



CRS

center for  
resource  
solutions

July 6, 2015

Sustainability Accounting Standards Board (SASB)  
75 Broadway, Suite 202  
San Francisco, CA 94111

**Re: Comments of Center for Resource Solutions (CRS) on Public Exposure Draft Standards-Consumption II**

To Whom It May Concern:

CRS appreciates this opportunity to comment on the April 2015 Exposure Draft Standards for Public Comment for Consumption II sectors, including Apparel, Accessories & Footwear; Appliance Manufacturing; Building Products & Furnishings; Toys & Sporting Goods; Food Retailers & Distributors; Drug Retailers & Convenience Stores; Multiline and Specialty Retailers & Distributors; and E-commerce.

**Background on CRS**

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. Since 1997, CRS has been instrumental in the development of landmark state, regional and national renewable energy and climate policies. CRS also administers the Green-e® programs. Green-e Energy is North America's leading independent consumer protection program providing certification and verification for renewable electricity and renewable energy certificates (RECs) in the U.S. voluntary market. In 2013, that program certified the majority of the U.S. voluntary renewable energy market and 89% of retail REC sales. Green-e Climate is a global retail standard for carbon offsets sold in the voluntary carbon market. Green-e Marketplace recognizes and verifies the claims of companies that use certified renewable energy and carbon offsets to reduce their impact. Stakeholder-driven standards supported by rigorous verification audits are a cornerstone of Green-e and enable CRS to provide independent third-party certification of environmental commodity transactions in voluntary markets. The Green-e environmental and consumer standards are overseen by an independent governance board of industry experts, including representatives from environmental nonprofits, consumer advocates, and purchasers. Our standards have been developed and are periodically revised through an open stakeholder process. Green-e program documents, including the standards, contract templates, and the annual verification report, are available at [www.green-e.org](http://www.green-e.org).

**Comments**

Comment 1

There are no Energy Management (or equivalent) metrics included in the following Standards:

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Toys & Sporting Goods

These industries also have some potential to utilize renewable forms of energy in production/operation. We recommend including disclosure metrics related to energy management, similar to those included in the Building Products & Furnishings; Food Retailers & Distributors; Drug Retailers & Convenience Stores; Multiline and Specialty Retailers & Distributors; and E-commerce Standards.

#### Comment 2

This comment applies to the following standards, topics, codes, and lines of disclosure.

- Building Products & Furnishings, Energy Management in Manufacturing, CN0603-01, .05
- Food Retailers & Distributors, Energy Management in Retail & Distribution, CN0401-03, .19
- Drug Retailers & Convenience Stores, Energy Management in Retail, CN0402-01, .05
- Multiline and Specialty Retailers & Distributors, Energy Management in Retail & Distribution, CN0403-01, .05
- E-commerce, Energy & Water Footprint of Hardware Infrastructure, CN0404-01, .05

We suggest including Green-e Energy certified renewable electricity products (i.e. utility green pricing/power products and competitive electricity products) as well in the scope of renewable energy that is disclosed. Though these products represent RECs paired with electricity, they can be differentiated from “unbundled” REC products.

#### Comment 3

This comment applies to the following standards, topics, codes, and lines of disclosure.

- Building Products & Furnishings, Energy Management in Manufacturing, CN0603-01, .05
- Food Retailers & Distributors, Energy Management in Retail & Distribution, CN0401-03, .19
- Drug Retailers & Convenience Stores, Energy Management in Retail, CN0402-01, .05
- Multiline and Specialty Retailers & Distributors, Energy Management in Retail & Distribution, CN0403-01, .05
- E-commerce, Energy & Water Footprint of Hardware Infrastructure, CN0404-01, .05

We suggest including/referencing Green-e certification for onsite consumption and direct purchases (e.g. PPAs) as well. The Green-e Direct program provides similar assurances for onsite consumption of renewable energy and direct purchases of renewable energy from generators. More information is available here: [http://www.green-e.org/getcert\\_re\\_direct.shtml](http://www.green-e.org/getcert_re_direct.shtml).

#### Comment 4

This comment applies to the following standards, topics, codes, and lines of disclosure.

- Building Products & Furnishings, Energy Management in Manufacturing, CN0603-01, .05, Footnote 12
- Food Retailers & Distributors, Energy Management in Retail & Distribution, CN0401-03, .19, Footnote 18
- Drug Retailers & Convenience Stores, Energy Management in Retail, CN0402-01, .05, Footnote 16
- Multiline and Specialty Retailers & Distributors, Energy Management in Retail & Distribution, CN0403-01, .05, Footnote 15
- E-commerce, Energy & Water Footprint of Hardware Infrastructure, CN0404-01, .05, Footnote 13

The following footnote should be revised as shown in order to be accurate:

~~“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.”~~

RECs do not necessarily enable generation of renewable energy beyond existing renewable energy or beyond a business-as-usual baseline, though they do represent the environmental attributes of renewable energy and are critical to all renewable energy usage claims. For more information, see *The Legal Basis of Renewable Energy Certificates*.<sup>1</sup>

#### Comment 5

This comment applies to the following standards, topics, codes, and lines of disclosure.

- Building Products & Furnishings, Energy Management in Manufacturing, CN0603-01, .06
- Food Retailers & Distributors, Energy Management in Retail & Distribution, CN0401-03, .20
- Drug Retailers & Convenience Stores, Energy Management in Retail, CN0402-01, .06
- Multiline and Specialty Retailers & Distributors, Energy Management in Retail & Distribution, CN0403-01, .06
- E-commerce, Energy & Water Footprint of Hardware Infrastructure, CN0404-01, .06

Please update the version number of the Green-e Energy National Standard from v2.5 (2014) to v2.6 (2015).

#### Comment 6

This comment applies to the following standards, topics, codes, and lines of disclosure.

- Building Products & Furnishings, Energy Management in Manufacturing, CN0603-01, .04-.06
- Food Retailers & Distributors, Energy Management in Retail & Distribution, CN0401-03, .18-.20
- Drug Retailers & Convenience Stores, Energy Management in Retail, CN0402-01, .04-.06
- Multiline and Specialty Retailers & Distributors, Energy Management in Retail & Distribution, CN0403-01, .04-.06
- E-commerce, Energy & Water Footprint of Hardware Infrastructure, CN0404-01, .04-.06

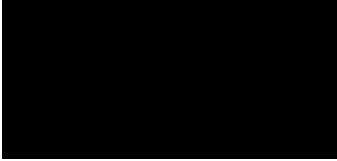
We would like to express general support for the language in these sections (apart from the footnote referenced in Comment 4 above), particularly that which emphasizes the importance of REC retention and ownership in all cases for renewable energy usage claims in the United States, as well as references to Green-e certification. Please let us know if we can provide any further support for these requirements as currently written.

Thank you for your consideration of our comments and please contact me with any questions, for more information, to discuss further, or if we can otherwise be of assistance.

Sincerely,

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<sup>1</sup> Jones, T. (2015) *The Legal Basis of Renewable Energy Certificates*. Center for Resource Solutions. Available online at: [http://www.resource-solutions.org/pub\\_pdfs/The%20Legal%20Basis%20for%20RECs.pdf](http://www.resource-solutions.org/pub_pdfs/The%20Legal%20Basis%20for%20RECs.pdf)



Todd Jones  
Senior Manager, Policy and Climate Change Programs



To the Sustainability Accounting Standards Board (“SASB”):

The Retail Industry Leaders Association (“RILA”) and its membership are pleased to submit comments on SASB’s draft standard for the retail industry. This letter is intended to introduce just some comments that RILA members have related to those draft standards.

RILA is an organization of the world’s most successful and innovative retailer and supplier companies – the leaders of the retail industry. RILA members represent more than \$1.5 trillion in annual sales and operate more than 100,000 stores, manufacturing facilities, and distribution centers nationwide. Our member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide.

Thank you for allowing us this extended opportunity to comment. We reviewed the SASB Consumption II standards and several RILA members provided their feedback. In short, RILA’s members feel that the metrics do not accurately define retail’s sustainability progress, as they do not address the most material issues for retailers. The comments included:

**General feedback:**

- Most importantly, SASB’s standards do not allow for retailers to identify and report on the most material issues. Other standards like GRI G4 are specifically focused on identifying, then reporting, only on the issues of most importance (i.e. material), but that does not appear to be the case with SASB
- Tracking and reporting on most of these metrics will seem to add little value and the retailers would needlessly incur incremental costs for assurance and verification.
- It is a challenge to provide three year historical data
- We could not tell if it is the expectation that a multiline retailer with a large e-commerce business report under both sets of standards

**Specific metrics:**

- Some SASB accounting metrics are very specific and not related to how retail typically defines “sustainability.” As an example, retailers broadly tend to define sustainability in these categories:
  - *Facilities* - energy, waste/recycling, water, green buildings, GHG emissions, water usage
  - *Distribution* - fuel consumption, route optimization, multi-modality
  - *Supply chain* - social compliance / responsible sourcing, energy, waste/recycling, water, waste water, materials usage, chemicals of concern, packaging, factory labor conditions, sourcing locations, product use & disposal, product lifecycle measurement, leveraging tools and certifications

○ *Business innovation*

For more information, please review [RILA's Retail Sustainability Report](#), [RILA's Retail Sustainability Management Maturity Matrix](#), and individual retail company sustainability reports

- Retailers would incur incremental reporting development and data management expenses in order to provide information regarding wages by region and involuntary vs. voluntary termination
- Percentage of revenues from environmental products could be competitive information and difficult to define and measure
- Under home products category, the public disclosure of product formulations is both proprietary and more of a manufacturer opportunity than a retailer issue

Again, thank you for allowing RILA the opportunity to comment on SASB's Consumption II standards.

Please feel free to contact us at any point.

Sincerely,

Adam Siegel  
Vice President, Sustainability & Retail Operations  
Retail Industry Leaders Association

[REDACTED]  
[REDACTED]

# American Federation of Labor and Congress of Industrial Organizations



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July 7, 2015

Jean Rogers, CEO  
Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

Dear Dr. Rogers:

The AFL-CIO appreciates the opportunity to comment on the Sustainability Accounting Standards Board's Food Retailers and Distributors Draft Standard. We focus primarily on human capital management—one of the most critical, yet often most neglected, of sustainability metrics. We applaud SASB for its recognition that human capital is material to the long-term sustainability of companies:

**Human Capital.** This sustainability dimension addresses the management of a company's human resources (employees and individual contractors) as a key asset to delivering long-term value. It includes factors that affect the productivity of employees, such as employee engagement, diversity, and incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. It also addresses the management of labor relations in industries that rely on economies of scale and compete on the price of products and services, or in industries with legacy pension liabilities associated with vast workforces. Lastly, it includes the management of the health and safety of employees and the ability to create a safety culture for companies that operate in dangerous working environments.<sup>1</sup>

Human capital metrics deserve heightened scrutiny because they are material for investors. For too long, human capital management as practiced by many companies has been little more than an exercise in cost containment. The result has been that

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<sup>1</sup> Sustainability Accounting Standards Board, Glossary, <https://navigator.sasb.org/reference-material/glossary>.

long-term corporate performance has often been jeopardized.<sup>2</sup> We note that SASB's Research Brief for Food Retailers and Distributors makes this point, as well.<sup>3</sup>

While SASB has described some of the core human capital management metrics that drive sustainability, including diversity, employee engagement, incentive compensation, health and safety, the Food Retailers and Distributors Draft Standard has omitted many critical metrics. We urge SASB to revise the Draft Standard and offer the following amendments:

First, while the draft's "Sustainability Disclosure Topics and Accounting Metrics" represent a careful framing of material performance indicators in this sector, the required disclosure of human capital management metrics should be enhanced to provide greater detail to investors. **CN0401-19**, for example, would have companies aggregate the "Amount of legal and regulatory fines and settlements associated with labor law violations and employment discrimination" into a lump sum, which would obfuscate and significantly detract from the ability for investors to use this critical data.

Second, the section on "Labor Relations and Fair Wages" should be amended to require corporate reporting that, at a minimum, summarizes complaints and violations of occupational safety and health laws, federal, state and local minimum wage laws, and the National Labor Relations Act. Compliance with human rights standards, as specified by the Reporting Framework for the UN Guiding Principles on Business and Human Rights, should also be reported.<sup>4</sup>

Third, the Sustainability Disclosure Topics and Accounting Metrics should also be amended to specify that companies must report the following human capital management metrics:

1. The percentage of the workforce working part-time and full-time, together with the average yearly hours of part-time and full-time employees.
2. The percentage of the workforce employed in the United States, and a breakdown of overseas employees listed by each country.
3. Average employee tenure, specifically, the percentage of employees who have worked for the company for periods of 1, 2, 5 and 10 years or more.
4. Rates of absenteeism.
5. The percentage of employees covered by company-provided health insurance.

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<sup>2</sup> See Zynep Ton, The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits (2014); J. Nocera, "The Good Jobs Strategy," New York Times, July 7, 2015 <http://www.nytimes.com/2015/07/07/opinion/joe-nocera-the-good-jobs-strategy.html?action=click&pgtype=Homepage&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region>

<sup>3</sup> SASB, "Food Retailers and Distributors: Industry Research Brief," (October 2014); SASB, "Standards Outcome Review: Consumption 2" <http://www.sasb.org/wp-content/uploads/2015/01/Consumption-2-Outcome-Report-FINAL.pdf> (accessed June 26, 2015)

<sup>4</sup> Reporting Framework for the UN Guiding Principles on Business and Human Rights <http://www.ungpreporting.org/> (accessed, June 26, 2015)

6. The percentage of employees covered by defined benefit and defined contribution [401(k)] retirement plans.
7. Health and safety metrics such as the injury and illness incidence rate and the days of restricted work activity or job transfer, which are often reported to government agencies.
8. Employee engagement scores, where available, along with explanation of the methodology used to survey employees.

Low wage, low benefit employment, together with high employee turn-over are recognized indicators of poor sustainability. SASB's research brief makes this point, citing strikes over low wages and benefits.<sup>5</sup>

Fourth, here are our recommendations for amending the following numbered sections of the draft standards:

#### **CN0401-01. Gross global Scope 1 emissions, percentage from refrigerants**

This reporting metric should be amended to include Scope 3 emissions - including from the transport of goods by third parties, for example, trucking and shipping companies working for the reporting company.<sup>6</sup> Given the global nature of food markets, direct and third-party transportation costs are a material factor in the proper allocation of refrigerants.

#### **CN0401-04. Fleet fuel consumed, percentage renewable**

Given the global nature of food markets, in addition to the fuel consumed by the registrant, this metric should also include the fuel consumed by third-party logistics, including transportation modes such as goods transported by marine shipping.

#### **Labor Relations & Fair Wages - Description**

We take issue with the Labor Relations & Fair Wages introductory description which suggests that high rates of unionization are a cause of strikes in the food retailing industry. The vast majority of collective bargaining agreements are reached between employers and unionized employees without strikes.<sup>7</sup> The additional factors cited—low wages and benefits—are equally susceptible to resolution through the process of collective bargaining without resulting in a strike.

SASB should also highlight the key performance indicator of employee turnover, which is far more prevalent, and is an individual response to low pay, low benefits and poor working conditions. Every day, at companies across the country, thousands of workers choose to withhold their labor in what could be considered "individual strikes,"

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<sup>5</sup> SASB, Research Brief, p. 29.

<sup>6</sup> <http://www.ghgprotocol.org/feature/scope-3-calculation-guidance>

<sup>7</sup> J.Rosenfeld, "Desperate Measures: Strikes and Wages in Post Accord America," *Social Forces* 85: 235-265.



but which manifest only as increased turnover or absenteeism. Significantly, it has been well documented that the presence of unions lowers this kind of employee turnover.<sup>8</sup>

SASB should also address the significant use of workforce scheduling software in the retail food industry.<sup>9</sup> To cut costs, retailers are all too frequently send employees home and require them to return to work when customer demand increases. As a result, employees receive reduced wages and benefits, and must reschedule child care and transportation. These unpredictable work schedules reduce employee performance and create morale problems. A corollary here, of course, is the availability of adequate sick and parental leave, as well as health care benefits.

