism and regulation surrounding marketing to children, especially in the U.S., where childhood obesity is rapidly increasing. New initiatives have been launched by industry participants to voluntarily monitor and control advertising toward children, which is changing industry marketing dynamics.

Accounting Metrics

CN0201-07. Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria

.32 The registrant shall disclose the total number of advertising impressions made on children, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.
- Children are defined as age 12 and under, consistent with the CFBAI.

.33 The scope includes advertising impressions made through media such as television, radio, print, Internet, interactive games (including advergames), tablets, smartphones, video games, computer games, DVDs, and word of mouth, consistent with the CFBAI.

.34 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made on children, including its method for collecting such data. Where reasonable estimation methods include, but are not limited to:

- Gross rating points and target ratios to determine impressions in television, radio, and print advertising.
- Average visits per month, average page visits per month, and targeted index by age for company-owned websites.
- Total number of ads viewed and child audience share on third-party websites, advergames, tablets, smartphones, video games, and computer games.

.35 The registrant shall disclose the percentage of advertising impressions made on children that promote products which meet the CFBAI's Uniform Nutritional Criteria.

.36 The percentage is calculated as the total number of child advertising impressions promoting products that meet the CFBAI Uniform Nutritional Criteria divided by the total number of child advertising impressions made.

CN0201-08. Percentage of product portfolio labeled as (1) GMO and (2) non-GMO

.37 The registrant shall disclose the percentage (by revenue) of its product portfolio that is labeled as (1) containing Genetically Modified Organism (GMO) and (2) free of GMOs, where:

- GMOs are defined as organisms, with the exception of human beings, in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, consistent with E.U. Directive 2001/18/EC.

.38 The scope of disclosure includes GMOs that are defined by, or subject to, the following:

- E.U. Directive 2001/18/EC;
- Regulation EC 1829/2003;
- Maine HP 0490 LD 718;
- Vermont H. 112 Act 0120;
- Connecticut House Bill 6527; or
- Other U.S. state or federal regulation, as enacted.

.39 The registrant shall calculate the percentage of its product portfolio that is labeled: (1) GMO as the total revenue received from products that are labeled as containing GMOs divided by the total revenue received from products in this portfolio; and (2) non-GMO as the total revenue received from products that are labeled as free of GMOs divided by the total revenue received from products in this portfolio.

CN0201-09. Notices of violations received for non-conformance with regulatory labeling and/or marketing codes

.40 The registrant shall disclose the number of notices received that substantiate a violation of labeling- and/or marketing-related regulatory code(s), statute(s), or other requirement(s).

- A labeling- and/or marketing-related non-conformance, consistent with the United States Fair Packaging and Labeling Act (Title 15, Chapter 39) and the FTC Act (Title 15 Chapter 2), includes products with labels that are misbranded or use deceptive acts of advertising.
- Incidences include, but are not limited, to the FDA's Untitled Letters, Warning Letters, or foreign equivalents and the FTC's cease-and-desist orders, civil penalties, corrective advertising remedies, or foreign equivalents.
- A database of Warning Letters is available here, and Untitled Letters are available here.

.41 The scope of disclosure includes non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Food and Drugs Act of 1906 (Title 21, Chapter 1)
- The Federal Food Drug and Cosmetic Act (Title 21, Chapter 9)
- The Fair Packaging and Labeling Act (Title 15, Chapter 39)
- The Federal Trade Commission Act (Title 15, Chapter 2)
- Other U.S. state or federal and foreign regulations, as enacted

.42 The registrant may disclose any other non-conformances with third-party, industry, or internal codes on labeling and/or marketing.

CN0201-10. Amount of legal and regulatory fines and settlements associated with labeling and/or marketing practices

.43 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labeling and/or marketing practices, such as those related to enforcement of U.S. laws and regulations on nutrient content claims, health claims, other unfair or deceptive claims, and/or misbranded labeling, including violations of the Federal Food and Drugs Act of 1906 and the Nutrition Labeling and Education Act of 1990, among others.

.44 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to CN0201-10

.45 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., nutrient content claims, health claims, misbranded labeling, etc.) of fines and settlements.

.46 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in practices, management, codes, products, or training.

Packaging Lifecycle Management

Description

Packaging lifecycle impacts presents major risks and opportunities for non-alcoholic beverage companies, from materials design to transportation and disposal stages of beverage containers and packaging. Each packaging lifecycle stage presents its own unique environmental challenges and opportunities that beverage manufactures should consider when purchasing or researching new materials. Containers and packaging account for a significant amount of waste in the U.S. every year. While the majority of non-alcoholic beverage manufacturers do not manufacture their own bottles and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. They are also directly affected by any legislation around end-of-life management of beverage containers, particularly with extended producer responsibility laws. Beverage companies can work with packaging manufacturers to improve the environmental characteristics of their products, which can result in better brand reputations and cost savings for beverage producers.

Accounting Metrics

CN0201-11. Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable

.47 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.

.48 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.

- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.49 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.50 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable

based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.

.51 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- "Recyclable" is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.

- "Reusable" is defined as a durable packaging product that is able to be used multiple times for the original purpose for which it was conceived.

- For the purposes of this disclosure, reusable shall be considered recyclable.

- "Compostable" is defined as the ability of a material to undergo degradation by biological processes to yield CO_2, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.52 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

CN0201-12. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.53 The registrant shall discuss its strategies to reduce the environmental impact of packaging throughout its lifecycle, such as reducing packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.54 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.

- Performance on the Sustainable Packaging Coalition's Material Use metrics, such as Material Use to Packaged Product Yield or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.

- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

.55 The registrant may choose to discuss Lifecycle Assessments (LCA) analysis of its packaging in the context of its management approach to maximizing product efficiency, including weight reduction, transportation efficiency, and reduced toxicity. The efficiency and health of product packaging should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Notes

Definitions

Additional References

EPA Waste Hierarchy

Summary of the EPA Municipal Solid Waste Program

Environmental & Social Impacts of Ingredient Supply Chains

Description

The ecological and social impacts that occur within supply chains is an increasingly important issue for non-alcoholic beverage companies, as concerns over climate change, water scarcity in the agriculture supply chain, and environmentally and socially responsible sourcing are shaping the industry's competitive landscape. Companies in the Non-Alcoholic Beverage industry use many ingredients that are highly susceptible to price volatility, largely due to shifting weather patterns, droughts, and crop disease. These ingredients include coffee beans, corn, sugarcane, oranges, and other fruits. Crop exposure to external forces can lead to high degrees of cost inflation for beverage ingredients, which can undermine company profitability. Additionally, supply chain disruptions resulting from environmental and social considerations, such as supply shortages or labor violations, present further risk to a company's long-term ability to source key materials and ingredients. Companies that recognize these risks and engage with key suppliers will build more resilient supply chains.