#### **CN0401-15. Average hourly wage and percentage of in-store and distribution center employees earning minimum wage**

Given the statutory reporting requirements of the Dodd Frank Act, Section 953(b), requiring public companies to report the ratio of CEO to median employee pay, it is critical that SASB, at the very least, include a requirement that companies report on this pay ratio. It is a material sustainability metric and must not be ignored.

#### **70. The registrant may choose to disclose the average prevailing minimum wage, weighted on an hours-worked basis.**

Companies should be required to state the average prevailing minimum wage as well as highest and the lowest minimum wage required by law in the jurisdictions in which it does business. This information is material to a proper understanding of the registrant's human capital management practices.

#### **71. The registrant may choose to discuss its sensitivity to future adjustments in minimum wage.**

SASB is to be commended for raising this critical factor in human capital management, but the materiality of this information cannot be left to a voluntary, permissive disclosure requirement. SASB should amend the metric to require registrants to report on sensitivity to minimum wage increases.

#### **CN0401-19. Amount of legal and regulatory fines and settlements associated with labor law violations and employment discrimination.**

We commend SASB for requiring the inclusion of monetary fines and legal settlements, but without requiring registrants to give a specific description of the basis for

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<sup>8</sup> L. Mischel & R. Eisenbrey, "How to Raise Wages," Economic Policy Institute Briefing Paper, March 19, 2015, <http://s4.epi.org/files/2015/bp391.pdf>; P. Voos, "How Unions Can Help Restore the Middle Class," Testimony before the Senate Committee on Health, Education, Labor and Pensions, March 10, 2009. [http://www.epi.org/publication/how\\_unions\\_can\\_help\\_restore\\_the\\_middle\\_class/](http://www.epi.org/publication/how_unions_can_help_restore_the_middle_class/)

<sup>9</sup> J. Kantor, "Working Anything But 9 to 5," *New York Times*, August 14, 2014 <http://www.nytimes.com/interactive/2014/08/13/us/starbucks-workers-scheduling-hours.html?module=Search&mabReward=relbias%3Ar%2C%7B%221%22%3>

regulatory fines and settlements, the value this data will be greatly diminished to investors. More detailed disclosure should be required of specific violations.

**80. The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labor law violations and employment discrimination violations, including, but not limited to, violations of the Fair Labor Standards Act, such as those relating to wages, work hours, overtime, and meal and rest breaks.**

For the reasons stated above, this section must also explicitly include violations of the National Labor Relations Act and the Occupational Safety and Health Act as well as descriptions of the violations at issue.

**Note to CN0401-19**

**84. The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.**

Similarly, we commend SASB for requiring a description of the basis of fines and settlements, but we urge SASB to strike the word "briefly" because it will inevitably lead to greatly diminished reporting of this critical human capital management performance indicator.

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We appreciate the opportunity to comment on SASB's Draft Standards for Food Retailers and Distributors. Should you have any questions or need additional information on our comments, please contact me at [rmcgarra@aficio.org](mailto:rmcgarra@aficio.org) or 202-637-5335.

Sincerely,



Robert E. McGarragh, Jr., Esq.  
Office of Investment





**American  
Forest & Paper  
Association**

July 7, 2015

Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

**RE: AF&PA Comments on Consumption II Sector/  
Food Retailers & Distributors Exposure Draft for Public Comment**

To Whom It May Concern:

The American Forest & Paper Association (AF&PA) is pleased to provide comments on the Sustainability Accounting Standards Board (SASB) Consumption II Sector/Food Retailers & Distributors Exposure Draft for Public Comment (the "Standard"). Our comments below have been informed by our review of the Record of Public Comment document issued for the Resource Transformation Sector Standards, which include Containers and Packaging (the "RPC Document").

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures approximately \$210 billion in products annually, and employs nearly 900,000 men and women. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states.

AF&PA's sustainability initiative - *Better Practices, Better Planet 2020* - is the latest example of our members' proactive commitment to the long-term success of our industry, our communities and our environment. We have long been responsible stewards of our planet's resources. Our member companies have collectively made significant progress in each of the following goals, which comprise one of the most extensive quantifiable sets of sustainability goals for a U.S. manufacturing industry: increasing paper recovery for recycling; improving energy efficiency; reducing greenhouse gas emissions; promoting sustainable forestry practices; improving workplace safety; and reducing water use.



## **GENERAL COMMENTS**

### **Voluntary Standards**

We appreciate SASB's statement that "[d]isclosure under SASB Standards is voluntary". AF&PA members strongly support retaining the voluntary nature of SASB Standards. SASB's process includes regular meetings with the Securities and Exchange Commission (SEC), and it has been widely reported that SASB's ultimate objective is to have the SEC mandate the use of its standards. We were pleased to see SASB's statement in the RPC Document that it is not asking the SEC to mandate the use of SASB standard, and we request that SASB maintain a position with the SEC that use of its standards should be voluntary.

### **Materiality, Topics, and Metrics**

AF&PA supports SASB's adherence to the Supreme Court's definition of "materiality" and its emphasis that it is up to each company to decide for itself which sustainability topics are material. There is a lack of clarity, however, around how the Standard is intended to be used once a company determines that a topic is material. SASB representatives have given the impression that once a company has determined a topic is material, it must use the SASB metrics for that topic. The "Guidance on Accounting of Material Sustainability Topics" in the draft Standard, however, states "SASB recommends that each company consider using these accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material." SASB also recommends that "companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported."

We support the approach to metrics as described in the Standard and quoted above. Our members have serious concerns about the comparability and other aspects of the metrics SASB has chosen for the Standard. We believe making it clear, as does the text above, that companies have the flexibility to use those or other metrics, as well as the ability to explain why particular metrics do or do not "ensure completeness, accuracy, and comparability of the data reported" is very important for ensuring stakeholders using the data understand its potential limitations. Therefore, SASB should retain the "consider" language in the final Standard and explain the apparent inconsistency with its public statements.

AF&PA also wants to make clear that our participation in SASB's comment process does not indicate an acceptance by AF&PA or our members companies that the metrics proposed by SASB are material according the Supreme Court definition of materiality.

### **Duplication With Existing Reporting Requirements**

We understand that SASB tried to choose metrics that companies already report (voluntarily or pursuant to government requirement), as a way to minimize reporting burdens and ensure the metric is viable. Choosing these metrics, however, does raise potential concerns for reporting companies. Specifically, there is significant potential for inconsistent reporting, if SASB's metrics and the way in which they are derived and reported are not exactly the same as those used in the other reports. At a minimum, this inconsistency creates confusion among stakeholders who read different reports by the same company (i.e. SEC reports versus sustainability reports); it also creates legal risk for reporting companies. Accordingly, to the extent that a metric is subject to multiple reporting requirements, the Standard should allow a company to choose which requirement it is reporting under and indicate that choice in its reports.

### **Assurance**

SASB indicates in the Food Retailers and Distributors Standard that "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." While AF&PA members have systems in place to ensure high quality data are publicly reported, we do not believe that some of the metrics in the Standard lend themselves to the same level of assurance as is provided in financial reporting. Metrics that are reported to government agencies are not a concern because they typically have their own assurance requirements. The methodologies for reporting other metrics, however, may allow for more flexibility in the calculation of the metric, and thus, there may be greater variation in reported information than one might typically encounter in financial documents. In the Containers & Packaging Provisional Standard, the section on assurance was removed. We would encourage SASB to remove this section from the Food Retailers and Distributors Standard, as well, to provide consistency in the SASB standards. Further, the RPC Document implicitly acknowledges that sustainability data are not yet of the same quality as financial data, although SASB believes that sustainability data will achieve that level of quality over time. In the meantime, however, companies could face legal risk if they use the SASB standards for reporting and sustainability data are held to the same quality requirements as financial data.

SASB also should make an explicit link between its assurance requirements, and its recognition that estimates may be used, as long as the company explains the basis for the estimate. SASB should revise its statement that "SASB does not discourage the use of such estimates" to make it a more neutral statement acknowledging the reality that estimates will need to be used in reporting sustainability data.

## **American National Standards Institute (ANSI) Procedures**

SASB's Vision and Mission document states that "SASB is also an ANSI accredited standards developer. Accreditation by ANSI signifies that SASB's procedures to develop standards meet ANSI's requirements for openness, balance, consensus, and due process." Further, SASB's "Our Process" webpage states that "[a]s an ANSI-accredited standards-setting organization, SASB follows an open, orderly process that permits timely, thorough, and open study of sustainability accounting issues."

We appreciate SASB's direct acknowledgement in the RPC Document that it is not using an ANSI-process and in the spirit of complete disclosure and transparency, SASB should make clear in its standards and on its website that the standards have not been developed and are not being finalized pursuant to the ANSI procedures. We also look forward to commenting on SASB's proprietary standards and we urge SASB to propose procedures that incorporate as much of the ANSI *Essential Requirements* as possible.

Adherence to ANSI *Essential Requirements* provides stakeholders with assurances that needed procedural safeguards are present. This is especially important, if, as is the case here, there is the potential for a government agency--the Securities and Exchange Commission (SEC)--to mandate the use of a standard (although, as discussed above, we strongly believe the standard should be voluntary). Government standards typically are developed through a notice and comment process and are subject to numerous due process protections for stakeholders, including in many cases, judicial review. Private standards adopted for government use should be developed with the same level of due process protection.

Office of Management and Budget (OMB) OMB Circular A-119 requires, with limited exception, that federal agencies and departments use "voluntary consensus standards," which are "standards developed or adopted by voluntary consensus standards bodies."<sup>1</sup> The Circular also established guidelines for federal participation in the development and use of voluntary consensus standards. Specifically, the Circular provides the following attributes for a "voluntary consensus standards body": (i) openness; (ii) balance of interest; (iii) due process; (iv) an appeals process; and (v) consensus. Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (Public Law 104-113) basically codified the OMB Circular and requires that "all Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies," unless use of such a standard is "inconsistent with applicable law or otherwise impractical."

By definition, private standards such as SASB's do not include the due process protections found in the development of government standards. ANSI *Essential*

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<sup>1</sup> Office of Management and Budget, Circular A-119 (Revised), February 10, 1998.

*Requirements* closely track the procedural safeguards required by the Circular.<sup>2</sup> In its RPC Document, SASB clarified that, even though it is an ANSI-accredited standards setting organization, it does not intend to use ANSI procedures to finalize its standards, and instead will seek comment on the proprietary procedures it intends to use.

### **Private, Non-Consensus Standards**

Generally, as required by ANSI, the Standard should avoid references to private tools or standards (e.g., Green-e). Among other concerns, these tools or standards have not been developed in a consensus-based process that provides the procedural safeguards discussed above.

In addition, SASB's adoption of a particular private tool or standard has the effect of locking in that standard for the future. Other existing tools or standards may perform similar functions but be more suitable to the Food Retailers and Distributors sector, and new, innovative standards may be developed in the future. SASB shouldn't prejudge the suitability of those standards by locking in one particular standard at this time. At a minimum, SASB should describe what the tool provides or the standard is trying to accomplish, and after identifying the tool or standard, add "or equivalent."

### **Usefulness of Metrics As Indicators of Sustainability**

As discussed in the "Specific Comments" section below, we do not believe that the disclosure of particular metrics provides useful, comparable, sustainability-related information for stakeholders. But, more importantly, we do not believe that a simple comparison of any metrics themselves would provide a complete picture of the sustainability performance of the companies that reported those metrics (or didn't report a particular metric because it is not material). Many companies explain the context for the metrics they include in their sustainability reports. Similarly, SASB should encourage stakeholders to consider the entirety of the information provided by companies that may report based on the Standard, and not to simply compare one company to another based only on the metrics.

### **SPECIFIC COMMENTS**

We limited our comments below only to the packaging metrics, as those are most directly related to our members' interests.

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<sup>2</sup> The ANSI Essential Requirements for Due Process are: openness, lack of dominance, balance, coordination and harmonization, notification of standards development, consideration of views and objections, consensus vote, appeals, written procedures, compliance with normative ANSI policies and procedures. ANSI Essential Requirements: Due process requirements for American National Standards. January 2014.

**Product Selection & Supplier Management to Mitigate Environmental Impacts**  
**(CN401-23)** *Total weight of tertiary packaging, percentage recycled*

(.98 and .99) We have an overall concern with the utility of this metric and what material information it could potentially provide to investors. The primary purpose of packaging, whether primary, secondary or tertiary, is to protect products during transport. Design and other decisions regarding tertiary packaging generally are made by the shipper, not the retailer. Accordingly, the retailer has no control over the total weight of packaging. Similarly, the information sought in Note .99 is information that typically would be available to the shipper, not the retailer. Retailers do have control over the processes that they have in place to recover packaging. A more informative metric for retailers, therefore, would ask the retailer to describe the processes and policies it has in place to recover transport packaging.

**Product Selection & Supplier Management to Mitigate Environmental Impacts**  
**(CN401-24)** *Description of strategies to reduce the environmental impact of packaging throughout its lifecycle*

As a general matter, as stated above, the retailer has very limited ability to control the design or other decisions regarding tertiary packaging, and this is largely true for secondary packaging as well. Accordingly, we do not see the value in asking a retailer to discuss strategies to reduce the environmental impact of packaging *throughout its lifecycle*.

Note (.100) suggests that the registrant discuss strategies “such as reducing packaging weight.” We believe that the metric should focus should not be on packaging weight, but on the optimization of packaging, which would be consistent with previous the SASB Provisional Standard on Containers and Packaging. This standard recognizes that lifecycle management will include both “environmental impact reduction and maximization of product efficiency.”<sup>3</sup>

Note (.100) also calls for a discussion of using alternative materials and lists out “recycled,” “recyclable,” “compostable,” or “degradable.” One of the goals of the SASB standards development process is to increase transparency and disclosure of material information for stakeholders, including investors. We believe that those stakeholders would want to know if the packaging was renewable, as well as whether it had the other attributes listed. Further, for the purposes of consistency between the standards “renewable” should also be included on this list as it is included in the Product Lifecycle Management metric of the Containers and Packaging Provisional Standard. Finally, we suggest removing “degradable.” “Compostable” is included and that is the end of life

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<sup>3</sup> Sustainability Accounting Standards Board, *Resource Transformation: Containers & Packaging Provisional Standard*. March 2015.

option for packaging that makes the most sense and is the most relevant from a sustainability perspective.

Note (.102) reference the Sustainable Packaging Coalition's (SPC) Material Use metrics. As included in previous AF&PA comments, it is our understanding that those metrics are no longer being used by the Coalition. These material use metrics have been supplanted by the Global Protocol on Packaging Sustainability which SASB also references in note (.102). As such the reference to SPC should be removed.

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AF&PA appreciates the opportunity to comment on the Standard. Please contact Jerry Schwartz at ( [REDACTED] or [REDACTED] or Katie Missimer ([REDACTED] or [REDACTED] if you have any questions on our comments.

Sincerely yours,

[REDACTED]

Jerry Schwartz  
Senior Director  
Energy and Environmental Policy



Rodriguez-Gonzalez Services  
[rodriguez-gonzalez.net](http://rodriguez-gonzalez.net)

Toronto, May 12<sup>th</sup>, 2015

Dear SASB standards Review Team:

This letter is just to share some of my observations in the Consumption II group of standards. Because of my ongoing research in this area, I think that in the standard #CN0401 (Food retailers and distributors) the following metrics could be reviewed.

- CN0401-08-10. Is the compliance to standards like the FMI SafeMark for supermarkets (<http://www.fmi.org/food-safety/safemark>) important?
- CN0401-08-10. Are quality complaints (defects not related to food safety) important at this point?
- CN0401-08-11. Should the use in stores of nutrient density indicators such as NuVal 1-100® (<http://www.nuval.com/>), and Dr. Fuhrman™ ANDI scores (<http://www.drfuhrman.com/>), be favored?
- CN0401-14. The GMO issue may be arguable.
- CN0401-22. Percentage of products conforming to animal welfare standards? See Dr. Temple Grandin's webpage (<http://www.grandin.com/>). These are just basic audits, not certifiable.

Thanks again for inviting me to participate in the standard development groups and I look forward to continue collaborating with your organization in the upcoming initiatives.