Accounting Metrics

CN0201-13. Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress

.56 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress.

.57 The scope of beverage ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale.

.58 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of beverage ingredients sourced.

.59 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

.60 For the registrant's sources that cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0201-14. Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.61 The registrant shall disclose its suppliers' compliance with external social and environmental audit standards or internally developed supplier code(s) of conduct, based on the number of non-conformances identified.

- The registrant may limit its disclosure to those suppliers that, in aggregate, account for greater than, or equal to, 80 percent of its supplier sourcing that is directly related to manufacturing.

.62 The registrant shall calculate and disclose the major non-conformance rate as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of nonconformance and require escalation by auditors. Priority non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate harm to the community. Major non-conformance includes material breach or systemic breaking of code requirement or law. Issues representing an immediate danger must be corrected as soon as practical, but not longer than 90 days after discovery.
- In equivalent codes of conduct, major non-conformances may also be referred to as "zero tolerance" issues, "critical non-conformance," or "core violations."

.63 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance by itself doesn't indicate a systemic problem with the management system. It is typically an isolated or random incident and represents a low risk to workers and the environment.

.64 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed within 60 days to address major non-conformances divided by the total number of priority non-conformances that have been identified.

.65 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed within 90 days to address minor non-conformances divided by the total number of minor non-conformances that have been identified.

.66 A corrective action is defined as the implementation of practices or systems to eliminate any non-conformance and ensure there will be no reoccurrence of the non-conformance, and verification that the corrective action has taken place.

.67 The registrant shall disclose the standards to which it has measured social and environmental responsibility audit compliance.

- For internally developed supplier code(s) of conduct, the registrant shall disclose the public location where such code(s) can be viewed.

CN0201-15. List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations

.68 The registrant shall identify any beverage ingredients that are a priority to the registrants business.

- Priority beverage ingredients are defined as those which are essential to the registrant's principal products, where principal products are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

.69 The registrant shall discuss its strategic approach to managing its environmental and social risks that arise from its priority beverage ingredients, where:

- The scope of disclosure should focus on beverage ingredients that are sourced from directly contracted growers or through producer supply agreements, or that are procured through other means.

.70 The registrant should identify which beverage ingredients present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.

.71 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.72 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

ALCOHOLIC BEVERAGES
Sustainability Accounting Standard

DRAFT

Sustainable Industry Classification System™ (SICS™) #CN0202
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

ALCOHOLIC BEVERAGES

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Alcoholic Beverages industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Alcoholic Beverages industry includes companies involved with brewing, distilling, distributing, and manufacturing various alcoholic beverages, including beer, wine, and liquor. The largest companies in the industry have global operations, many of which are companies headquartered outside the U.S. Many state laws bar companies from vertically integrating into distribution and retailing of alcoholic beverages, forcing the industry to maintain a three-tier system between producers, wholesale distributors, and retailers. Companies operating abroad in Europe do not face similar three-tier systems and are allowed to vertically integrate.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Alcoholic Beverages industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management
- Water Management
- Responsible Drinking & Marketing
- Packaging Lifecycle Management
- Environmental & Social Impacts of Ingredient Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

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[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Alcoholic Beverages industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

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[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Volume of products sold	Quantitative	Millions of liters	CN0202-A
Total fleet road miles travelled	Quantitative	Miles	CN0202-B
Amount of raw materials sourced externally[6]	Quantitative	U.S. Dollars ($)	CN0202-C

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

[6] Note to **CN0202-C**—The amount of raw materials sourced externally should be calculated on a cost of goods sold (COGS) basis.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons CO2-e	CN0202-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets	Discussion & Analysis	n/a	CN0202-02
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0202-03
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0202-04
Responsible Drinking & Marketing	Number of advertising impressions made, percentage of impressions above the legal drinking age	Quantitative	Number, Percentage (%)	CN0202-05
	Notices of violations received for non-conformance with industry and regulatory marketing and/or labeling codes	Quantitative	Number, Percentage (%)	CN0202-06
	Amount of legal and regulatory fines and settlements associated with marketing and/or labeling[7]	Quantitative	U.S. Dollars ($)	CN0202-07
	Description of efforts to promote responsible consumption of alcohol	Discussion & Analysis	n/a	CN0202-08
Packaging Lifecycle Management	Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable	Quantitative	Metric tons (t)	CN0202-09
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0202-10
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0202-11
	List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0202-12

[7] Note to **CN0202-07—**Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Greenhouse Gas Emissions

Description

The Alcoholic Beverages industry generates significant direct emissions of Scope 1 greenhouse gases (GHG) as a result of cogenerating its own energy from fossil fuel sources. These emissions contribute directly to climate change which exposes industry participants to regulatory risks from current and future climate change mitigation policies such as cap-and-trade. By focusing on energy efficiency and clean energy, companies can mitigate their exposure to regulatory risks and volatile fuel costs, thus limiting their contribution to GHG emissions.

Accounting Metrics

CN0202-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO_2-e), calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report (1995).

- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.

- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March 2004 (hereafter, the "GHG Protocol").

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[8]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB *Climate Change Reporting Framework* (CCRF).[9]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

CN0202-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets

.08 The registrant shall discuss the following, where relevant:

- The scope, such as whether strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

- Whether strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

- The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

[8] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.
[9] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) for consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

.09 For emission-reduction targets, the registrant shall disclose:

- The percentage of emissions within the scope of the reduction plan;
- The percentage reduction from the base year;
    - The base year is the first year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been, or may be, recalculated retrospectively or where the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions."[10]
- CDP questionnaire CC3, "Targets and Initiatives."

.12 Relevant initiatives to discuss may include, but are not limited to, fuel optimization efforts such as route and load optimization. Truck-related efforts include adoption of technology such as engine and powertrain efficiency and aerodynamic improvements, weight reduction, improved tire rolling resistance, hybridization, and automatic engine shutdown.

[10] 4.12, "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

Energy Management

Description

As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of increasing regulation on utilities. Energy management, understood as the way in which a company manages its overall purchased energy usage, reliance on different types of energy, and ability to access alternative sources of energy, is becoming increasingly material for this industry. Alcoholic beverage companies are reliant on energy as a primary input for value creation, particularly in processing and bottling operations. With alcoholic beverage manufacturing plants located in multiple regions, the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities. Efficient energy usage is essential for competitive advantage in this industry.