Oscar Rodriguez-Gonzalez  
PhD, PAg, CFS, CSP, LSSBB



# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA  
General President

25 Louisiana Avenue, NW  
Washington, DC 20001



KEN HALL  
General Secretary-Treasurer

  
[www.teamster.org](http://www.teamster.org)

July 7, 2015

Jean Rogers, PHD  
Chief Executive Officer  
Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

**Sent via SASB Public Comment portal**

Dear Dr. Rogers:

The International Brotherhood of Teamsters Department of Capital Strategies submits the following comments to the proposed adoption of standards in the food retailing and distribution industries by the Sustainability Accounting Standards Board (SASB).

Our comments on the SASB Food Retailers and Distributors Draft Standard focus primarily on Human Capital Management—one of the most important and often neglected sustainability metric.

The International Brotherhood of Teamsters and its affiliated pension and benefit funds have more than \$100 billion invested in capital markets. In addition, the Teamsters Union represents more than 100,000 members working in the food retailing and distribution industries. As institutional investors and worker representatives, we understand the value of good human capital management to the long-term health, sustainability, and success of public companies.

We salute SASB for its clear recognition that the “sustainability dimension addresses the management of a company’s human resources (employees and individual contractors) as a key asset to delivering long-term value. It includes factors that affect the productivity of employees, such as employee engagement, diversity, and incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. It also



addresses the management of labor relations in industries that rely on economies of scale and compete on the price of products and services, or in industries with legacy pension liabilities associated with vast workforces. Lastly, it includes the management of the health and safety of employees and the ability to create a safety culture for companies that operate in dangerous working environments.”<sup>1</sup>

Given that SASB has recognized some of the essential human capital management metrics that drive sustainability – such as diversity, employee engagement, incentive compensation, and health and safety – it is disappointing that so many of these metrics have been omitted from the Food Retailers and Distributors Draft Standard.

We call on SASB to enhance the depth of the Draft Standard to help investors better analyze key drivers of sustainability in these industries. We provide the following recommendations to enhance a final standard:

The draft’s “*Sustainability Disclosure Topics and Accounting Metrics*” provides a careful framing of material performance indicators in this sector, but fails to include several key, human capital management metrics. For example, companies should be required to disclose:

1. The percentage of the workforce working part-time and full-time, together with the average yearly hours of part-time and full-time employees.
2. Average employee tenure, specifically, the percentage of employees who have worked for the company for periods of 1, 2, 5 and 10 years or more.
3. Rates of absenteeism.
4. Rates of employee turnover.
5. The percentage of employees covered by company-provided health insurance.
6. The percentage of employees covered by defined benefit and defined contribution [401(k)] retirement plans.
7. Health and safety metrics such as the injury and illness incidence rate and the days of restricted work activity or job transfer, which are often reported to government agencies.
8. Employee engagement scores, where available, along with explanation of the methodology used to survey employees.
9. Sick and parental leave policies.

The section, “*Labor Relations and Fair Wages*” should be amended to require corporate reporting of all federal, state and local complaints and violations of

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<sup>1</sup> “Human Capital” <https://navigator.sasb.org/reference-material/glossary>.



occupational safety and health, minimum wage, National Labor Relations Act and human rights, as specified by the Reporting Framework for the UN Guiding Principles on Business and Human Rights.<sup>2</sup> Each of these metrics can easily be reported from compliance data, listing dollar amounts and the statutes at issue. Aggregating the “Amount of legal and regulatory fines and settlements associated with labor law violations and employment discrimination” into a lump sum, as the draft currently calls for, would obfuscate and significantly detract from the materiality of this critical data.

Low wage, low benefit employment, together with high employee turn-over are recognized indicators of poor sustainability. “Justin Wolfers, a senior fellow at the Peterson Institute for International Economics, cited evidence that improving workers’ earnings can boost a company’s productivity, as well as improving retention.”<sup>3</sup> SASB’s research brief makes this point as well, citing strikes over low wages and benefits.<sup>4</sup>

Regarding strikes, the draft’s premise that high rates of unionization are a cause of strikes in the food retailing industry is overly simplistic. While it is true that before a strike can occur, workers of a company must be represented by a union, a strike is, in itself, the result of a breakdown of communications between labor and management. The factors cited—low wages and benefits, to which we would add “inadequate training”, are equally susceptible to resolution---more often than not---through the normal process of collective bargaining. It is arguable that by fostering disclosure of material performance indicators of environmental, social, and governance issues, management, the board of directors, investors, and labor unions will have a much improved framework for sustainability, which may make strikes even less of a factor in corporate operations.

If SASB determines that it must cite strikes as a material indicator, it should also include lockouts (instances when management locks employees out of their jobs) and provide a context that will inform investors that a strike, while a material disruption of operations, is a legitimate, free-market exercise that may indicate poor management of company. Reporting on the issues leading up to and including resolution of the strike are material factors for investors.

More broadly, it is useful to consider strikes simply as what they are: visible manifestations of the coordinated withholding of labor by a large group of employees at a firm, usually for a relatively brief period of time, in response to unlawful management

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<sup>2</sup>Reporting Framework for the UN Guiding Principles on Business and Human Rights <http://www.ungpreporting.org> (accessed, June 26, 2015).

<sup>3</sup>David Crow, Sam Fleming, “Walmart sends wage signal to US business” *Financial Times*, February 20, 2015, [http://www.bing.com/search?q=walmart+sends+wage+signal+to+us+businesses&form=PRUSEN&mkt=en-us&refig=aeda55ab109147be980c36eafdd888d0&pg=walmart+sends&sc=8-13&sp=1&q=HS&sk=&cvid=aeda55\\_ab109147be980c36eafdd888d0](http://www.bing.com/search?q=walmart+sends+wage+signal+to+us+businesses&form=PRUSEN&mkt=en-us&refig=aeda55ab109147be980c36eafdd888d0&pg=walmart+sends&sc=8-13&sp=1&q=HS&sk=&cvid=aeda55_ab109147be980c36eafdd888d0).

<sup>4</sup> SASB, Research Brief, p. 29.



practices; employee dissatisfaction with compensation levels; unsafe working conditions; or other concerns. Notably, there is a much more prevalent manifestation of the withholding of labor which is less visible because it is uncoordinated: employee turnover. Every day at firms across the country thousands of workers choose to withhold their labor in what could be considered “individual strikes”, but which manifest only as increased turnover or absenteeism. Significantly, it has been well documented that the presence of unions lowers this kind of employee turnover.<sup>5</sup>

This paragraph, and the metrics that follow, should also be amended to reflect the significant use of scheduling software in the retail food industry.<sup>6</sup> To cut costs, rather than train employees and compensate them to perform other tasks during their shift at work, retailers are all too frequently resorting to sending employees home and requiring them to return to work when customer demand increases. As a result, employees receive reduced wages and benefits. They are also forced to reschedule child care and related transportation, resulting in performance problems for those employees that are caused by the employer.

**CN0401-15. Average hourly wage and percentage of in-store and distribution center employees earning minimum wage---** Given the statutory reporting requirements of the Dodd Frank Act, Section 953(b), requiring public companies to report the ratio of CEO to median worker pay, the SEC’s proposed regulations of September 18, 2013, and Chair Mary Jo White’s stated commitment to issue a final rule by August 1, 2015, it is critical that SASB, at the very least, include a requirement that companies report on this pay ratio. It is a material sustainability metric and must not be ignored.

**.70 The registrant may choose to disclose the average prevailing minimum wage, weighted on an hours-worked basis.** The registrant must be required to state the average prevailing minimum wage as well as highest and the lowest minimum wage required by law in the jurisdictions in which it does business. Making this information mandatory is required here. The information is material to a proper understanding of the registrant’s human capital management practices, as well as its sustainability and profitability.

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<sup>5</sup>L. Mishel & R. Eisenbrey, “How to Raise Wages”, Economic Policy Institute Briefing Paper, March 19, 2015, <http://s4.epi.org/files/2015/bp391.pdf>; P.Voos, “How Unions Can Help Restore the Middle Class”, Testimony before the Senate Committee on Health, Education, Labor and Pensions, March 10, 2009, [http://www.epi.org/publication/how\\_unions\\_can\\_help\\_restore\\_the\\_middle\\_class/](http://www.epi.org/publication/how_unions_can_help_restore_the_middle_class/).

<sup>6</sup>J. Kantor, “Working Anything But 9 to 5,”*New York Times*, August 14, 2014 <http://www.nytimes.com/interactive/2014/08/13/us/starbucks-workers-scheduling-hours.html?module=Search&mabReward=relbias%3Ar%2C%7B%221%22%3>.

**.67 The registrant may choose to discuss its sensitivity to future adjustments in minimum wage.** SASB is to be commended for raising this critical factor in human capital management, but the materiality of this information cannot be left to a voluntary, permissive metric. SASB should amend the metric to require registrants to report on sensitivity to minimum wage increases in order for investors to reach a sufficient understanding of the registrant's human capital management.

**CN0401-19. Amount of legal and regulatory fines and settlements associated with labor law violations and employment discrimination.**

We commend SASB for requiring the inclusion of monetary fines and legal settlements, but without requiring registrants to give a specific description of the basis for regulatory fines and settlements, this data will be of greatly diminished use to investors.

.67 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labor law violations and employment discrimination violations, including, but not limited to, violations of the Fair Labor Standards Act, such as those relating to wages, work hours, overtime, and meal and rest breaks.

For the reasons stated above, this section must also include violations of the National Labor Relations Act and the Occupational Safety and Health Act as well as descriptions of the violations at issue.

**Note to CN0401-19**

.68 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.

Similarly, we commend SASB for requiring a description of the basis of fines and settlements, but we urge SASB to strike the word "briefly" because it will inevitably lead to greatly diminished reporting of this critical human capital management performance indicator.

In addition to strengthening sections of the Labor Relations and Fair Wages section as noted above, please find these additional recommendations aimed at providing investors information about outsourced operations.



July 7, 2015

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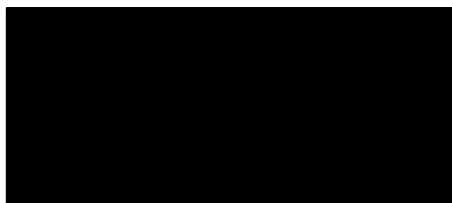
**CN0401-01. Gross global Scope 1 emissions, percentage from refrigerants:** This reporting metric should be amended to include Scope 3 emissions - including from the transport of goods by third parties, for example, trucking and shipping companies working for the reporting company.<sup>7</sup> Given the global nature of food markets, direct and third-party transportation costs are a material factor in the proper allocation of refrigerants.

**CN0401-04. Fleet fuel consumed, percentage renewable:** Given the global nature of food markets, in addition to the fuel consumed by the registrant, this metric should also include the fuel consumed by third-party logistics, including transportation modes such as goods transported by marine shipping.

We support and appreciate SASB's efforts to improve financial reporting and transparency in the food retailing and distribution industries. Increased emphasis in the area of Human Capital Management will provide valuable information to investors.

Thank you.

Sincerely,



Carin Zelenko  
Director, Capital Strategies Department  
International Brotherhood of Teamsters

CZ/dw

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<sup>7</sup> <http://www.ghgprotocol.org/feature/scope-3-calculation-guidance>



June 5, 2015

Katie Schmitz Eulitt  
Director, Stakeholder Engagement  
Advisory Council Chair  
Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

Dear Katie,

Below are comments in reference to:

- **Industry Standard** (Food Retailers & Distributors)
- **Disclosure Topic** (Food Waste)
- **Accounting metric code** (CN0401-05. Amount of food waste generated, percentage diverted)

***Context to comments.***

Our comments are on the food waste component based on WRI's role as Secretariat for the Food Loss & Waste (FLW) Protocol. The FLW Protocol is developing the *FLW Protocol Accounting and Reporting Standard (FLW Standard)*, which is intended to be the global standard for companies, governments, and other entities to account for and report on the loss and waste of food and/or associated inedible parts. This is a multi-stakeholder process involving experts from around the world representing a wide range of perspectives across the food value chain.

Steering Committee members in addition to WRI include the Consumer Goods Forum (CGF), Food and Agriculture Organization (FAO), FUSIONS, United Nations Environment Programme (UNEP), World Business Council for Sustainable Development (WBCSD), and the Waste & Resources Action Programme (WRAP). The FLW Protocol will contribute to related initiatives led by UNEP, FAO and others and build upon regional measurement approaches being developed in the EU by FUSIONS.

For the SASB standard's accounting metric on food waste to be complete and useful, we suggest aligning with the terminology, definitions and scope included in the *FLW Standard*. We provided comments to SASB on the draft standard for Restaurants (metric code: SV0203-03) in October 2014 based on preliminary agreement among Steering Committee members



around some of the key terms and scope that are required to be disclosed in a “food loss/waste” inventory. As of March 2015, a zero draft of the *FLW Standard* has been available and shared publicly for external review and pilot testing. The draft documents can be found at [www.wri.org/food/protocol](http://www.wri.org/food/protocol) and have been uploaded along with this comment letter.

**Comments on text of the draft SASB standard**

The *FLW Standard* contains a robust set of requirements developed through a global multi-stakeholder process, which we believe should be incorporated in the SASB Industry Standards related to food waste. This will help align the SASB Standard with programs and goals related to preventing and reducing food loss and waste. Copied below is the text from your draft Standard with comments marked as well as suggested edits to the text.

**CN0401-05. Amount of food waste generated, percentage of food removed from registrant’s facilities (i.e., waste material) diverted**

.28 The total amount of food waste generated shall be calculated in metric tons, where:

- Food waste is defined as any substance, whether processed, semi-processed, or raw, that is intended for human consumption, including drinks, chewing gum, and any substance that has been used in the manufacture, preparation, or treatment of food, for which the registrant has no further use and which would otherwise be discarded or released into the environment.
- The scope excludes cosmetics, tobacco, or substances used only as drugs.
- The scope includes any food-grade wastes associated with food or the manufacture, preparation, treatment, processing, and cooking of food, including cooking oil.
- The scope excludes inedible parts, which are the components associated with a food in a particular food supply chain that are not intended to be consumed by humans.

The scope excludes packaging, such as boxes, wrapping, or plastic containers.

- The scope shall be limited to waste food removed from handled within the registrant’s facilities (also referred to as “waste material”) and excludes food waste that is discarded taken off-site by customers.

.29 The percentage diverted shall be calculated as the weight of waste material that was reused plus the weight recycled or remanufactured (through treatment or processing) by the registrant, plus the amount sent externally for further reuse, recycling, or remanufacturing, divided by the total weight of waste material, where:

- Reused materials are defined as those recovered products or components of products that are used for the same purpose for which they were conceived.

**Commented [KR1]:** It seems clarification along the lines of this edit might be helpful. See related comment below.

**Commented [KR2]:** Suggest cross referencing the use of the terms ‘discarded or released into the environment’ to Section 29, bullet 7 and 8 so it’s clear that this is what’s meant by those terms.

**Commented [KR3]:** We have two related comments on this bullet

1. Given that retailers’ food waste often has inedible parts attached (e.g., produce tossed will likely still have skin or rinds on it), it will likely be difficult to report on the food amount separately. In addition, if the data is reported separately for food, the process a registrant uses for calculating the amount of food separately will most likely increase the uncertainty associated with the figures.

The following are options to address this:  
a. Allow registrants to self-select whether including or excluding “associated inedible parts” but either way require reporting of which material types are included. (We suggest referencing the *FLW Standard* for guidance related to material types and separating inedible parts – Section 5.5.)

b. Require reporting on food AND inedible and where possible to report the separate amounts.

One aspect to keep in mind IF you make the change from ‘food’ only to option a or b above is that there will be a ripple effect in use of the term ‘food’ elsewhere in this section.

2. If a registrant reports on food removed from the food supply chain separately from the associated inedible parts, we recommend adding that “The registrant shall describe its approach to accounting for food separately from associated inedible parts in conformance with the *FLW Standard*.” The requirements in the current draft of the standard require an entity to:

**Commented [KR4]:** For more details on this see the draft *FLW Standard*, Section 5.8.2

**Commented [KR5]:** See below for comments related to the first edit from ‘waste’ to ‘food’. It seems ‘removed from’ may be more accurate than ‘handled within.’ ‘Food’ could perhaps also be changed to ‘material.’(?)

The logic behind the second edit, from ‘food waste’ to ‘food’ is as follows. Presumably you are thinking about any ‘food not eaten’

**Commented [KR6]:** My assumption is that “total weight of waste material” is ‘food removed from the registrant’s facilities’. If so, it may help to modify or at least define the term used. The term ‘waste material’ is very close to the term ‘food waste’ which may cause confusion in addition to which donated food is being called ‘waste material.’

**Commented [KR7]:** Since donations are still intended for consumption by people, it may be valuable to report that %age/amount separately from the amount fed to animals and recycled/remanufactured. It’s awkward to be calling donated food “waste.”



• For the purposes of this disclosure, donation of surplus food to social service agencies and/or charitable organizations, including for human or animal consumption, shall be considered reused, consistent with the EPA Waste Hierarchy.

• Recycled and remanufactured materials are defined as waste materials that have been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product. This is the equivalent to the following destinations used in the FLW Standard: bio-based materials and biochemical processing, codigestion / anaerobic digestion, composting / aerobic digestion, fermentation, and land application.

• For the purposes of this disclosure, the composting of materials shall be considered recycling, consistent with the EPA Waste Hierarchy.

• Materials sent for further recycling include those materials that are transferred to a third party for the express purpose of reuse, recycling, or refurbishment.

• The scope of recycled and remanufactured products includes primary recycled materials, co-products (outputs of equal value to primary recycled materials), and by-products (outputs of lesser value than primary recycled materials).

• Portions of products and materials that are disposed of in landfills are not considered recycled; only the portions of products that are directly incorporated into new products, co-products, or by-products shall be included in the percentage recycled/diverted.

• Materials incinerated, including for energy recovery, are not considered reused or recycled. Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, but with recovery of the heat.

• For the purposes of this disclosure, cooking oil that is recycled for energy use is considered recycled waste.

.30 The registrant shall use the requirements of the FLW Standard to describe the estimation-quantification methods used to calculate the amount of waste material and other approaches used (e.g., for calculating the inedible proportion, to exclude packaging, for sampling, and/or for scaling up of the data), percentage amount of food waste, and

**Commented [KR8]:** Would 'biogas' from anaerobic digestion therefore be considered a product?

**Commented [KR9]:** We propose using the terminology of the destinations included in the *FLW Standard* and selecting the appropriate categories that fit under 'recycled and remanufactured'.

These appear to be:

- bio-based materials and biochemical processing
- codigestion / anaerobic digestion
- composting / aerobic digestion
- fermentation
- land application

That may make the subsequent three bullets redundant.

**Commented [KR10]:** Question: Since the metric is percentage 'diverted' is that more accurate here than 'recycled'?

**Commented [KR11]:** Minor suggestions - propose saying 'quantification' as a retailer may directly measure food waste (i.e., it's therefore not an estimate).

This may also be easier to read as a list (minor point)

**Commented [KR12]:** The opening text focuses on 'amount of food waste', not the percentage. Shouldn't this therefore be 'amount'?





percentage of waste material diverted, including the frequency of waste audits and the percentage of restaurants audited.

**Commented [KR13]:** It is also important to reduce the amount of "material removed from the registrant's facilities," aka waste material, generated in the first place. As such, it would be useful to also ask for reporting on the amount of "waste material".

**Commented [KR14]:** I presume this is meant to be "retailers/distributors"?

**Additional comments by WRI.**

The *FLW Standard* requires an entity report on the scope of the FLW inventory, which includes four elements. WRI recommends that SASB also require reporting on the same elements, which are:

1. **Timeframe:** Based on the draft requirements in the *FLW Standard*, an entity is required to report the FLW inventory results over the course of a year (i.e., a 12 month period) and declare the starting and ending month. The requirement about a 12 month period may change in the final standard from a requirement to a recommendation based on input we recently received. However, regardless, we recommend that SASB identify the required timeframe and registrants report it. We have not included an edit in case a 12 month time period is already part of the requirement across all metrics.
2. **Material Type:** covered by section 28 in the draft Industry Standard above
3. **Destinations:** covered by section 29 in the draft Industry Standard above
4. **Boundaries:** An entity reporting in conformance with the *FLW Standard* is required to report the boundaries of the inventory's scope and we recommend that SASB also ensure this is specified by its standard and reported where necessary. The four dimensions of an inventory's boundary in the draft *FLW Standard* are as follows:
  - o Food types (Can one infer that SASB wants to have all food included? If so, then the requirement for all registrants is to include all food types.)
  - o Lifecycle stage (It seems that is included already in section 28 as "registrant's facilities")
  - o Geographic (Is the scope of SASB standard uniformly just facilities located in the US? If so, then this part of the scope is clearly defined. If not, it should be reported in some way so that those assessing the metric are clear about the geographic scope).
  - o Organizational unit (I think this is covered as well in section 28, and a registrant would assume the inventory should be for ALL of a "registrant's facilities." This may require further clarification for other sectors such as restaurants who may have owned and franchised facilities.)



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We presume that any changes made to the food waste metric for retailers/distributors will also be relevant to other SASB Industry Standards in which food waste is proposed as a disclosure topic and as such, recommend incorporating the suggestions we include here in the other Industry Standards as well.

If you would like to discuss any aspect of these comments or edits, or are interested in having us review your edits based on our input, please don't hesitate to be in touch.

Sincerely,

*Kai Robertson*

Kai Robertson  
Lead Advisor, WRI, Food Loss & Waste Protocol



July 19, 2015

Sustainability Accounting Standards Board®  
75 Broadway  
Suite 202  
San Francisco, CA 94111

Dear Board Members:

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) Multiline and Specialty Retailers and Distributors draft standard in the Consumption II Sector. ACC is America's oldest trade association of its kind, representing companies engaged in the business of chemistry—an innovative, \$812 billion enterprise that is helping solve the biggest challenges facing our nation and the world. The products of chemistry will make it possible to satisfy a growing world population by providing a healthy and plentiful food supply, clean air and water, safe living conditions, efficient and affordable energy sources and lifesaving medical treatments in communities around the globe. To enable these ongoing innovations, ACC supports public policies and private sector voluntary consensus standard development that will drive creation of groundbreaking products that improve lives and our environment, enhance the economic vitality of communities and protect public health.

ACC submitted comments to SASB in January on the draft standard in the Resource Transformation Sector and in June for the Consumption I Sector. We incorporate those comments by reference here, and repeat them for the draft Consumption II Sector standard as if made separately.<sup>1</sup> Our comments here specifically urge SASB to make adjustments to the draft standard to address issues of materiality, relevance, decision-usefulness for the mainstream investor, technical deficiencies with certain metrics and associated definitions, and to consider modifications that will reduce what are, in some cases, extraordinary financial burden associated with the proposed reporting.

### **General Comments**

#### **SASB's Standard Development Procedures Should be Improved to Conform with *Essential Procedures*-level Due Process**

As we noted in our January 15, 2015 comments to the draft standard in the Resource Transformation Sector and May 1, 2015 comments to the draft standard in the Consumption II Sector, ACC is a strong supporter of the use of voluntary consensus standard development to meet market needs, and in particular, respects standard development conducted in accordance with ANSI's *Essential Procedures*, which are recognized in the U.S. as particularly robust, protective of stakeholder engagement, and the best platform to support stakeholder development of technically sound, usable standards output. Establishing a robust performance reporting program can take decades of investment supported by significant sector-specific expertise. Given the complex nature of this reporting, and the potential for substantial market and business impact, ACC believes that voluntary consensus standards must respect ANSI-level due process and consensus requirements as set out in *Essential Procedures* to be suitable for use in the private sector. For that matter, procedures must be followed if voluntary consensus standards are to be adopted or



incorporated by reference by any regulatory agency. SASB procedures are currently falling short of the procedural respect and robustness needed to achieve ANSI approval, and we urge the organization to carefully review its process.

### **Specific Comments**

#### **CN0403-12 Revenue from products meeting environmental or social sustainability criteria**

*ACC recommends modification of the draft metric*

**.54** We suggest that under the second bullet, SASB include examples of not just NGO-led standards and certification programs, but also voluntary consensus standards (e.g., ASTM) and industry-developed standards. If the Forestry Stewardship Council standard is mentioned, the competing certification program, Sustainable Forestry Initiative, should also be specifically mentioned in order to avoid the appearance of an endorsement or preference for FSC.

Voluntary consensus standard use and certification should receive preference over non-consensus standards and tools like Cradle-to-Cradle and Green Seal noted in bullet 2. We also suggest that references to Cradle-to-Cradle and GreenSeal be removed.

**.55** SASB suggests that the product with the largest market share in the same product category shall be considered to be a benchmark product. We note that for anticompetitive reasons, SASB should not ask registrants to define product categories and market share themselves; if SASB wishes to describe product benchmarks; it should calculate and publish the information itself. Horizontal competitors typically avoid group and public discussions of their competitors' respective market shares.

**Bullet 2, sub-bullet 1:** We recommend that SASB remove "reduced chemicals in production and use (e.g., "certified non-toxic" and "full ingredients transparency" from the draft standard. First, "ingredients transparency" is a so called right-to-know measure; it has nothing to do with reduction of chemicals in production and use. For that matter, we question whether "ingredients transparency" is a legitimate sustainability measure at all. While we recognize that this has been a market trend, listing the chemicals present in a finished consumer product is not a health or safety measure and in no way impacts or improves the environmental footprint of the product. To the extent that a non-toxic certification is made against a voluntary consensus standard accepted by the entire marketplace (e.g., ASTM), that example is sound, and we request that clarification be made; it should be noted, however, that such certifications could be offered by non-consensus organizations with their own private view of what "non-toxic" means that are not science based, and certifications could also be offered by fly-by-night entities. Eco-labeling certifications should also be FTC Green Guides compliant to help avoid these traps.

#### **CN0403-13 Percentage of household, personal care, and home products for which chemicals ingredients are publicly disclosed**

*ACC recommends modification of the draft metric*

**.57** As noted above, we recommend that "ingredient disclosure" be removed as a sustainability measure. Ingredient disclosure, by itself, does nothing to advance the design or chemical composition of a consumer product, or its safe use, or exposure management and reduction, or product risk. Ingredient disclosure, can, to the contrary, be confusing to consumers and businesses who cannot know from the chemical list itself useful information to inform decision making. While ingredient disclosure is a hot topic in the area of food (a problem all by itself, where consumers do not understand that the acrylamide in their whole wheat bread or coffee arrives as a function of baking or brewing) SASB appears to be

assuming that "ingredient disclosure" is of equal interest to those buying goods in other markets and of special relevance to multiline and specialty retailers. It is neither relevant nor helpful in this market and many others. We also note that the ingredient disclosure movement has some additional, and significant, limitations. Rewarding ingredient disclosure means that only the most chemically simple products with a limited ingredient list get preference. (Example: a simple shampoo might have a dozen chemical ingredients. A zippered jacket, face cream, or electronic device might have hundreds or thousands). There is no incentive for manufacturers to develop innovative or groundbreaking new formulations, since they can't list their newly discovered ingredients and protect their intellectual property. Consumer confusion may lead to a preference for "shorter" chemical lists and less scary-sounding or shorter chemical names, which is misaligned with and can even undermine sustainability objectives. We encourage SASB not to artificially create "demand" for ingredient disclosure, which has many drawbacks and is not relevant to more sustainable products, by imposing it in market sectors where it is neither helpful nor of current interest.

#### **CN0403-14 Discussion of process to identify and manage emerging materials and chemicals of concern**

*ACC recommends modification of the draft metric*

.63 This section asks for discussion of relevant actions. Human health and environmental performance of a finished product are best informed by risk assessment, which requires evaluation of chemical constituents and their toxicological profile as well as exposure. For that matter, environmental performance is informed by application of ISO Life Cycle Assessment measures. We recommend that this section suggest those discussion areas first. Likewise, we suggest that another relevant action to be included is whether an ISO-compliant Environmental Product Declaration has been completed and is publicly available.

This section also refers to "use of banned substances lists." We suggest this be clarified to "use of legal or regulatory banned substances lists." The use of lists should be limited to their intended purpose and scope. Non-regulatory lists typically have minimal value and may be entirely arbitrary. If a regulatory list is used, it should be used from the international or national governing body itself (e.g., the Environmental Protection Agency in the U.S.) and should be current.

The use of the "Clean Production Action" list or lists, is for these reasons, wholly inappropriate; it is the private "list" of a non-profit organization not suitable to reflect just those legal and regulatory restrictions that should be considered here. For that matter, it should be readily apparent that a "Red List" or "List of Lists" prepared by any NGO - many of which have fundraising and campaign commitments seeking to further restrict their targeted chemicals - is not suitable for inclusion in a voluntary consensus standard (those lists reflect the private views of a narrow band of stakeholders with defined agendas). And, it should likewise be apparent that a "red list" prepared specifically for another market or product line, e.g., a "red list" for buildings would not be appropriate or meaningful for another market or product line. Different products have entirely different compositions and risk profiles; a chemical to which a worker might be exposed building a building (e.g., wood dust, crystalline silica) might be present in a finished toy or sporting good in such a manner that the chemical is fully entrained or reacted such that there is no exposure at all to a product user (e.g., child playing with wooden blocks, glass windshield in toy car). This last point also helps illustrate the folly of relying on NGO developed "red lists": many of these target chemistries solely based on toxicological profile without regard to exposure and risk. When such "red lists" are applied to actual consumer products, the results can be meaningless or even ridiculous. Chemical management decisions should be informed by not just chemical hazard but also exposure so that meaningful, science-based risk decisions can be achieved. This is another example why

legal and regulatory restrictions should be referenced, but other "red lists" developed by the private sector should not be incorporated in the standard.

**.64** We recommend that this section be removed in its entirety. Identification of specific polymers, chemicals, compounds and materials as either "emerging materials" or "chemicals of concern" should not be made without a better defined, scientifically sound evaluator process. It is insufficient to bootstrap the term "concern," which has no regulatory meaning, as the basis for such identification. Further, it is inappropriate to simply designate chemistries for an entire standard as requiring discussion; particular chemicals may be of interest in a particular product only due to possible exposure and routes of exposure or for other reasons. The sweeping approach suggested here is counterproductive and not science-based.

We offer specific comments on microbeads, which cannot be said to meet any of the criteria that SASB offers. Microbeads in consumer products do not have "other serious adverse health or environmental effects." ACC urges SASB to strike polyethylene microbeads from the list of "emerging materials and chemicals of concern." It is unclear how "polyethylene (PE) microbeads" is defined, and, the justification for its inclusion as an emerging material or chemical of concern is uncertain.

Plastics are polymers, and a polymer is a chemical composed of many repeat units – known as a polymer chain. Every polymer has distinct characteristics, which provide solutions for many different applications, such as: automotive construction, food packaging, transportation, building and construction, and personal care products, to name a few. The plastics made from transformed raw materials do not have the same properties as the raw materials. EPA has concluded "there is an exceedingly low probability that potential exposure to high molecular weight water-insoluble polymers, as a class, will result in unreasonable risk or injury to human health or the environment".<sup>2</sup> Plastics molecules are very large and do not have the same biological properties as the raw materials used to make them.

Plastics are a valuable resource that should not be lost to landfills or waterways. Investigations by marine scientists are highlighting the extent to which littered plastic and other materials end up as debris and mismanaged waste in our oceans and the consequences for the marine environment. ACC and the global plastics industry agrees that plastic waste does not belong in the world's oceans. As a global industry we actively contribute to solutions to eliminate marine litter.<sup>3</sup>

In 2014 EPA's Marine Pollution Control Branch: Office of Wetlands, Oceans and Watersheds worked with the National Research Council to hold an expert workshop to consider possible human health risks from microplastics in the marine environment.<sup>4</sup> After considerable debate, forum participants agreed that the current state of the science does not allow an assessment of possible human health risks from the ingestion of seafood contaminated with microplastic-derived persistent, bioaccumulative, and toxic chemicals.<sup>5</sup>

Plastic microbeads provide different qualities depending upon the application. With regard to plastic microbeads in personal care products, the microbeads are included as cleansers and exfoliants. Typically they are defined as plastic beads 5 millimeters or less in size. Unfortunately, many waste water treatment systems are not able to filter the microbeads, and therefore they wind up in waterways as waste.