Accounting Metrics

CN0202-03. Total energy consumed, percentage grid electricity, percentage renewable

.13 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.14 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), and 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).

.15 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.16 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.

- For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[11]

.17 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

    - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

- Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

- The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

[11] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

Water Management

Description

Water management, as it relates to a company's direct water usage, the exposure of its operations to water-scarce regions, and its treatment of wastewater in direct operations, is a growing area of concern for companies in the Alcoholic Beverages industry. Companies in this industry utilize a large amount of water in operations, as they combine carbonated or non-carbonated water with raw ingredients to create finished alcoholic products. As a result of their heavy reliance on access to a large volume of clean water, alcoholic beverage companies may be exposed to disruptions that could materially impact operations and add to costs. Companies operating in water-stressed regions that fail to address local water concerns may face further risks of losing their social license. Additionally, proper wastewater treatment is an important dynamic for managing water issues in operations, since bottling plants release large quantities of effluents. Management of water scarcity in the company's supply chain is covered separately under the issue of Environmental and Social Impacts of Supply Chains.

Accounting Metrics

CN0202-04. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.18 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.
- Water obtained from a water utility can be assumed to meet the definition of fresh water.[12]

.19 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.20 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.21 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[12] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

Responsible Drinking & Marketing

Description

The consumption of alcoholic beverages, if not done responsibly, can lead to negative social externalities, such as drunk driving, addiction, public health issues, underage drinking, and even death. Irresponsible alcohol consumption contributes to millions of deaths worldwide every year, a large portion of which includes underage youth and young adults. The harmful use of alcohol is a growing area of concern, particularly in developing countries where there is a lack of established laws to protect against alcohol's detrimental effects. Many companies and organizations are recognizing these risks to society as well as the company's operations if the harmful use of alcohol is not addressed. Alcoholic beverage companies may bear the costs of these social externalities through taxes, lawsuits, or reputational harm that can have a material impact on operations and financial results. Failing to properly manage social externalities may lead to further detrimental regulation and reduce the industry's social license to operate. Industry participants can partake in responsible drinking initiatives that address and improve many of the social externalities associated with alcohol misuse through education, engagement, community partnerships, and responsible marketing, particularly to underage citizens.

Accounting Metrics

CN0202-05. Number of advertising impressions made, percentage of impressions above the legal drinking age

.22 The registrant shall disclose the total number of advertising impressions made, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.

.23 The scope includes advertising impressions made through media, including print, electronic, broadcast, and digital media, consistent with the Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking (Commitments).

.24 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made, including its method for collecting such data. Where reasonable estimation methods include, but are not limited to:

- Gross rating points and target ratios to determine impressions on print and broadcast media.
- Total number of ads viewed and audience demographics for electronic and digital media.
- Expected audience size, audience demographics, and recall measures for embedded advertisements may be appropriate across media.

.25 The registrant shall disclose the percentage of advertising impressions that were made on audiences above the legal drinking age, where:

- In countries where no legal minimum age for consumption of alcohol exists, the "age of majority" shall be used to determine impressions made above the legal drinking age, consistent with the

International Center for Alcohol Policies Industry Views on Beverage Alcohol Advertising and Marketing, with Special Reference to Young People, available here.

.26 The percentage is calculated as the total number of advertising impressions made on those above the legal drinking age divided by the total number of advertising impressions made.

CN0202-06. Notices of violations received for non-conformance with industry and regulatory marketing and/or labeling codes

.27 The registrant shall disclose the number of notices received that substantiate a violation of labeling, marketing industry, and/or regulatory code(s), statute(s), or other requirement(s).

- A marketing and/or labeling-related non-conformance, consistent with the United States Federal Alcohol Administration Act (Title 27, Chapter 8) and the Alcoholic Beverage Labeling Act (Title 27, Chapter 8), includes product labels that are misbranded, lack appropriate government warnings, disparage competitors, and use deceptive or otherwise misleading acts.
- Non-conformance with industry codes includes complaints relating to the placement and content of product labeling and marketing that are found to be in violation of industry codes upon third-party review.
- Incidences include, but are not limited to, injunction, detainment of products(s), and civil penalties levied by the Alcohol Tobacco Tax and Trade Bureau (TTB) or foreign equivalents, and complaints upheld by third-party industry advertising standards bodies.

.28 The scope of disclosure includes notices of violations received due to non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Alcohol Administration Act (Title 27, Chapter 8)
- The Alcoholic Beverage Labeling Act (Title 27, Chapter 8)
- The Advertising Standards Authority (a database of rulings is available here).
- The Distilled Spirits Council of the United States (a listing of rulings is available here).
- The Alcohol Beverage Advertising Code (a database of rulings is available here).
- The Portman Group (a listing of rulings is available here).

.29 The registrant may disclose any other non-conformances with internal code(s) of practice on marketing and/or labeling.

CN0202-07. Amount of legal and regulatory fines and settlements associated with marketing and/or labeling practices

.30 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with marketing and/or labeling practices, such as those related to enforcement of U.S. laws and regulations on nutrient content claims, health claims, other unfair or deceptive claims, and/or misbranded labeling including violations of the United States Federal Alcohol Administration Act (Title 27, Chapter 8) and the Alcoholic Beverage Labeling Act (Title 27, Chapter 8), among others.

.31 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to CN0202-07.

.32 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., nutrient content claims, health claims, misbranded labeling, etc.) of fines and settlements.

.33 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in practices, management, codes, products, or training.

CN202-08. Description of efforts to promote responsible consumption of alcohol

.34 The registrant shall discuss the following, where relevant:

- Targets for engagement of the population through responsible drinking programs and analysis of performance against those targets;
- The scope, such as whether strategies, plans, and/or engagement targets pertain differently to different business units, geographies, or beverage products;
- Whether strategies, plans, and/or engagement targets are related to or associated with a code, strategy, or commitment (e.g., The WHO Global Strategy to Reduce the Harmful Use of Alcohol or the Beer, Wine and Spirits Producers' Commitments) as promulgated by an industry, non-governmental, governmental, or intergovernmental organization.
- The activities and investments required to achieve the plans, and any risks or limiting factors that might affect achievement of the plans and/or targets.

.35 For engagement through responsible drinking program(s) targets, the registrant shall disclose:

- The markets within the scope of the engagement plan(s);
- The types of responsible drinking programs used;

- The subject matter of responsible drinking program(s), where appropriate programs include, but are not limited to, reduction of underage drinking, drinking and driving, and binge drinking or over-consumption; and

- The timelines for the engagement program(s), including the start year and the target year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year.