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<sup>2</sup> Federal Register: March 29, 1995, Environmental Protection Agency, 40 CFR Part 723, OPPTS-50594B; FRL-4929-8, RIN 2070-AC14

<sup>3</sup> For additional information see the, "Declaration for Solutions on Marine Litter," [www.marinedebrissolutions.com](http://www.marinedebrissolutions.com).

<sup>4</sup> For the full workshop summary report, see [http://www2.epa.gov/sites/production/files/2015-02/documents/trash\\_free\\_waters\\_microplastics\\_expert\\_forum\\_meeting\\_summary\\_2-6-15.pdf](http://www2.epa.gov/sites/production/files/2015-02/documents/trash_free_waters_microplastics_expert_forum_meeting_summary_2-6-15.pdf).

<sup>5</sup> Id. 7.

ACC comments to draft standard, Consumption II  
July 19, 2015

Recognizing that improper management of plastic waste is unacceptable, large consumer product companies (e.g., Procter & Gamble, Johnson & Johnson, L’Oreal, etc.) committed to phasing out the use of plastic microbeads by 2020 – or within five years. This also includes use of the microbeads in over the counter drug applications. ACC agrees with the product stewardship decision taken by the companies to phase out use of microbeads as exfoliants in personal care products. We continue to support legislative efforts, at both the state and federal level, to phase out the microbeads in the next five years.

It is inappropriate to classify “polyethylene microbeads” as a material or chemical of concern. As noted, the consumer goods industry is taking the initiative to remove exfoliating microbeads from personal care products to keep them from improper management after use. The EPA forum in 2014 established that current science does not support conclusions as to possible human health risks. Thus, SASB should remove polyethylene microbeads from the “Consumption II: Multiline and Specialty Retailers & Distributors” standard.

### **CN0403-16 Description of strategies to reduce the environmental impact of packaging throughout its lifecycle**

*ACC recommends modification of the draft metric*

**.67** Packaging can have significant life cycle benefits during its use phase. For example, packaging can reduce damage and shrink (loss) during transportation; it can reduce food loss during transportation; and it can help prolong the life of certain products by offering UV, water, pest, or other protection during transit and storage. Reducing product loss has follow on life-cycle savings as well for energy, GHG reduction, and other impacts.

Importantly, innovations in packaging light-weighting are delivering significant energy savings and corresponding reductions in greenhouse gas emissions. Saving just a few pounds of weight on a truck or railcar - or being able to compress goods and ship more - saves fuel, energy, and GHGs that magnify quickly and have a significant sustainability impact nationally and annually.

SASB should add, in its description of strategies to reduce environmental impact, the opportunity for registrants to discuss the life cycle benefits their products offer in the use phase. We appreciate that the draft says "such as reducing packaging weight and volume," but expressly inviting additional discussion of in use benefits such as energy savings in transportation would be valuable.

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Thank you for the opportunity to comment. Please feel free to contact me at [REDACTED]  
or [REDACTED] with any questions about these comments.

Respectfully submitted,

[REDACTED]  
Debra Phillips  
Vice President, Responsible Care® and Value Chain Outreach  
American Chemistry Council



**American  
Forest & Paper  
Association**

July 7, 2015

Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

**RE: AF&PA Comments on Consumption II Sector/  
E-Commerce Exposure Draft for Public Comment**

To Whom It May Concern:

The American Forest & Paper Association (AF&PA) is pleased to provide comments on the Sustainability Accounting Standards Board (SASB) Consumption II Sector/E-Commerce Exposure Draft for Public Comment (the "Standard"). Our comments below have been informed by our review of the Record of Public Comment document issued for the Resource Transformation Sector Standards, which include Containers and Packaging (the "RPC Document").

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures approximately \$210 billion in products annually, and employs nearly 900,000 men and women. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states.

AF&PA's sustainability initiative - *Better Practices, Better Planet 2020* - is the latest example of our members' proactive commitment to the long-term success of our industry, our communities and our environment. We have long been responsible stewards of our planet's resources. Our member companies have collectively made significant progress in each of the following goals, which comprise one of the most extensive quantifiable sets of sustainability goals for a U.S. manufacturing industry: increasing paper recovery for recycling; improving energy efficiency; reducing greenhouse gas emissions; promoting sustainable forestry practices; improving workplace safety; and reducing water use.



## **GENERAL COMMENTS**

### **Voluntary Standards**

We appreciate SASB's statement that "[d]isclosure under SASB Standards is voluntary". AF&PA members strongly support retaining the voluntary nature of SASB Standards. SASB's process includes regular meetings with the Securities and Exchange Commission (SEC), and it has been widely reported that SASB's ultimate objective is to have the SEC mandate the use of its standards. We were pleased to see SASB's statement in the RPC Document that it is not asking the SEC to mandate the use of SASB standard, and we request that SASB maintain a position with the SEC that use of its standards should be voluntary.

### **Materiality, Topics, and Metrics**

AF&PA supports SASB's adherence to the Supreme Court's definition of "materiality" and its emphasis that it is up to each company to decide for itself which sustainability topics are material. There is a lack of clarity, however, around how the Standard is intended to be used once a company determines that a topic is material. SASB representatives have given the impression that once a company has determined a topic is material, it must use the SASB metrics for that topic. The "Guidance on Accounting of Material Sustainability Topics" in the draft Standard, however, states "SASB recommends that each company consider using these accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material." SASB also recommends that "companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported."

We support the approach to metrics as described in the Standard and quoted above. Our members have serious concerns about the comparability and other aspects of the metrics SASB has chosen for the Standard. We believe making it clear, as does the text above, that companies have the flexibility to use those or other metrics, as well as the ability to explain why particular metrics do or do not "ensure completeness, accuracy, and comparability of the data reported" is very important for ensuring stakeholders using the data understand its potential limitations. Therefore, SASB should retain the "consider" language in the final Standard and explain the apparent inconsistency with its public statements.

AF&PA also wants to make clear that our participation in SASB's comment process does not indicate an acceptance by AF&PA or our members companies that the metrics proposed by SASB are material according the Supreme Court definition of materiality.

### **Duplication With Existing Reporting Requirements**

We understand that SASB tried to choose metrics that companies already report (voluntarily or pursuant to government requirement), as a way to minimize reporting burdens and ensure the metric is viable. Choosing these metrics, however, does raise potential concerns for reporting companies. Specifically, there is significant potential for inconsistent reporting between reports using the SASB standard (including, potentially SEC reports) versus other reports, including a company's own sustainability reports, if SASB's metrics and the way in which they are derived and reported are not exactly the same as those used in the other reports. At a minimum, this inconsistency creates confusion among stakeholders; it also creates legal risk for reporting companies. Accordingly, to the extent that a metric is subject to multiple reporting requirements, the Standard should permit the reporting company to choose which requirement it is reporting under and indicate that choice in its reports.

### **Assurance**

SASB indicates in the E-Commerce Standard that "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." While AF&PA members have systems in place to ensure high quality data are publicly reported, we do not believe that some of the metrics in the Standard lend themselves to the same level of assurance as is provided in financial reporting. Metrics that are reported to government agencies are not a concern because they typically have their own assurance requirements. The methodologies for reporting other metrics, however, may allow for more flexibility in the calculation of the metric, and thus, there may be greater variation in reported information than one might typically encounter in financial documents. In the provisional Containers & Packaging Provisional Standard, the section on assurance was removed. We would encourage SASB to remove this section from the E-Commerce Standard, as well, to provide consistency in the SASB standards. Further, the RPC Document implicitly acknowledges that sustainability data are not yet of the same quality as financial data, although SASB believes that sustainability data will achieve that level of quality over time. In the meantime, however, companies could face legal risk if they use the SASB standards for reporting and sustainability data are held to the same quality requirements as financial data.

SASB also should make an explicit link between its assurance requirements, and its recognition that estimates may be used, as long as the company explains the basis for the estimate. SASB should revise its statement that "SASB does not discourage the use of such estimates" to make it a more neutral statement acknowledging the reality that estimates will need to be used in reporting sustainability data.

## **American National Standards Institute (ANSI) Procedures**

SASB's Vision and Mission document states that "SASB is also an ANSI accredited standards developer. Accreditation by ANSI signifies that SASB's procedures to develop standards meet ANSI's requirements for openness, balance, consensus, and due process." Further, SASB's "Our Process" webpage states that "[a]s an ANSI-accredited standards-setting organization, SASB follows an open, orderly process that permits timely, thorough, and open study of sustainability accounting issues."

We appreciate SASB's direct acknowledgement in the RPC Document that it is not using an ANSI-process and in the spirit of complete disclosure and transparency, SASB should make clear in its standards and on its website that the standards have not been developed and are not being finalized pursuant to the ANSI procedures. We also look forward to commenting on SASB's proprietary standards and we urge SASB to propose procedures that incorporate as much of the ANSI *Essential Requirements* as possible.

Adherence to ANSI *Essential Requirements* provides stakeholders with assurances that needed procedural safeguards are present. This is especially important, if, as is the case here, there is the potential for a government agency--the Securities and Exchange Commission (SEC)--to mandate the use of a standard (although, as discussed above, we strongly believe the standard should be voluntary). Government standards typically are developed through a notice and comment process and are subject to numerous due process protections for stakeholders, including in many cases, judicial review. Private standards adopted for government use should be developed with the same level of due process protection.

Office of Management and Budget (OMB) OMB Circular A-119 requires, with limited exception, that federal agencies and departments use "voluntary consensus standards," which are "standards developed or adopted by voluntary consensus standards bodies."<sup>1</sup> The Circular also established guidelines for federal participation in the development and use of voluntary consensus standards. Specifically, the Circular provides the following attributes for a "voluntary consensus standards body": (i) openness; (ii) balance of interest; (iii) due process; (iv) an appeals process; and (v) consensus. Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (Public Law 104-113) basically codified the OMB Circular and requires that "all Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies," unless use of such a standard is "inconsistent with applicable law or otherwise impractical."

By definition, private standards such as SASB's do not include the due process protections found in the development of government standards. ANSI *Essential*

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<sup>1</sup> Office of Management and Budget, Circular A-119 (Revised), February 10, 1998.

*Requirements* closely track the procedural safeguards required by the Circular.<sup>2</sup> In its RPC Document, SASB clarified that, even though it is an ANSI-accredited standards setting organization, it does not intend to use ANSI procedures to finalize its standards, and instead will seek comment on the proprietary procedures it intends to use.

### **Private, Non-Consensus Standards**

Generally, as required by ANSI, the Standard should avoid references to private tools or standards (e.g., Green-e, World Resources Institute (WRI) Water Risk Atlas tool, Aqueduct). Among other concerns, these tools or standards have not been developed in a consensus-based process that provides the procedural safeguards discussed above.

In addition, SASB's adoption of a particular private tool or standard has the effect of locking in that standard for the future. Other existing tools or standards may perform similar functions but be more suitable to the E-Commerce sector, and new, innovative standards may be developed in the future. SASB shouldn't prejudge the suitability of those standards by locking in one particular standard at this time. At a minimum, SASB should describe what the tool provides or the standard is trying to accomplish, and after identifying the tool or standard, add "or equivalent."

### **Usefulness of Metrics As Indicators of Sustainability**

As discussed in the "Specific Comments" section below, we do not believe that the disclosure of particular metrics provides useful, comparable, sustainability-related information for stakeholders. But, more importantly, we do not believe that a simple comparison of any metrics themselves would provide a complete picture of the sustainability performance of the companies that reported those metrics (or didn't report a particular metric because it is not material). Many companies explain the context for the metrics they include in their sustainability reports. Similarly, SASB should encourage stakeholders to consider the entirety of the information provided by companies that may report based on the Standard, and not to simply compare one company to another based only on the metrics.

### **SPECIFIC COMMENTS**

We limited our comments below only to the packaging metrics, as those are most directly related to our members' interests.

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<sup>2</sup> The ANSI Essential Requirements for Due Process are: openness, lack of dominance, balance, coordination and harmonization, notification of standards development, consideration of views and objections, consensus vote, appeals, written procedures, compliance with normative ANSI policies and procedures. ANSI Essential Requirements: Due process requirements for American National Standards. January 2014.

**Logistics and Packaging Efficiency (CN404-05)** *Description of strategies to reduce the environmental impact of product delivery*

Note (.24) requests that companies discuss packaging choices and lists out a number of topics including “lightweighting of material and source reduction”. As AF&PA has commented on in previous standards, the primary purpose of packaging is to protect products from damage. The focus of the package design should be optimization of performance, which may, but just as easily may not, lead to minimization of weight and volume. Product damage, and the resulting environmental impacts associated with replacing damaged goods, has a larger overall life cycle negative impact than the impact of additional package weight. Therefore the note should be changed to ask companies to discuss their strategies for “optimizing their use of packaging”.

This change would be consistent with previous the SASB Provisional Standard on Containers and Packaging which recognizes that lifecycle management will include both “environmental impact reduction and maximization of product efficiency”.<sup>3</sup>

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AF&PA appreciates the opportunity to comment on the Standard. Please contact Jerry Schwartz at ( [REDACTED] or [REDACTED] or Katie Missimer (202-[REDACTED] or [REDACTED] if you have any questions on our comments.

Sincerely yours,

[REDACTED]

Jerry Schwartz  
Senior Director  
Energy and Environmental Policy

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<sup>3</sup> Sustainability Accounting Standards Board, *Resource Transformation: Containers & Packaging Provisional Standard*. March 2015.



July 19, 2015

Sustainability Accounting Standards Board®  
75 Broadway  
Suite 202  
San Francisco, CA 94111

Dear Board Members:

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) Apparel, Accessories, & Footwear draft standard in the Consumption II Sector. ACC is America's oldest trade association of its kind, representing companies engaged in the business of chemistry—an innovative, \$812 billion enterprise that is helping solve the biggest challenges facing our nation and the world. The products of chemistry will make it possible to satisfy a growing world population by providing a healthy and plentiful food supply, clean air and water, safe living conditions, efficient and affordable energy sources and lifesaving medical treatments in communities around the globe. To enable these ongoing innovations, ACC supports public policies and private sector voluntary consensus standard development that will drive creation of groundbreaking products that improve lives and our environment, enhance the economic vitality of communities and protect public health.

ACC submitted comments to SASB in January on the draft standard in the Resource Transformation Sector and in June for the Consumption I Sector. We incorporate those comments by reference here, and repeat them for the draft Consumption II Sector standard as if made separately.<sup>1</sup> Our comments here specifically urge SASB to make adjustments to the draft standard to address issues of materiality, relevance, decision-usefulness for the mainstream investor, technical deficiencies with certain metrics and associated definitions, and to consider modifications that will reduce what are, in some cases, extraordinary financial burden associated with the proposed reporting.

### **General Comments**

#### **SASB's Standard Development Procedures Should be Improved to Conform with *Essential Procedures*-level Due Process**

As we noted in our January 15, 2015 comments to the draft standard in the Resource Transformation Sector and May 1, 2015 comments to the draft standard in the Consumption II Sector, ACC is a strong supporter of the use of voluntary consensus standard development to meet market needs, and in particular, respects standard development conducted in accordance with ANSI's *Essential Procedures*, which are recognized in the U.S. as particularly robust, protective of stakeholder engagement, and the best platform to support stakeholder development of technically sound, usable standards output. Establishing a robust performance reporting program can take decades of investment supported by significant sector-specific expertise. Given the complex nature of this reporting, and the potential for substantial market and business impact, ACC believes that voluntary consensus standards must respect ANSI-level due process and consensus requirements as set out in *Essential Procedures* to be suitable for use in the private sector. For that matter, procedures must be followed if voluntary consensus standards are to be adopted or



incorporated by reference by any regulatory agency. SASB procedures are currently falling short of the procedural respect and robustness needed to achieve ANSI approval, and we urge the organization to carefully review its process.

### **Specific Comments**

#### **CN0501-01. Percentage of products free of regulated substances**

*ACC recommends removal of the draft metric*

We suggest this provision be removed. While the accounting metric focuses on "regulated substances" which are restricted or banned due to law or implementing regulation, many legal requirements may not extend to complete elimination of a compound. The complete elimination of a compound may be infeasible or unnecessary to achieve human health or ecological objectives. This section should read, "Products can be verified as containing regulated substances below regulated limits through testing or third party certification."