.36 For purpose of this disclosure, engagement shall be defined as being established through direct face-to-face contact, remote learning, and other forums that allow for a dialogue between the registrant and those engaged, consistent with KPI 2c from the Beer, Wine and Spirits Producers' Commitments.

.37 Relevant programs to discuss may include, but are not limited to, education of parents, youth, and retailers on the effects and repercussions of underage drinking; efforts to educate consumers and retailers about the consequences of drinking and driving and engage them in measures to halt such behaviors; and programs that inform consumers and other relevant parties about the health and social effects of binge and chronic drinking abuse.

Packaging Lifecycle Management

Description

Packaging lifecycle impacts present major risks and opportunities for alcoholic beverage companies, from materials design to transportation and disposal stages of beverage containers and packaging. Each packaging lifecycle stage presents its own unique environmental challenges and opportunities that beverage manufactures should consider when purchasing or researching new materials. Containers and packaging account for a significant amount of waste in the U.S. every year. While the majority of alcoholic beverage manufacturers do not manufacture their own bottles and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. They are also directly affected by any legislation around end-of-life management of beverage containers, particularly with extended producer responsibility laws. Beverage companies can work with packaging manufacturers to improve the environmental characteristics of their products, which can result in better brand reputations and cost savings for beverage producers.

Accounting Metrics

CN0202-09. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.38 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.

.39 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.

- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.40 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.41 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable

based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.

.42 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- "Recyclable" is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.

- "Reusable" is defined as a durable packaging product that is able to be used multiple times for the original purpose for which it was conceived.

- For the purposes of this disclosure, reusable shall be considered recyclable.

- "Compostable" is defined as the ability of a material to undergo degradation by biological processes to yield CO_2, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.43 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

CN0202-10. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.44 The registrant shall discuss its strategies to reduce the environmental impact of packaging through its lifecycle, such as reducing packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.45 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.

- Performance on the Sustainable Packaging Coalition's Material Use metrics, such as Material Use to Packaged Product Yield or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.

- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

.46 The registrant may choose to discuss Lifecycle Assessments (LCA) analysis of its packaging in the context of its management approach to maximizing product efficiency, including weight reduction, transportation efficiency, and reduced toxicity. Packaging product efficiency and health should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Notes

Additional References

EPA Waste Hierarchy

Summary of the EPA Municipal Solid Waste Program

Environmental & Social Impacts of Ingredient Supply Chains

Description

Environmental and social impacts can occur within the ingredient supply chains of alcoholic beverage companies. Companies in the industry utilize a significant amount of raw ingredients that are susceptible to shifts in weather patterns and drought, particularly in areas with High or Extremely High Baseline Water Stress. Additionally, supply chain disruptions resulting from environmental and social considerations, such as supply shortages or labor violations, present further risk to a company's long-term ability to source key materials and ingredients. Exposure of crops to external forces can also lead to a high degree of cost inflation and undermine company profitability. Companies that proactively implement programs to address these risks through engagement with key suppliers will build more resilient supply chains.

Accounting Metrics

CN0202-11. Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress

.47 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress.

.48 The scope of beverage ingredients shall include those items grown by a tier-1 supplier or third-party and sourced for eventual sale.

.49 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of food ingredients sourced.

.50 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

.51 For the registrant's sources that unknown and cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0202-12. List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations

.52 The registrant shall identify any beverage ingredients that are a priority to the registrant's business.

- Priority beverage ingredients are defined as those which are essential to the registrant's principal products, where principal products are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

.53 The registrant shall discuss its strategic approach to managing its environmental and social risks that arise from its priority beverage ingredients, where:

- The scope of disclosure should focus on beverage ingredients that are sourced from directly contracted growers or through producer supply agreements, or are procured through other means.

.54 The registrant should identify which beverage ingredients present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.

.55 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.56 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

TOBACCO PRODUCTS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0301
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

TOBACCO PRODUCTS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

Table of Contents

INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Tobacco Products industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Tobacco Products industry is comprised of companies that manufacture tobacco products including cigarettes, cigars, and smokeless tobacco products. Many large tobacco companies operate globally and serve both international and U.S. customers. Companies may obtain or sell exclusive rights to sell certain brands of cigarettes in diverse markets. Most tobacco is grown by independent tobacco farmers, who typically sell their crops to tobacco merchants or to manufacturers under contract. Typically, tobacco products earn fairly robust profit margins due to relatively low material and labor-input costs.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Tobacco Products industry, SASB has identified the following sustainability topics:

- Public Health
- Marketing Practices
- Environmental & Social Impacts of Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available." [1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed." [2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition." [2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

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[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Tobacco Products industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Tobacco purchases, percentage through direct contract	Quantitative	Metric tons (t), Percentage (%)	CN0302-A

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Public Health	Revenue from (1) smokeless tobacco products, (2) non-tobacco nicotine-delivery products, and (3) other "tobacco harm-reduction" products	Quantitative	U.S. Dollars ($)	CN0302-01
	Description of the process to assess risks and opportunities associated with "tobacco harm-reduction" products	Discussion & Analysis	n/a	CN0302-02
Marketing Practices	Amount of legal and regulatory fines, settlements, and enforcement actions associated with marketing, labeling, and advertising[6]	Quantitative	U.S. Dollars ($)	CN0302-03
	Description of alignment of marketing and labeling practices with Articles 11 and 13 of the WHO Framework Convention on Tobacco Control	Discussion & Analysis	n/a	CN0302-04
Environmental & Social Impacts of Supply Chains	Percentage of tobacco sourced from growers audited to U.S. Tobacco GAP Program guidelines or an equivalent code of conduct	Quantitative	Percentage by weight (%)	CN0302-05
	Suppliers' social and environmental responsibility audit compliance: (1) priority non-conformance rate and associated corrective action rate, and (2) other non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0302-06

[6] Note to **CN0302-03**— Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Public Health

Description

It is recognized that tobacco products are harmful to both consumers and those around them. Health problems associated with tobacco include lung disease, cancer, and heart disease. Compounding these health risks is the fact that nicotine, found naturally in tobacco leaves, is an addictive substance. Over the past several decades, as scientific studies have linked tobacco use to cancer and other diseases, tobacco product manufacturers have faced class actions and lawsuits from individuals, governments, corporations, and other groups, in some cases resulting in multibillion-dollar settlements. Regulations governing product ingredients and marketing are evolving, and can threaten the industry. In addition, the industry's health impacts have led some investors to divest from tobacco companies. In an effort to address these risks, tobacco product manufacturers have created an array of reduced-harm products, such as e-cigarettes, aimed at reducing the harmful health impacts of tobacco use.

Accounting Metrics

CN0302-01. Revenue from (1) smokeless tobacco products, (2) non-tobacco nicotine-delivery products, and (3) other "tobacco harm-reduction" products

.01 The registrant shall disclose its revenue, in U.S. dollars, from smokeless tobacco products such as chewing tobacco, moist snuff (i.e., dipping tobacco), dry snuff, and snus.

.02 The registrant shall disclose its revenue, in U.S. dollars, from non-tobacco nicotine-delivery products such as electronic cigarettes, including pharmaceutical nicotine-replacement therapy products (e.g., gums, lozenges, patches, etc.).

.03 The registrant shall disclose its revenue, in U.S. dollars, from other "tobacco harm-reduction" products, such as "heat-not-burn" cigarettes, that are focused on replacing combustible tobacco products.

CN0302-02. Description of the process to assess risks and opportunities associated with "tobacco harm-reduction" products

.04 The registrant shall discuss its process to evaluate risks and opportunities associated with "tobacco harm-reduction" products, where

- "Tobacco harm-reduction" products are non-combustible nicotine-containing products such as smokeless tobacco, nicotine-replacement therapy products, and electronic cigarettes.

.05 The registrant shall discuss the scope, success, and growth plans related to its current "tobacco harm-reduction" product portfolio and, where relevant, its plans to introduce future products and product categories.

.06 The registrant shall discuss risks it faces related to its "tobacco harm-reduction" products, such as technical challenges with bringing the products to market, consumer and public perceptions about the safety of the products, regulatory risks, reputational risks, and other risks.

.07 The registrant shall discuss opportunities presented by "tobacco harm-reduction" products such as the ability to capture new market segments and the ability to contribute to reducing cigarette smoking.

.08 Where relevant, the registrant shall discuss whether risks and opportunities associated with the registrant's "tobacco harm-reduction" products and strategies pertain differently to different geographic markets.

Marketing Practices

Description

Tobacco product marketing is heavily regulated, both in the U.S. and abroad. The Framework Convention on Tobacco Control has led many countries to introduce new regulatory approaches. Laws aim to prevent people from adopting tobacco use at a young age. Measures include preventing and reducing underage purchases and ensuring transparent advertising to adult consumers. Failure to comply with these regulations could lead to significant regulatory and legal costs, depending on the markets. The industry has faced costly legal battles related to the marketing and advertising of its products, including the Master Settlement Agreement (MSA), which changed the way tobacco products are marketed and mandated substantial annual payments to U.S. states. Tobacco product manufacturers face a dynamic regulatory environment, particularly with the continued introduction of new products. Marketing for new smokeless tobacco products and traditional tobacco products will have to balance regulatory requirements with the need to reach new markets.

Accounting Metrics

CN0302-03. Amount of legal and regulatory fines, settlements, and enforcement actions associated with marketing, labeling, and advertising

.09 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with marketing, labeling, and advertising, including, but not limited to, those related to violations of the Tobacco Master Settlement Agreement, the Family Smoking Prevention and Tobacco Control Act, and the European Union Tobacco Advertising Directive.

.10 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to CN0302-03

.11 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., related to warning labels, advertising bans, promotion, sponsorship, etc.) of fines and settlements.

.12 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

CN0302-04. Description of alignment of marketing and labeling practices with Articles 11 and 13 of the WHO Framework Convention on Tobacco Control

.13 The registrant shall describe the degree to which its marketing and labeling practices are aligned with the following articles of the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC):

- Article 11 - Packaging and labelling of Tobacco Products
- Article 13 - Tobacco advertising, promotion, and sponsorship

.14 Relevant provisions of Article 11 include:

1 (a) Tobacco product packaging and labelling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions, including any term, descriptor, trademark, figurative or any other sign that directly or indirectly creates the false impression that a particular tobacco product is less harmful than other tobacco products. These may include terms such as "low tar", "light", "ultra-light", or "mild"; and

1 (b) each unit packet and package of tobacco products and any outside packaging and labelling of such products also carry health warnings describing the harmful effects of tobacco use, and may include other appropriate messages. These warnings and messages:

(i) shall be approved by the competent national authority
(ii) shall be rotating,
(iii) shall be large, clear, visible and legible,
(iv) should be 50% or more of the principal display areas but shall be no less than 30% of the principal display areas,
(v) may be in the form of or include pictures or pictograms.

2. Each unit packet and package of tobacco products and any outside packaging and labelling of such products shall, in addition to the warnings specified in paragraph 1(b) of this Article, contain information on relevant constituents and emissions of tobacco products as defined by national authorities.
3. Each Party shall require that the warnings and other textual information specified in paragraphs 1(b) and paragraph 2 of this Article will appear on each unit packet and package of tobacco products and any outside packaging and labelling of such products in its principal language or languages.
4. For the purposes of this Article, the term "outside packaging and labelling" in relation to tobacco products applies to any packaging and labelling used in the retail sale of the product.

.15 Relevant provisions of Article 13 include:

1. Parties recognize that a comprehensive ban on advertising, promotion and sponsorship would reduce the consumption of tobacco products.

2. Each Party shall, in accordance with its constitution or constitutional principles, undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship. This shall include, subject to the legal environment and technical means available to that Party, a comprehensive ban on cross-border advertising, promotion and sponsorship originating from its territory. In this respect, within the period of five years after entry into force of this Convention for that Party, each Party shall undertake appropriate legislative, executive, administrative and/or other measures and report accordingly in conformity with Article 21.

3. A Party that is not in a position to undertake a comprehensive ban due to its constitution or constitutional principles shall apply restrictions on all tobacco advertising, promotion and sponsorship. This shall include, subject to the legal environment and technical means available to that Party, restrictions or a comprehensive ban on advertising, promotion and sponsorship originating from its

territory with cross-border effects. In this respect, each Party shall undertake appropriate legislative, executive, administrative and/or other measures and report accordingly in conformity with Article 21.

4. As a minimum, and in accordance with its constitution or constitutional principles, each Party shall:

(a) prohibit all forms of tobacco advertising, promotion and sponsorship that promote a tobacco product by any means that are false, misleading or deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions;
(b) require that health or other appropriate warnings or messages accompany all tobacco advertising and, as appropriate, promotion and sponsorship;
(c) restrict the use of direct or indirect incentives that encourage the purchase of tobacco products by the public;
(d) require, if it does not have a comprehensive ban, the disclosure to relevant governmental authorities of expenditures by the tobacco industry on advertising, promotion and sponsorship not yet prohibited. Those authorities may decide to make those figures available, subject to national law, to the public and to the Conference of the Parties, pursuant to Article 21;
(e) undertake a comprehensive ban or, in the case of a Party that is not in a position to undertake a comprehensive ban due to its constitution or constitutional principles, restrict tobacco advertising, promotion and sponsorship on radio, television, print media and, as appropriate, other media, such as the internet, within a period of five years; and
(f) prohibit, or in the case of a Party that is not in a position to prohibit due to its constitution or constitutional principles restrict, tobacco sponsorship of international events, activities and/or participants therein.