**.03** This section should clarify that a legal restriction or ban is specifically relevant to the product category - e.g., home textile, apparel, or footwear at issue. It is not appropriate to apply a restriction that may exist with respect to, for example, direct food additives to footwear - the exposure pathways and exposure profile to the compound will be completely different. We recommend the inclusion of the phrase "relevant to the product category" before "regulation or law".

**.03, bullet 2:** This section invokes the "strictest regulations of all countries or markets" globally. Some countries, however, have been known to make political decisions with respect to chemistries (as opposed to science-based or deliberative regulatory decisions) and for that matter, the restrictions of particular countries may create trade barriers. While it may be appropriate to give consideration to the strictest regulatory schemes globally, the standard should allow such schemes to be excluded from further consideration where they are arbitrary (e.g., based on invocation of the precautionary principle), politically based, or may create a global trade barrier.

#### **CN0501-02. Discussion of process to identify and manage emerging materials and chemicals of concern.**

*ACC recommends modification of the draft metric*

**.05** We strongly recommend that SASB remove "may be of concern" to stakeholder groups as the basis for identification and management. This provision is entirely arbitrary. "Concern" is not a legal or regulatory concept that has any meaning; no measures for quantification are given; and there is no basis for determining whether "concern" has a basis or is well-founded. There are many recent examples of scientific fraud, social media abuse, shoddy media reporting and otherwise that have either created or propagated "concern" over the safety of a compound or product unnecessarily. In the social media age, even if a fraudulent scientific study is retracted or debunked, it may take years (if at all) for the "concern" to dissipate. (We further note that the catchall provision at the end - "but are not currently regulated" - should be reconsidered. In the modern era it is not accurate to suggest that chemicals are not regulated or "not currently regulated." If SASB means this statement to be "not currently regulated in the textile, apparel, or footwear product as used in that application" or "not currently regulated for the health or environmental issue where the concern has arisen" that is another matter, but such constructions imply

that specific regulation as used in the product is needed (on top of other regulated such as new chemical review) or that regulation specific to an unfounded "concern" is needed.

**.07** We recommend that material safety data sheets not be used as an example of product declarations but be offered as a stand-alone category, e.g., "product labeling, product declarations, and material safety data sheets."

**.08** This section asks for discussion of relevant actions. Human health and environmental performance of a finished product are best informed by risk assessment, which requires evaluation of chemical constituents and their toxicological profile as well as exposure. For that matter, environmental performance is informed by application of ISO Life Cycle Assessment measures. We recommend that this section suggest those discussion areas first. Likewise, we suggest that another relevant action to be included is whether an ISO-compliant Environmental Product Declaration has been completed and is publicly available.

**.09** This section refers to "use of banned substances lists." We suggest this be clarified to "use of legal or regulatory banned substances lists." The use of lists should be limited to their intended purpose and scope. Non-regulatory lists typically have minimal value and may be entirely arbitrary. If a regulatory list is used, it should be used from the international or national governing body itself (e.g., the Environmental Protection Agency in the U.S.) and should be current.

This section, which also references the precautionary principle, should be eliminated. As noted above, "restricted substance lists" or banned substance lists that reflect existing legal requirements may have some use for tracking and managing regulatory compliance globally. Lists that aim to go beyond this - and lists that purport to apply the "precautionary principle" to chemistries are not appropriate for use. The "precautionary principle" is not considered appropriate for regulatory risk management in the United States and is inconsistent with risk principles, which take exposure into consideration. For that matter, the "precautionary principle" is an abstract vision that cannot be reasonably or consistently applied in chemical risk management. It is undefined in this standard, and thus lacks any technical scientific basis that can either be described or consistently applied.

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Thank you for the opportunity to comment. Please feel free to contact me at [REDACTED]  
or [REDACTED] with any questions about these comments.

Respectfully submitted,

[REDACTED]  
Vice President, Responsible Care® and Value Chain Outreach  
American Chemistry Council



# ZERO DISCHARGE OF HAZARDOUS CHEMICALS PROGRAMME



**SUSTAINABILITY ACCOUNTING  
STANDARDS BOARD**  
75 Broadway, Suite 202  
San Francisco, CA 94111

July 2, 2015

**RE: Exposure Draft Standard for Public Comment: Apparel, Accessories, & Footwear,  
Sustainability Accounting Standard #CN0501**

Dear Sir or Madam,

The Zero Discharge of Hazardous Chemicals (ZDHC) Programme appreciates this opportunity to provide comments on the draft Sustainability Accounting Standard for Apparel, Accessories, & Footwear (#CN0501). We would like to offer recommendations to improve and clarify the proposed accounting metrics on regulated substances in products, ZDHC priority chemical discharge, and in particular the ZDHC Manufacturing Restricted Substances List (MRSL).

In 2011, the Zero Discharge of Hazardous Chemicals (ZDHC) Programme formed to catalyze positive change in the discharge of hazardous chemicals across the life cycle of apparel and footwear products. Our global coalition now includes brand members adidas Group, Benetton Group, Burberry Group PLC, C&A, Esprit, Gap Inc., G-Star Raw C.V., H&M, Inditex, Jack Wolfskin, L Brands, Levi Strauss & Co., Li Ning, M&S, New Balance Athletic Shoe, Inc., NIKE, Inc., PUMA SE and PVH Corp., a growing number of associate members, and a diverse group of stakeholders we engage with regularly. The group is currently transitioning into a professional organization in order to scale these efforts and maximize global impact.

## **1. Clarify Metric Overall and Replace “Free of” from Product Safety Accounting Metric CN0501-01: Percentage of Products Free of Regulated Substances**

Under the topic of Product Safety, the draft standard includes an accounting metric of “[p]ercentage of products free of regulated substances.” While we understand and support the intention, we encourage SASB to clarify the criteria for this calculation. As the metric is currently written, it implies testing of every individual product. This is inconsistent with current industry practice, where component or selective testing in combination with other quality control programs ensures product safety requirements are met. Testing every single product entering the marketplace would be cost prohibitive.

ZDHC also recommends SASB use alternative language to “free of” since this is neither scientifically nor legally credible, and it will generate confusion for companies relying on this standard for reporting.

# ZERO DISCHARGE OF HAZARDOUS CHEMICALS PROGRAMME



Global apparel and footwear brands go to great lengths to ensure compliance with product restricted substances legislation and in some cases third party standards or substance concentration limits that are more stringent than individual market or global requirements. Given the technical realities of chemical manufacturing and processing of materials used in apparel and footwear – as well as background environmental concentrations – it is not possible to credibly claim that a product is truly “free” of regulated substances as modern analytical techniques become increasingly more sophisticated and powerful. Trace amounts of regulated substances can be detected in most materials as analytical technology advances.

ZDHC recommends revising language to “compliant with strictest global regulated limits on” in place of “free of.” The percentage of products compliant with strictest global regulated limits is an indicator of whether a reporting company is going beyond what is legally required for its individual markets. This recommended (or similar) alternative language to “free of” should also be used in CN0501-01 subsections .01 & .02 accordingly.

a. **Remove “above detection limits” from CN0501-01 subsection .04**

Following the same reasoning set forth above, in CN0501-01 subsection .04 ZDHC recommends eliminating “above detection limits” for determining when a product is considered to contain a regulated substance. If detection limits are the basis for determining presence of restricted substances, responsible companies disclosing information to SEC in good faith would not be able to credibly report on the metric. Not only are detection limits typically much lower than regulated limits, they also vary widely across laboratories, test methods, and analytical instruments. Products tested to assure compliance with strictest global regulated limits are routinely found to contain trace amounts of restricted substances above detection limits but well below legal limits or concentrations that would pose any risk to consumers.

Products containing restricted substances above detection limits should not be used as an accounting metric under subsection .04 due to the uncertainty it will create for companies using the SASB standard to disclose material sustainability information. ZDHC recommends limiting subsection .04 to products containing restricted substances above the AAFA RSL limits or equivalent foreign regulation where substances are regulated.

**2. Working Conditions & Environmental Impacts in the Supply Chain Accounting Metric CN0501-09**

ZDHC recognizes the importance of metrics demonstrating progress toward ZDHC established standards. We would like to provide background information about ZDHC initiatives for SASB to consider along with several suggestions to improve and clarify accounting metric CN0501-09.

# ZERO DISCHARGE OF HAZARDOUS CHEMICALS PROGRAMME



- a. Remove “free of” from Accounting Metric CN0501-09: Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 tested for priority chemical discharge, percentage verified as free of all chemicals in Zero Discharge of Hazardous Chemicals (ZDHC) priority chemical groups

For the same reasons discussed in the previous section, ZDHC encourages SASB to use alternative language to “free of” in the metric for disclosing ZDHC priority chemical groups in supplier facilities. This would generate confusion for reporting companies in the same way it would if reporting on percentage of apparel and footwear products “free of” restricted substances is included as an accounting metric. The reference to “free of” should also be removed from subsection .52.

- b. Focus accounting metric CN0501-09 on input chemical formulation compliance to the ZDHC Manufacturing Restricted Substances List (MRSL) instead of wastewater discharge

ZDHC was launched to address discharge of 11 priority chemical groups in the global apparel and footwear supply chain. After careful consideration by the membership, a strategic decision was made to begin by focusing ZDHC's efforts on commercial chemical formulations, since it is through input chemistry that hazardous substances are introduced into manufacturing and the product lifecycle with potential for discharge into the environment. By establishing and implementing standards to control priority substances in input chemistry, it follows that risk of harmful discharge of these substances into the environment is greatly minimized.

In June 2014, the first version of the ZDHC MRSL was published.<sup>1</sup> The MRSL standard includes substances ZDHC does not want entering the supply chain, and it establishes strict concentration limits for these substances in chemical formulations. Efforts are currently underway to develop a system for assessing MRSL conformity of commercial chemical formulations as well as the uptake of MRSL-compliant or other third-party verified chemistries throughout the supply chain, several of which are included in SASB draft standard #CN0501-02, e.g., bluesign®, OEKO-TEX, etc.

Currently, there is no common standard for measuring and assessing wastewater discharge of the 11 priority groups from supplier facilities, and detection alone is not a sufficient basis for any restricted substance metric for the reasons previously discussed. As such, ZDHC recommends that SASB instead focus accounting metric CN0501-09 on disclosure of MRSL conformity throughout the supply chain, since the MRSL sets a clear standard of compliance that can be reported against by companies. Possible alternative metrics might include:

- Percentage of Tier 1 supplier facilities or (2) supplier facilities beyond Tier 1 using entirely or greater than a designated percentage of MRSL-compliant chemical formulations.
- Percentage of formulations used throughout Tier 1 supplier facilities or (2) supplier facilities compliant with the ZDHC MRSL.

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<sup>1</sup> The ZDHC MRSL does not apply to chemical formulations intended for leather processing at this time. An updated MRSL applicable to leather is anticipated in 2015.



# ZERO DISCHARGE OF HAZARDOUS CHEMICALS PROGRAMME



## c. Postpone inclusion of metric for hazardous chemical discharge testing

While ZDHC understands the importance of wastewater testing, without a clear standard for what concentrations are or are not acceptable in wastewater discharge, the issues of detection limits and “free of” discussed several times in these comments present themselves. Analytical methods may detect very low level background contamination of hazardous substances, but these concentrations have little relevance unless placed in the context of a clear standard. For this reason, ZDHC is working on a globally harmonized water quality standard and recommends that SASB postpone the inclusion of a wastewater accounting metric until such time as the global water quality standard becomes available. In the meantime, a metric addressing MRLS conformity discussed in subsection **b** above makes more sense for the industry to report.

ZDHC thanks you for recognizing its efforts by including ZDHC metrics in the draft Sustainability Accounting Standard #CN0501 – and for your consideration of the issues raised and recommendations provided in these comments. Should you desire additional clarifying information or a meeting to discuss these comments in more detail, please contact the ZDHC Programme Manager at [REDACTED]. ZDHC would be happy to have a representative meet with you in San Francisco to discuss at your convenience.

Sincerely,

[REDACTED]

ZDHC Programme Manager



Jason Kibbey  
Chief Executive Officer  
Sustainable Apparel Coalition  
[REDACTED]  
+1-415-413-7488

Sustainable Accounting Standards Board  
75 Broadway Suite 202  
San Francisco, CA 94111

To Whom It May Concern:

The following comments relate to SASB's Apparel, Accessories, and Footwear Standards within the Consumption II group.

The Sustainable Apparel Coalition (SAC) is an industry association whose membership consists of brands, retailers, manufacturers, NGOs, governments, and educational institutions related to the apparel, footwear, and home textiles industry. Members of the Sustainable Apparel Coalition represent over one third of the turnover of the apparel and footwear industry. The SAC was founded by leaders in sustainability to create an apparel and footwear industry that does no unnecessary harm and improves the communities where it operates. The primary focus of the SAC is the Higg Index, a comprehensive suite of tools to measure the impact of the production and sales of apparel, footwear, and home textiles products. These comments represent the views of SAC staff and members who have provided feedback to staff, but they are not the product of a consensus process amongst our 160+ members and do not represent the views of each individual member company or organization because they are not the product of a consensus process. Our comments are particularly relevant to SASB's efforts in this sector because we are the largest effort dedicated to sustainability assessment in the apparel and footwear vertical industry and we have years of experience creating and synthesizing indicator questions to material sustainability issues in the sector.

With a goal of sustainability measurement and improvement, the SAC is philosophically aligned with the goals of SASB. Further, as an industry with a deep history of measurement and the resulting vast quantity of assessments, the overall goal of aligning and reducing assessments is shared and laudable. Developing meaningful and high quality metrics for an industry as disaggregated and complicated as the apparel and footwear industry requires significant time and investment. The SAC understands this first hand as it has spent millions of dollars and tens of thousands of man hours from the value chain and its stakeholders creating the Higg Index, which was already built on top of existing assessments themselves representing considerable investment. We appreciate the difficulty in establishing materiality for an industry such as this and appreciate that SASB must have a process that is consistent across industry verticals.

We have separated our comments into both specific and general comments and included desired areas of clarification as well as feedback on the viability of the metrics created by SASB.

**General Comments:**

SASB should be commended for generally getting the right material issues to the apparel and footwear industry into its standards. The areas it chose for materiality are generally indeed material for this



industry. Unfortunately, the questions themselves are not viable at this point and need a re-start in order to gather obtainable information which accurately demonstrate material issues for the industry.

When SASB first approached SAC staff about its work in apparel and footwear, we appreciated the openness and willingness to work together. The SAC warned SASB staff not to re-create assessments, and not to under-estimate the complexity of this value chain. SAC offered staff resources to help SASB utilize existing questions and methodology from the Higg Index. We were very concerned that SASB's process of utilizing an analyst not experienced in the sector to do 1-2 months of literature review to create preliminary standards was going to lead to an inferior set of indicators given the challenges faced in the past in this sector. This was why we offered staff resources to assist with the creation for SASB's indicators to leverage many years spent on the same subject. We were told that SASB works very closely with industry and multi-stakeholder initiatives to ensure high quality outputs and alignment. While SASB's analyst did indeed speak with our staff and ask some follow up questions the level of engagement was low. When the SAC provided additional comments stating major concerns with the initial product there was no follow up from SASB despite a stated interest in working together. The main points of contacts at SASB for the SAC both left the organization on the same day, and we have not heard from SASB since receiving their departure emails. This low level of engagement with the SAC is presumably indicative of a similar level of engagement with other industry actors which would have revealed shortcomings in the draft standards earlier. Unfortunately in the end it felt as though the SAC were another stakeholder to be managed rather than a thought partner in creating a viable assessment.

Because SASB is seeking entirely new data sets rather than those that are already being collected it is creating a new cost-prohibitive assessment that will not likely be used. There is a significant opportunity because similar information is already collected through the Higg Index. SASB could utilize indicator questions from the Higg Index to gather very similar information than that which was requested in the standards with little marginal costs to brands, retailers, and manufacturers who are already reporting on the Higg Index. We understand that to fit within SASB's model, SASB would only seek a subset of the information that the SAC collects with the Higg index but the current questions are simply not viable, and a more robust stakeholder engagement process would have likely revealed this fact.

**The SAC recommends that the questions in the draft standards as presented be abandoned and SASB restarts a new process. Should SASB decide not to re-start entirely it must completely change the questions it asks in the standard. The questions should not be used as a starting point; they should be used as a re-starting point.** This point of view is not coming from a source who wishes to brush critical industry sustainability challenges under the rug, rather we seek to eventually make all relevant sustainability information entirely transparent to all stakeholders and are working toward that end.

#### **Specific Comments:**

#### **Overall:**

- Please provide clarification on the thresholds at which metrics apply to businesses that are in multiple industries (eg retail, online sales, product) or provide guidance on application of the metrics.

**Disclosure topic:** Product Safety

**Accounting metric code:** CN0501-01





**Comments:**

- As written, this metric is not feasible for many if not most companies. It implies testing of every individual product and this is cost prohibitive. This is inconsistent with current industry practice, where component or selective testing in combination with other quality control programs—such as chemical input management— ensures product safety requirements are met.
- Further, for this metric to be meaningfully comparable across companies, all companies should be assessed against the same Restricted Substances List (RSL) as opposed to different ones depending on where a company operates, but a globally agreed list does not currently exist.

**Disclosure topic:** Raw Materials Sourcing Risks & Materials Innovation

**Overall comment:** Despite the header for this section, none of the measures addresses materials innovation.

**Disclosure topic:** Raw Materials Sourcing Risks & Materials Innovation

**Accounting metric code:** CN0501-03

**Comment:**

- Please clarify if this metric is intended to cover all products together or if the requirement would be to create and disclose separate lists for apparel, accessories and footwear.
- Disclosing material volumes by type could lead to potential competitive risks. Ideally, industry would develop industry standard or clarification on materials types for consolidation in reporting.

**Disclosure topic:** Raw Materials Sourcing Risks & Materials Innovation

**Accounting metric code:** CN0501-04

**Comments:**

- Not all standards are equal, even those with third-party certification. It may be beneficial for the SAC or another body to provide a list of which certifications should be included.

**Disclosure topic:** Raw Materials Sourcing Risks & Materials Innovation

**Accounting metric code:** CN0501-05

**Comment:**

- The industry does not currently have reliable tracking back to raw material sourcing. Brands typically do not purchase materials directly. Those that do source materials are sourcing from a vendor who may or may not be able to track back to source. Because cotton is a commodity, significant change to the industry and tracking would be needed to reliably report.

**Disclosure topic:** Working Conditions & Environmental Impacts in the Supply Chain

**Accounting metric code:** CN0501-06

**Comment:**

- Percentage audited and subject to third-party audit would be available for Tier 1 suppliers, but a percentage calculation for Tier 2 would rely on all brands having clear insight into the total count of Tier 2 suppliers, which today is far from the case.

**Disclosure topic:** Working Conditions & Environmental Impacts in the Supply Chain

**Accounting metric code:** CN0501-07



**Comment:**

- It is concerning that the definitions and severity of non-conformances may not be sufficiently aligned across companies, such that this metric as currently written, could be misleading. There is a need to align further on the definitions of non-conformance and the method of calculating the rate in order to provide meaningful comparisons.

**Disclosure topic:** Working Conditions & Environmental Impacts in the Supply Chain

**Accounting metric code:** CN0501-08

**Comment:**

- Providing top non-conformances again relies on a standard definition of the non-conformances and would require additional definitions for the calculation: number of workers affected, severity of non-conformance, duration, etc.

**Disclosure topic:** Working Conditions & Environmental Impacts in the Supply Chain

**Accounting metric code:** CN0501-09

**Comment:**

- Currently, there is no common standard for measuring and assessing wastewater discharge of the 11 priority groups from supplier facilities, and this conversation could be revisited when an industry standard has been set. As discussed in CN0501-01, testing for compliance in the 11 priority groups on the front-end of the process, by enforcing RSLs and adherence to regulations, is preferable to testing on the back-end of the process.

**Disclosure topic:** Working Conditions & Environmental Impacts in the Supply Chain

**Accounting metric code:** CN0501-10

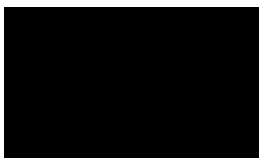
**Comment:**

- Suppliers completing Higg Index would need to assess whether completion alone is the goal. Other options include completion and opening response to brands or completion and publishing or opening results to all. Further, to assess percentages, brands need full insight into the total number of Tier 1 and Tier 2 suppliers, which is not universally available.

**Conclusion**

The Sustainable Apparel Coalition sincerely hopes that SASB will start its process for apparel again, or at the very least abandon it's current question set. The offer of assistance still stands and we are happy to provide additional comments and resources to this effort.

Sincerely,



Jason Kibbey  
Chief Executive Officer



1111 19th Street NW > Suite 402 > Washington, DC 20036  
t 202.872.5955 f 202.872.9354 www.aham.org

July 27, 2015

Via E-mail

Sustainability Accounting Standards Board  
75 Broadway  
Suite 202  
San Francisco, CA  
94111

Re: AHAM Comments on Sustainability Accounting Standard Consumption II Sector:  
Appliance Manufacturing; Sustainable Industry Classification System™ (SICS™)  
#CN0601.

Dear Sustainability Accounting Standards Board:

The Association of Home Appliance Manufacturers (AHAM) respectfully submits the following comments to the Sustainability Accounting Standard Board's (SASB) Sustainability Accounting Standard Consumption II Sector: Appliance Manufacturing; Sustainable Industry Classification System™ (SICS™) #CN0601.

AHAM represents the manufacturers of major, portable and floor care home appliances sold in the United States and Canada, as well as suppliers to the industry. AHAM's membership is global and produces more than 95% of the household appliances shipped for sale within the U.S. and Canada. The home appliance industry, through its products and innovation, is essential to U.S. consumer lifestyle, health, safety and convenience. Through its technology, employees and productivity, the industry contributes significantly to U.S. jobs and economic security. Home appliances also are a success story in terms of energy efficiency and environmental protection. New appliances often represent the most effective choice a consumer can make to reduce home energy use and costs.

AHAM is very involved in the development of federal appliance efficiency standards related to energy and water consumption. AHAM works closely with the U.S. Department of Energy on these standards as well as with the U.S. Environmental Protection Agency on the ENERGY STAR program and other environmental issues. Likewise, AHAM has a long history of cooperation with the U.S. Consumer Product Safety Commission related to its own federal product safety responsibilities and its participation in the voluntary safety standards process in the U.S.

Like SASB, AHAM is an accredited standards development organization in the U.S., and has authored appliance performance test methods for many home appliances. These standards are the building blocks for several federal energy efficiency test procedures. AHAM is also engaged in the development of sustainability standards for home appliances in a tripartite relationship with UL Environment and the Canadian Standards Association. It is AHAM's intent to complete a suite of sustainability standards that will cover all AHAM appliances by 2017.

AHAM was not aware of the SASB initiative and working group related to sustainability and the home appliance industry prior to the recent publication of the draft standard and request for comments on the proposed standard related to our industry. And, we have checked with our members, none of whom indicate that they made substantive contributions to your process. These are some of the reasons for our conclusion that the draft standard as it relates to product safety and environmental performance does not meet the materiality requirements that your program would establish because we doubt they will provide relevant or valuable information to investors.

## **I. Product Safety Hazards**

### **A. CN0601-01. Number of Recalls and Total Units Recalled**

The draft standard calls for the disclosure of the total number of recalls and the total number of units that were recalled. The scope includes voluntary recalls initiated by the registrant and mandatory recalls mandated by the Consumer Product Safety Commission (CPSC or Commission) or other relevant government agency. The registrant may choose, in addition to total units recalled, to disclose the percentage of recalls that were (1) voluntarily and (2) involuntarily issued. For the reasons discussed below, AHAM respectfully believes that these measures are inappropriate as a matter of public policy and given the appliance industry's proven track record of proactively addressing appliance safety issues.

AHAM's members produce hundreds of millions of appliance products each year. Our members strive to and succeed in designing and building products at the highest levels of quality and safety. As such, they have demonstrated their commitment to ensuring strong internal safety design, monitoring, and evaluation/failure analysis systems. When appropriate, that may require cooperating with agencies like the CPSC through reporting and, sometimes, corrective action plans (what you call "recalls."). There have been no mandatory recalls in our sector. The relationship between the Commission and industry works remarkably well. It is in this spirit and context that we comment on this aspect of the draft SASB standard.

The presence and wording of CN0601-01 implies that SASB views multiple voluntary recalls as an indication that a company has been a "bad actor" or has somehow failed to comply with regulatory/legal requirements. This view is troubling and incorrect. To the contrary, a history of voluntary recalls often indicate that a firm has a broad product scope, makes products in significant volumes, and, importantly, has a robust post-market product safety compliance program. Many companies that have effective compliance programs conduct recalls from time to time because an effective process will identify potential hazards (and prevent future recalls). Sometimes, a recalling firm acts to protect customer good will, even if there have been no

injuries and little injury potential. Under the proposed SASB standard, the absence of recalls could be used to suggest a particular company's products were safer; however, this would be an unreliable conclusion. To suggest that the simple fact of a recall or multiple recalls indicates that a special disclosure or compliance program-related requirement is necessary ignores these realities.

Corrective actions can take many forms. Firms conduct recalls, manage service programs, or corrective actions for a variety of reasons, not just always in conjunction with regulatory authorities. The disclosure of such corrective actions without understanding the nature or context of these actions could potentially punish a company for doing the right thing and ensuring a successful post market surveillance safety program without understanding the true nature of the firm's actions.

The American public is justifiably confident in and trusts the safety of its appliances and the appliance industry's commitment to safety, including the execution of recalls when necessary. Recent AHAM survey data collected by Ogilvy indicates that 95 percent of Americans agree that home appliance recalls are important to ensure their safety and 87 percent believe that home appliance recalls let them know that safety and quality are top priorities for the home appliance industry and that the industry is doing its best to protect consumers. This is consistent with the CPSC's historical view (as demonstrated by its voluntary recall rules and its existing practice of working cooperatively with recalling firms) and we do not understand why SASB seems to believe that a recall is necessarily a reliable indicator of an insufficient compliance program that warrants material information for investors. Instead of looking at the number or frequency of recalls, SASB should instead focus on the processes, policies and internal review operations that a company has in place that are intended to mitigate the risks associated with its products. Processes and structures that prevent incidents and help to ensure effective post-market surveillance are more material to the reasonable investor than the presence or absence of recalls alone.

#### **B. CN0601-02. Number of Letters of Advice (LOA) Received**

The SASB standard calls for registrants to disclose the number of Letters of Advice (LOA) they received from the CPSC. An LOA is issued by the CPSC when there is a violation of a mandatory standard. LOAs advise the company of the violation and the nature of the necessary corrective action (i.e., to correct future production (CFP); to stop sale and CFP; or to recall, stop sale, and CFP).

Most consumer products under the jurisdiction of the CPSC are not covered by mandatory standards, but rather voluntary third-party, U.S. national standards. The only mandatory standard covering appliances is an archaic refrigeration entrapment standard for door latches that have since been replaced by newer technology. The [current listing](#) (updated on June 15, 2015 and viewed on July 6, 2015) of CPSC LOAs extends back to 2013 and archives hundreds of violations, none of which involve this issue. Therefore, the metric in CN0601-02 does not apply to the appliance industry.

## II. The Proposed Sustainability Standards

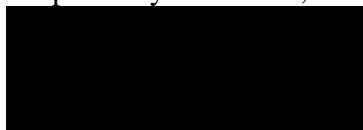
The draft standard defines a fact as material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.” As elaborated in the comments below, the proposed standard does not meet this criterion.

In its standard, “SASB has attempted to identify sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies.” As so defined, the safety and environmental metrics SASB has proposed are not reasonably likely to have a material effect on an appliance manufacturer’s financial condition or operating performance. Specifically, and as more fully described below, the proposed standard’s misplaced focus on product safety metrics such as the number of recalls, would not meet this materiality threshold. Similarly, environmental metrics such as the percentage of a company’s products certified to the ENERGY STAR standard (especially since ENERGY STAR periodically redefines its qualification criteria for the express purpose of *limiting* the percent of qualified product in the program—even when excluded products are significantly more efficient than products that meet DOE standards) is not reasonably likely to have a material effect on an appliance manufacturer’s financial condition or operating performance.

It is questionable as well what additional value this information would provide to consumers, given that most of our members have corporate sustainability reports in which they disclose information regarding significant sustainability metrics, and much of the information regarding energy efficiency would be available publicly through the ENERGY STAR website.

AHAM urges SASB to reconsider its plan to develop an Appliance Manufacturing standard for the reasons indicated above; AHAM staff is available to address any questions regarding these comments. If, notwithstanding our suggestion, SASB persists in continuing to focus on developing a standard for the appliance manufacturing industry, please contact the undersigned.

Respectfully submitted,

A solid black rectangular box redacting the signature of the sender.

Charlotte Skidmore  
Director, Energy and Environmental Policy





July 19, 2015

Sustainability Accounting Standards Board®  
75 Broadway  
Suite 202  
San Francisco, CA 94111

Dear Board Members:

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) Building Products & Furnishings draft standard in the Consumption II Sector. ACC is America's oldest trade association of its kind, representing companies engaged in the business of chemistry—an innovative, \$812 billion enterprise that is helping solve the biggest challenges facing our nation and the world. The products of chemistry will make it possible to satisfy a growing world population by providing a healthy and plentiful food supply, clean air and water, safe living conditions, efficient and affordable energy sources and lifesaving medical treatments in communities around the globe. To enable these ongoing innovations, ACC supports public policies and private sector voluntary consensus standard development that will drive creation of groundbreaking products that improve lives and our environment, enhance the economic vitality of communities and protect public health.

ACC submitted comments to SASB in January on the draft standard in the Resource Transformation Sector and in June for the Consumption I Sector. We incorporate those comments by reference here, and repeat them for the draft Consumption II Sector standard as if made separately.<sup>1</sup> Our comments here specifically urge SASB to make adjustments to the draft standard to address issues of materiality, relevance, decision-usefulness for the mainstream investor, technical deficiencies with certain metrics and associated definitions, and to consider modifications that will reduce what are, in some cases, extraordinary financial burden associated with the proposed reporting.

### **General Comments**

#### **SASB's Standard Development Procedures Should be Improved to Conform with *Essential Procedures*-level Due Process**

As we noted in our January 15, 2015 comments to the draft standard in the Resource Transformation Sector and May 1, 2015 comments to the draft standard in the Consumption II Sector, ACC is a strong supporter of the use of voluntary consensus standard development to meet market needs, and in particular, respects standard development conducted in accordance with ANSI's *Essential Procedures*, which are recognized in the U.S. as particularly robust, protective of stakeholder engagement, and the best platform to support stakeholder development of technically sound, usable standards output. Establishing a robust performance reporting program can take decades of investment supported by significant sector-specific expertise. Given the complex nature of this reporting, and the potential for substantial market and business impact, ACC believes that voluntary consensus standards must respect ANSI-level due process and consensus requirements as set out in *Essential Procedures* to be suitable for use in the private sector. For that matter, procedures must be followed if voluntary consensus standards are to be adopted or



incorporated by reference by any regulatory agency. SASB procedures are currently falling short of the procedural respect and robustness needed to achieve ANSI approval, and we urge the organization to carefully review its process.

### **Specific Comments**

#### **CN0603-01. Total energy consumed, percentage grid electricity, percentage renewable energy**

*ACC recommends modification of the draft metric*

An emerging sustainability area has been called energy recovery. Technologies are now becoming available that can convert used, non-recycled plastics into manufactured fuels, raw materials like oils for new manufacturing, and for direct conversion into energy. Traditional energy conversion processes are now being augmented by high-tech gasification and pyrolysis processes, including plasma arc technology, which can significantly reduce air emissions and solid waste. We encourage SASB to offer registrants a platform to discuss their support for or use of these alternative technologies. We would be pleased to offer more information if needed.

Likewise, we urge SASB to correct bullet 2 under .28 to align with this comment. Modern pyrolysis and gasification are conducted in low oxygen or no oxygen environments, and are therefore not considered "incineration" in the lower heat processes used historically. We urge SASB to modernize its definition of energy recovery, and to ensure that the sustainable use of energy recovery may be described by registrants. Differentiating combustion-based technologies from non-combustion technologies (including manufactured fuels) may be a prudent approach.