5. Parties are encouraged to implement measures beyond the obligations set out in paragraph 4.

6. Parties shall cooperate in the development of technologies and other means necessary to facilitate the elimination of cross-border advertising.

7. Parties which have a ban on certain forms of tobacco advertising, promotion and sponsorship have the sovereign right to ban those forms of cross-border tobacco advertising, promotion and sponsorship entering their territory and to impose equal penalties as those applicable to domestic advertising, promotion and sponsorship originating from their territory in accordance with their national law. This paragraph does not endorse or approve of any particular penalty.

8. Parties shall consider the elaboration of a protocol setting out appropriate measures that require international collaboration for a comprehensive ban on cross-border advertising, promotion and sponsorship.

.16 The registrant shall discuss the alignment of its marketing and labeling practices with Articles 11 and 13, regardless of whether it is selling products in countries party to the FCTC, and regardless of whether it is meeting its legal obligations (insofar as they are less strict than the FCTC Articles).

.17 The scope of disclosure shall apply to the registrant's practices globally.

- If the registrant employs materially different practices in different markets, it should describe those differences.

Environmental & Social Impacts of Supply Chains

Description

Tobacco leaf and wood products used in cigarette filters are the main materials used by tobacco product manufacturers. A stable, low-cost supply of these materials is essential to the profitability of the industry, but there is mounting evidence that environmental and social factors affect the industry's access to these key inputs. As most large tobacco manufacturers purchase tobacco leaves from tobacco leaf merchants, farmers, farmer co-ops, and wholesalers, managing environmental and social impacts within supply chain farms is critical to securing raw materials and reducing the risk of cost increases. Best practices in supply chain management include ensuring that tobacco is farmed in compliance with social and environmental best practices and audited according to a code of conduct.

Accounting Metrics

CN0302-05. Percentage of tobacco sourced from growers audited to U.S. Tobacco GAP Program guidelines or an equivalent code of conduct

.18 The registrant shall disclose the percentage of tobacco it sourced, in metric tons, from growers that were audited for compliance with the U.S. Tobacco GAP Program guidelines or an equivalent code of conduct, where:

- The percentage shall be calculated as the amount of tobacco, in metric tons, sourced from growers audited for compliance with the U.S. Tobacco GAP Program guidelines divided by total tobacco sourced.

- The amount of tobacco sourced shall be calculated as that which was purchased by the registrant during the fiscal year, adjusted for any changes in inventory of tobacco.

- A code of conduct is considered equivalent if, at a minimum, it has the same as agricultural, social, and environmental criteria as the U.S. Tobacco GAP Program guidelines, addressing the following the following activities:

  - Crop management
  - Environmental management
  - Labor management
  - Record keeping

.19 The scope includes all farmers who have contractual arrangements directly with the registrant, its affiliates, or with third-party leaf suppliers who buy tobacco for the registrant.

- Where applicable, the scope of disclosure additionally includes tobacco cultivated directly by the registrant.

CN0302-06. Suppliers' social and environmental responsibility audit compliance: (1) priority non-conformance rate and associated corrective action rate, and (2) other non-conformance rate and associated corrective action rate

.20 The registrant shall disclose its tier 1 suppliers' compliance with the social and environmental responsibility standards based on the number of non-conformances identified.

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

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

.22 The registrant shall calculate and disclose the priority non-conformance rate as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited.

- Priority non-conformances are the highest severity of non-conformance and require escalation by auditors. Depending on the audit program, these non-conformances may also be referred to as "zero tolerance" issues or "core violations."
- Priority non-conformances typically relate to: confirmed presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate harm to the community. Issues representing an immediate danger must be corrected as soon as is practical and not longer than 30 days after discovery.

.23 The registrant shall calculate and disclose the other non-conformance rate as the total number of major and minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A major non-conformance is seen as a significant failure in the management system—one that affects the ability of the system to produce the desired results. It may be caused by failure to implement an established process or procedure or establishing a process or procedure that is ineffective.
- A minor non-conformance by itself doesn't indicate a systemic problem with the management system. It is typically an isolated or random incident.

.24 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, according to the timelines established by the audit program or the following:

- Priority non-conformance: submission of a CAP within one week of discovery and completion of a CAP within 30 days from discovery.
- Major non-conformance: submission of a CAP within two weeks of discovery and completion of a CAP within 90 days from discovery.

- Minor non-conformance: submission of a CAP within two weeks of discovery and completion of a CAP within 270 days from discovery.

.25 The registrant shall calculate and disclose its corrective action rate for priority non-conformances as the number of corrective action plans completed within the timeline established by the audit program (or 30 days) to address priority non-conformances divided by the total number of priority non-conformances that have been identified.

.26 The registrant shall calculate and disclose its corrective action rate for other non-conformances as the number of corrective action plans completed within the timeline established by the audit program (or 90 days) to address major non-conformances plus the number of corrective action plans completed within the timeline established by the audit program (or 270 days) to address minor non-conformances divided by the total number of major and minor non-conformances that have been identified.

SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

HOUSEHOLD & PERSONAL CARE PRODUCTS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0602
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

HOUSEHOLD & PERSONAL CARE PRODUCTS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Household & Personal Care Products industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Household & Personal Care Products industry is comprised of companies that manufacture a wide range of goods for personal and commercial consumption, including household and industrial cleaning supplies, batteries, light bulbs, cosmetics, razors, and soap and other detergents. The biggest segments of this industry are cosmetics and personal products. Household and personal care products companies operate globally and serve both international and domestic customers. Companies in this industry typically sell their products to mass merchants, grocery stores, membership club stores, drug stores, high-frequency stores, distributers, and e-commerce retailers. Industry operators compete heavily on brand awareness, product quality, performance, pricing, and packaging.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Household & Personal Care Products industry, SASB has identified the following sustainability topics:

- Energy Management
- Water Management
- Packaging Lifecycle Management
- Product Environmental, Health, and Safety Performance
- Environmental & Social Impacts of Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Household & Personal Care Products industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Units of products sold, total weight of products sold	Quantitative	Number, Metric tons (t)	CN0602-A
Number of employees	Quantitative	Number	CN0602-B

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation), for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0602-01
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0602-02
Packaging Lifecycle Management	Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable	Quantitative	Metric tons (t), Percentage (%)	CN0602-03
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0602-04
Product Environmental, Health, and Safety Performance	Percentage of products that contain REACH substances of very high concern (SVHC)	Quantitative	Percentage by revenue (%)	CN0602-05
	Revenue from California DTSC Priority Products	Quantitative	U.S. Dollars ($)	CN0602-06
	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion & Analysis	n/a	CN0602-07
	Revenue from products designed with green chemistry principles	Quantitative	U.S. Dollars ($)	CN0602-08
Environmental & Social Impacts of Supply Chains	Percentage of palm oil sourced that is certified to the Roundtable on Sustainable Palm Oil (RSPO) standard	Quantitative	Percentage (%)	CN0602-09
	Total wood fiber sourced, percentage from certified sources	Quantitative	Metric tons (t), Percentage (%)	CN0602-10

Energy Management

Description

Household and personal care products companies operate large production facilities, rely on energy as a key input for value creation, and purchase significant amounts of electricity from the grid. As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of increasing regulation. When companies have manufacturing plants located in multiple regions the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities

Accounting Metrics

CN0601-01. Total energy consumed, percentage grid electricity, percentage renewable

.01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), and 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).

.03 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.04 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
    - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.[6]

.05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
    - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.
- Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.06 The registrant 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 kWh to gigajoules (including for electricity from solar or wind energy).

[6] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

Water Management

Description

Water is vital to this industry, both as a coolant in the manufacturing process and as a main input for many of the industry's products. Water is becoming a scarce resource around the world due to increasing consumption as a result of population growth, rapid urbanization, and reduced supplies due to drought and climate change. Furthermore, water pollution in many emerging markets makes available water supplies unusable or expensive to treat. Many firms in this industry have operations in regions of the world that are facing water scarcity. Having rigorous checks in place to ensure a steady supply of water to all their factories, as well as investing in technology to increase the efficiency of water use will help firms in this industry keep a lower risk profile as water scarcity inevitably becomes a more pressing international issue.

Accounting Metrics

CN0602-02. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.07 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.

- Water obtained from a water utility can be assumed to meet the definition of fresh water.[7]

.08 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.09 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.10 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[7] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

Packaging Lifecycle Management

Description

The industry uses a large amount of materials for product packaging, which creates added costs for companies. In addition, packaging design has a direct impact on transportation expenses, which can be significant. The industry is facing pressure from both consumers and large retail outlets to address the environmental characteristics of its packaging, as material extraction and waste contribute to environmental externalities. Trends in sustainable packaging involve the light-weighting of materials, the use of recycled content and recyclable materials, and the use of sustainably sourced materials. While the sustainability performance of packaging depends largely on the type, use, and ultimate disposal of materials, companies that effectively manage the sustainability characteristics of their product packaging may be better positioned to capture shifting consumer demand and avoid regulation, while also potentially reducing input and transportation costs.

Accounting Metrics

CN0602-03. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.11 The registrant shall disclose the total weight of packaging it sourced, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.
- The total weight shall be calculated as the amount of packaging purchased, adjusted for any changes in packaging inventory.

.12 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.
- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.13 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.14 For materials that contain a portion of recycled material as well as virgin material and/or that contain a combination of renewable and nonrenewable materials, the registrant shall use the percentage of the recycled or renewable material, by weight, in its calculation.

.15 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- "Recyclable" is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.
- "Reusable" is defined as a durable packaging product that is able to be reused multiple times for the original purpose for which it was conceived.
- For the purposes of this disclosure, reusable shall be considered recyclable.
- "Compostable" is defined as the ability of a material to undergo degradation by biological processes to yield CO_2, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.16 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

CN0602-04. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.17 The registrant shall discuss its strategies to reduce the environmental impact of packaging through its lifecycle, such as reducing packaging weight and volume for a given application and using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.18 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.
- Performance on the Sustainable Packaging Coalition's Material Use metrics, such as Material Use to Packaged Product Yield, or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.
- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization, and/or Assessment and Minimization of Substances Hazardous to the Environment.

.19 The registrant may choose to discuss results of lifecycle analyses (LCA) of its packaging that it has undertaken in the context of its management approach to optimizing the environmental impacts of its packaging.

- Packaging product efficiency and health should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Product Environmental, Health, and Safety Performance

Description

The Household & Personal Care Products industry is facing growing consumer and regulatory pressure over the use of chemicals of concern, which have been linked to negative environmental externalities and impacts on human health. Some of these chemicals include persistent, bioaccumulative, and toxic (PBT) substances and carcinogenic, mutagen, or teratogenic chemicals, all of which are under increased threat of legislation. Directives in the E.U. and legislation in the U.S. place restrictions on or suggest alternatives to the use of harmful chemicals within the industry. Separately, the FDA may secure greater regulatory power over chemicals used by the cosmetics industry, which would very likely result in higher costs for the industry. Large retailers have implemented programs to ban chemicals of concern in the products they sell, which is placing greater pressure on the industry. Early adopters of innovations in green chemistry and the reduction of chemicals of concern may generate a competitive advantage in the marketplace, as they will be better able to capture customer demand and avoid regulatory burdens.

Accounting Metrics

CN0602-05. Percentage of products that contain REACH substances of very high concern (SVHC)

.20 The registrant shall calculate the percentage as: the revenue, in U.S. dollars, from products that contain substances listed on the Candidate List of Substances of Very High Concern for Authorisation (hereafter "SVHC Candidate List") promulgated by the European Chemicals Agency (ECHA) divided by total revenue from products.

.21 A product shall be considered to contain a substance on the SVHC Candidate List if it has a concentration of the substance above 0.1% (w/w).

- The scope of disclosure includes products that contain these substances, regardless of whether the product is subject to E.U. regulation.

.22 The SVHC Candidate List associated with Regulation (EC) No 1907/2006 - REACH may be accessed here.

CN0602-06. Revenue from California DTSC Priority Products

.23 The registrant shall disclose the amount of revenue from products regulated by the California Department of Toxic Substances Control (DTSC) under the Safer Consumer Products (SCP) regulations.

- The scope of disclosure includes products currently under regulation as well as those named to the Priority Products list, which are pending regulation.

.24 The initial list of Priority Products may be accessed here.

.25 The scope of disclosure includes products identified as Priority Products regardless of whether the product is subject to California state regulation.

.26 "Chemicals of concern" are defined as candidate chemicals that have been identified for priority products.

.27 The registrant may choose to discuss whether it has conducted an "Alternatives Assessment" under DTSC regulation and, if so, its results.

CN0602-07. Discussion of process to identify and manage emerging materials and chemicals of concern

.28 The registrant shall discuss its approach to managing the use of materials, chemicals, and substances that may be of human health and/or environmental concern to consumers, customers (e.g., retailers and commercial buyers), regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).

- "Materials, chemicals, and substances" includes individual compounds, classes of chemicals, and categories of chemicals.

.29 At a minimum, the registrant shall discuss how it assesses materials and chemicals for hazard characteristics and risk traits, including the operational processes it employs for these assessments and other actions it takes to manage hazards and risks.

.30 Relevant operational processes may include, but are not limited to, product formulation and design, materials and chemicals procurement, product safety testing, product labeling, and product declarations (e.g., material safety data sheets).

.31 Relevant actions to discuss may include the exclusion of substances (e.g., use of banned substances lists), use of material substitution assessments, product labeling, use of tools and screening methods (e.g., GreenScreen® For Safer Chemicals or CleanGredients® Data Verification), or any other methods that consider the usage of materials, chemicals, and substances of concern.

.32 Emerging materials and chemicals of concern include, but are not limited to:

- Preservatives such as parabens (PHBA), benzophenones, and other phenols used as preservatives;
- Antimicrobials such as triclosan, triclocarban, and nanosilver;
- Colorants, dyes, and pigments such as azo dyes, coal tars, and lead acetate;
- Surfactants such as SLS/SLES, alkyl phenols, and ethoxylates;
- Emulsifiers and plasticizers such as phthalates and PBA;
- Aldehydes such as formaldehyde that are used as cross-linking agents, modifiers, and preservatives;
- Toluene;
- Brominated flame retardants;
- Polyvinyl chloride; and
- Polyethylene microbeads.

.33 The registrant should discuss its use of chemicals that appear on California's Proposition 65 list of carcinogens and reproductive toxicants as well as products contained in the CDPH Safe Cosmetics Program database.

.34 The registrant should discuss the use of chemicals listed in the "Safer Consumer Products DRAFT Priority Product Work Plan, Three Year Work Plan, September 2014" as potential candidate chemicals in Beauty, Personal Care, and Hygiene Products:

- Aldehydes such as formaldehyde that are used as a cross-linking agents, modifiers, and preservatives;
- Alkyl phenols & ethoxylates (used as surfactants);
- Azo dyes, coal tars, lead, and lead acetate (used as colorants, dyes, and pigments);
- Phthalates (used as emulsifiers and plasticizers); and
- Triclosan (used as an antimicrobial).

CN0602-08. Revenue from products designed with green chemistry principles

.35 The registrant shall disclose the amount of revenue from products designed with one or more green chemistry principles, where "green chemistry principles" are defined by 12 Principles of Green Chemistry as:

- Prevent waste
- Atom efficiency
- Less hazardous chemical syntheses
- Design benign chemicals
- Benign solvents and auxiliaries
- Design for energy efficiency
- Use of renewable feedstocks
- Reduce chemical derivatives
- Use catalysts, not stoichiometric reagents
- Design for degradation
- Real-time analysis for pollution prevention
- Inherently benign chemistry for accident prevention

.36 A product shall be considered to have been designed with green chemistry principles if documentation shows that tools, frameworks, standards, and/or certifications were used to incorporate one or more green chemistry principle into the design, materials selection, manufacturing processes, use-phase, and/or end-of-life disposal of the product.

.37 Specific green chemistry efforts may include products that are designed according to the American Chemistry Society (ACS) Green Chemistry Initiative (GCI) Formulator's Roundtable guidance, the EPA Design for Environment Program, and/or third-party certification such as Cradle-to-Cradle certification.

Environmental & Social Impacts of Supply Chains

Description

Household and personal product companies utilize large amounts of palm oil and wood fiber, which is used in both products and packaging. If not sourced responsibly these materials contribute to environmental and social externalities that can present reputational and regulatory risks. Palm oil has rapidly risen in popularity over the last two decades as a cheap input for a wide range of goods in this industry, including cleaning products, candles, and cosmetics. Palm oil harvesting in specific regions of the world can contribute to deforestation, GHG emissions, and other environmental and social problems. Additionally, if wood fiber used in packaging is not properly sourced it can lead to deforestation resulting in negative publicity for industry participants. Household and personal product companies also face issues associated with working conditions and fair labor practices in their supply chain that can lead to regulatory investigations and spark consumer protest. Companies in this industry are exposed to risk of supply chain disruptions, input price increases, regulatory compliance costs, and reputational damage associated with environmental and social externalities from raw material sourcing.

Accounting Metrics

CN0602-09. Percentage of palm oil sourced that is certified to the Roundtable on Sustainable Palm Oil (RSPO) standard

.38 The registrant shall disclose the percentage, on a weight basis, of palm oil it sourced that has been certified to Roundtable on Sustainable Palm Oil (RSPO standard, where:

- The percentage shall be calculated as the weight, in metric tons, of RSPO-certified palm oil sourced by the registrant divided by the total weight, in metric tons, of palm oil sourced by the registrant.
- The amount of palm oil sourced shall be calculated as that which was purchased by the registrant during the fiscal year, adjusted for any changes in inventory of palm oil.

.39 The scope includes the amount of palm oil consumed by the registrant that has been third-party certified to bear an RSPO claim under the "Identify Preserved (IP)," "Segregated (SG)," or "Mass Balance (MB)" supply chain mechanism.

.40 The scope excludes the amount of "Book and Claim (BC)" palm oil certificates purchased through the GreenPalm certificate-trading program.

CN0602-10. Total wood fiber sourced, percentage from certified sources

.41 The registrant shall disclose the total amount, in metric tons, of wood fiber-based materials sourced during the fiscal year, where:

- The scope of materials includes raw materials, packaging materials, and finished goods that contain wood fiber (in full or in part).
- The amount of wood fiber sourced shall be calculated as that which was purchased by the registrant during the fiscal year, adjusted for any changes in inventory of wood fiber.

.42 The registrant shall disclose the percentage of its wood fiber-based materials that were sourced from certified sources, where:

- Certified sources include:
    - Forest Stewardship Council (FSC) (i.e., FSC 100% label, and FSC Mixed Sources and FSC Recycled labels),
    - Sustainable Forest Initiative (SFI),
    - Programme for the Endorsement of Forest Certification (PEFC).
- The percentage is calculated as the total amount, in metric tons, of wood fiber-based materials from certified sources divided by the total amount of wood fiber purchased by the registrant.