#### **CN0603-02. Description of chemical hazard and risk management program**

We suggest this provision be removed. While the accounting metric focuses on "regulated substances" which are restricted or banned due to law or implementing regulation, many legal requirements may not extend to complete elimination of a compound. The complete elimination of a compound may be infeasible or unnecessary to achieve human health or ecological objectives. This section should read, "Products can be verified as containing regulated substances below regulated limits through testing or third party certification."

**.10** We recommend that material safety data sheets not be used as an example of product declarations but be offered as a stand-alone category, e.g., "product labeling, product declarations, and material safety data sheets."

**.11** This section asks for discussion of relevant actions. Human health and environmental performance of a finished product are best informed by risk assessment, which requires evaluation of chemical constituents and their toxicological profile as well as exposure. For that matter, environmental performance is informed by application of ISO Life Cycle Assessment measures. We recommend that this section suggest those discussion areas first. Likewise, we suggest that another relevant action to be included is whether an ISO-compliant Environmental Product Declaration has been completed and is publicly available.

This section also refers to "use of banned substances lists." We suggest this be clarified to "use of legal or regulatory banned substances lists." The use of lists should be limited to their intended purpose and scope. Non-regulatory lists typically have minimal value and may be entirely arbitrary. If a regulatory

list is used, it should be used from the international or national governing body itself (e.g., the Environmental Protection Agency in the U.S.) and should be current.

The use of the "Clean Production Action" list or lists, is for these reasons, wholly inappropriate; it is the private "list" of a non-profit organization not suitable to reflect just those legal and regulatory restrictions that should be considered here. For that matter, it should be readily apparent that a "Red List" or "List of Lists" prepared by any NGO - many of which have fundraising and campaign commitments seeking to further restrict their targeted chemicals - is not suitable for inclusion in a voluntary consensus standard (those lists reflect the private views of a narrow band of stakeholders with defined agendas). And, it should likewise be apparent that a "red list" prepared specifically for another market or product line, e.g., a "red list" for buildings would not be appropriate or meaningful for another market or product line. Different products have entirely different compositions and risk profiles; a chemical to which a worker might be exposed building a building (e.g., wood dust, crystalline silica) might be present in a finished toy or sporting good in such a manner that the chemical is fully entrained or reacted such that there is no exposure at all to a product user (e.g., child playing with wooden blocks, glass windshield in toy car). This last point also helps illustrate the folly of relying on NGO developed "red lists": many of these target chemistries solely based on toxicological profile without regard to exposure and risk. When such "red lists" are applied to actual consumer products, the results can be meaningless or even ridiculous. Chemical management decisions should be informed by not just chemical hazard but also exposure so that meaningful, science-based risk decisions can be achieved. This is another example why legal and regulatory restrictions should be referenced, but other "red lists" developed by the private sector should not be incorporated in the standard.

**.12** This section asks registrants to discuss use of chemicals that appear on California's Proposition 65 list. This suggestion is without any scientific basis and should be deleted. The Proposition 65 statute is not a regulatory or chemical management statute; it was created as a so-called "right to know" statute. Because chemicals are added to the list based on their hazard profiles alone, listing has no bearing whatsoever on exposure, risk, or product safety. As California itself has said, "The purpose of Proposition 65 is to notify consumers that they are being exposed to chemicals...A Proposition 65 warning does not necessarily mean that a product is in violation of any product safety standards or requirements." Proposition 65 is largely an experimental statute in the right-to-know field, and no other state has adopted the scheme. It is not comprehensive; it does not review and consider all chemicals and alternatives. It essentially "rewards" manufacturers to reformulate out of listed chemistries without a care for what the replacement is; under the statute a manufacturer could decide to reformulate a safe product that happened to contain very low (no human health risk) levels of a listed chemical, replacing that chemical with one a thousand times more potent, or with a chemical that is a known human allergen or sensitizer at a level that presents a significant health risk - Proposition 65 simply does not care and does not apply to the substitution if that chemical hasn't been added to the list. The administration of the program also suffers from other problems and the meaning of a listing is also widely misunderstood; Proposition 65 listed chemicals meet California's criteria for listing but a listing does not mean that the presence of the chemical in the product causes a health effect in humans. It is a grossly inappropriate program for chemical management or risk-based decision making and must be deleted. We urge SASB not to reference Proposition 65 in this or any future standard.

We likewise suggest that SASB consider removing the rest of this provision. It is unclear what is meant by "use of chemicals" and whether this is intended to apply to the supply chain and manufacturing; to precursor chemicals; or just the chemical composition of the finished consumer product that is the subject of the standard. Many chemicals are safely used to manufacture toys and sporting goods and do not appear in the chemical composition of the finished good, or are otherwise part of a polymeric chain or entrained in a matrix or coating such that there is little to no human exposure. Many chemicals that are

considered carcinogens or reproductive toxicants as a matter of toxicological testing appear naturally in foods, are generated by the human body itself through metabolism, respiration and other acts, and are naturally present in plants and animals. A sweeping requirement to describe "use" of such chemistries is excessive and not well targeted to addressing risks to human health. To the extent that SASB decides discussion is warranted, however, we would suggest the provision be limited to Group 1 IARC carcinogens and agents classified as "known to be human carcinogens" by the National Toxicology Program. The standard should limit its request to the chemical composition of the finished consumer good and clarify that the request is to describe the free presence of the chemical (e.g., the use of a chemical to make a separate compound such as a polymer, or the inclusion of a chemical in a polymeric chain or compound is not covered); limit its request to a discussion of the presence of such chemistries in the finished consumer good where exposure may occur; and ask the registrant to describe generally its risk assessment or risk evaluation measures.

**General:** We further note that energy savings and water savings in use in the building life cycle do not appear to have enough presence or credit in this standard. The U.S. EPA, Department of Energy, and other experts repeatedly point out that buildings consume huge amounts of energy nationally - a movement that has sparked the current interest in working towards "zero energy" homes and buildings. Reducing the energy footprint of a building requires energy conservation and energy preservation. Registrants should be offered an opportunity to describe how the design and function of their products saves energy. The sustainability story of insulation, sealing, and caulking products alone is compelling. Many building products delivering the greatest performance and energy savings are chemical-intensive products, so it is imperative that their performance and contribution to the energy footprint of a building be considered at the same time that other attributes are considered.

The omission of consideration of energy savings impacts - energy efficiency - is significant. It is doubly important because energy efficiency and energy savings translate directly into reductions of greenhouse gas emissions. We encourage SASB to take the time to build out a section that allows full discussion of this important topic.

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Thank you for the opportunity to comment. Please feel free to contact me at [REDACTED] or [REDACTED] with any questions about these comments.

Respectfully submitted,

[REDACTED]  
Debra Phillips  
Vice President, Responsible Care® and Value Chain Outreach  
American Chemistry Council

July 6, 2015

Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

RE: Consumption II Sector Standard Comments

To whom it may concern:

Thank you for the opportunity to review and comment on the proposed Sustainability Accounting Standards Board's Consumption II Sector draft standard. Armstrong World Industries participated on the Industry Working Group and submitted electronic comments as part of the IWG process on December 2, 2014. Many of the suggestions for improvement made in December were not implemented. Our comments are as follows:

General - Page 8

- With the exception of the energy metric, this standard focuses on products. Consider eliminating product related metrics and focus on holistic company-wide sustainability metrics that are indicators of a company's materiality risks such as water and waste. As suggested in December, consider adding waste material generated (tons).

Energy Management -Page 9

- Strike "in energy intensive industries" from the following sentence: "Therefore, it is becoming increasingly material for companies ~~in energy intensive industries~~ to manage their overall energy efficiency." It is important for all companies to manage their energy use, not just companies in "energy intensive industries". More than likely, companies in "energy intensity industries" are already managing their energy, because they are energy intensive.
- CN0603-01: Please address my below comments from December 2, 2014:  
*Keep Total energy consumed. Delete the rest of the metric. If you want to further break down energy, then include just percentage of renewable/nonrenewable energy. As currently written, this metric singles out electricity, but does not include percentage requirements for other forms energy such as natural gas. Getting the*

*split between renewable/non-renewable is very challenging. Each utility company in each country has different electricity mix. These mixes change. If SASB includes a metric for percentages of renewable/nonrenewable then include a standard for how to calculate the percentage renewable/non-renewable. Perhaps the metric that SASB wants to track is the percentage of non-renewable energy generated by the company outside of the electricity grid. Percent non-renewable energy generated by company investment in non-renewable energy such as solar, wind, aerobic digestion, or even purchase of renewable energy credits.*

#### Health Impacts – Page 11

- Delete the following statement: “While many of these chemicals are banned in other products, such as children’s toys, they are still used widely in flooring and furniture products”. This statement is incorrect, misleading and unfairly singles out flooring and furniture products.
- CN0603-03.15 – Consider referencing the USGBC’s low emitting table (<http://www.usgbc.org/resources/low-emitting-materials-third-party-certification-table>) in lieu a bulleted list. The USGBC’s table is maintained by their Environmental Quality Technical Advisory Group who reviews emissions certifications to determine compliance with LEED (CDPH/AgBB). The GreenGuard Children & School certification is not equivalent to the CDPH standard; however FloorScore is and should be included.
- The product metrics that are included in this standard do not necessarily represent risk to the company. Certifications such as CDPH or FSC are customer driven and add cost to products, but are not tools for understanding a company’s materiality risks.

#### Wood Sourcing - Page 18

Wood certification is based on customer demand and is not an indicator of a company’s sustainability or risk associated with materiality. Delete this section or implement the below metric as suggested in December 2014:

*At a minimum, require companies to have purchasing policies in place which require suppliers to comply with all laws in the country of origin and which prohibit importation from countries identified as unreliable sources of legal lumber. Also, mention that wood purchased outside the US and Canada must demonstrate compliance with the U.S. Lacey Act (16 U.S.C. §§ 3371-3378,) or maybe require that the source of the wood be identify. As a company, Armstrong World Industries*



*offers certified wood, however the cost differential associated with FSC certified wood products is prohibitive for most customers. So, the metric identified is not a good metric. Consider using a metric such as the percentage of wood sourced in countries that are not deemed unreliable sources or classified as High Risk Countries.*

If you have any questions regarding the above comments, please contact me at

██████████

Sincerely,

████████████████████

Amy Costello  
Sustainability Manager, Commercial Flooring  
Armstrong World Industries



## AMERICAN WOOD COUNCIL

July 7, 2015

Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

### **RE: AWC Comments on Consumption II Sector/ Building Products and Furnishings Exposure Draft for Public Comment**

To Whom It May Concern:

The American Wood Council (AWC) is pleased to provide comments on the Consumption II Sector/Building Products and Furnishings Exposure Draft for Public Comment (the "Standard"). Our comments below have been informed by our review of the Sustainability Accounting Standards Board (SASB) Record of Public Comment document issued for the Resource Transformation Sector Standards, which include Containers and Packaging (the "RPC Document").

The American Wood Council (AWC) is the voice of North American wood products manufacturing, representing over 75 percent of an industry that provides approximately 400,000 men and women with family-wage jobs. AWC members make products that are essential to everyday life from a renewable resource that absorbs and sequesters carbon. Staff experts develop state-of-the-art engineering data, technology, and standards for wood products to assure their safe and efficient design, as well as provide information on wood design, green building, and environmental regulations. AWC also advocates for balanced government policies that affect wood products.

### **GENERAL COMMENTS**

#### **Voluntary Standards**

We appreciate SASB's statement that "[d]isclosure under SASB Standards is voluntary." AWC members strongly support retaining the voluntary nature of SASB Standards. SASB's process includes regular meetings with the Securities and Exchange Commission (SEC), and it has been widely reported that SASB's ultimate objective is to have the SEC mandate the use of its standards. We were pleased to see SASB's statement in the RPC Document that it is not asking the SEC to mandate the use of SASB standards, and we request that SASB maintain a position with the SEC that use of its standards should be voluntary.

#### **Materiality, Topics, and Metrics**

AWC supports SASB's adherence to the Supreme Court's definition of "materiality" and its emphasis that it is up to each company to decide for itself which sustainability topics are material. There is a lack of clarity, however, around how the Standard is intended to be used

once a company determines that a topic is material. SASB representatives have given the impression that once a company has determined a topic is material, it must use the SASB metrics for that topic. The “Guidance on Accounting of Material Sustainability Topics” in the draft Standard, however, states “SASB recommends that each company consider using these accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.” SASB also recommends that “companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported.”

We support the approach to metrics as described in the Standard and quoted above. Our members have serious concerns about the comparability and other aspects of the metrics SASB has chosen for the Standard. We believe making it clear, as does the text above, that companies have the flexibility to use those or other metrics, as well as the ability to explain why particular metrics do or do not “ensure completeness, accuracy, and comparability of the data reported” is very important for ensuring stakeholders using the data understand its potential limitations. Therefore, SASB should retain the “consider” language in the final Standard and explain the apparent inconsistency with its public statements.

### **Duplication with Existing Reporting Requirements**

We understand that SASB tried to choose metrics that companies already report (voluntarily or pursuant to government requirement), as a way to minimize reporting burdens and ensure the metric is viable. Choosing these metrics, however, does raise potential concerns for reporting companies. Specifically, there is significant potential for inconsistent reporting, if SASB’s metrics and the way in which they are derived and reported are not exactly the same as those used in the other reports. At a minimum, this inconsistency creates confusion among stakeholders who read different reports by the same company (i.e. SEC reports versus sustainability reports); it also creates legal risk for reporting companies. Accordingly, to the extent that a metric is subject to multiple reporting requirements, the Standard should allow a company to choose which requirement it is reporting under and indicate that choice in its reports.

### **Assurance**

We appreciate that SASB has not included the section on assurance in the Building Products and Furnishings standard that was in previously released standards. However, in the section on “Guidance on Accounting for Sustainability Topics,” SASB indicates that “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.” While AWC members have systems in place to ensure high quality data are publicly reported, we do not believe that some of the metrics in the Standard lend themselves to the same level of assurance as is provided in financial reporting. Metrics that are reported to government agencies are not a concern because they typically have their own assurance requirements. The methodologies for reporting other metrics, however, may allow for more flexibility in the calculation of the metric, and thus, there may be greater variation in reported information than one might typically encounter in financial documents. Further, the RPC Document implicitly acknowledges that sustainability data are not yet of the same quality as financial data, although SASB believes that sustainability data will achieve that

level of quality over time. In the meantime, however, companies could face legal risk if they use the SASB standards for reporting, and sustainability data are held to the same quality requirements as financial data.

SASB also should make an explicit link between its assurance requirements, and its recognition that estimates may be used, as long as the company explains the basis for the estimate. SASB should revise its statement that "SASB does not discourage the use of such estimates" to make it a more neutral statement acknowledging the reality that estimates will need to be used in reporting sustainability data.

Additionally, SASB should make clearer how they expect such metrics that call for a description or discussion of efforts by company to be auditable.

### **American National Standards Institute (ANSI) Procedures**

SASB's Vision and Mission document states that "SASB is also an ANSI accredited standards developer. Accreditation by ANSI signifies that SASB's procedures to develop standards meet ANSI's requirements for openness, balance, consensus, and due process." Finally, SASB's "Our Process" webpage states that "[a]s an ANSI-accredited standards-setting organization, SASB follows an open, orderly process that permits timely, thorough, and open study of sustainability accounting issues."

We appreciate SASB's direct acknowledgement in the RPC Document that it is not using an ANSI-process. In the spirit of complete disclosure and transparency, SASB should make clear in its standards and on its website that the standards have not been developed and are not being finalized pursuant to the ANSI procedures. We also look forward to commenting on SASB's proprietary standards and we urge SASB to propose procedures that incorporate as much of the ANSI *Essential Requirements* as possible.

Adherence to ANSI *Essential Requirements* provides stakeholders with assurances that needed procedural safeguards are present. This is especially important, if, as is the case here, there is the potential for a government agency--the Securities and Exchange Commission (SEC)--to mandate the use of a standard (although, as discussed above, we strongly believe the standard should be voluntary). Government standards typically are developed through a notice and comment process and are subject to numerous due process protections for stakeholders, including in many cases, judicial review. Private standards adopted for government use should be developed with the same level of due process protection.

Office of Management and Budget (OMB) OMB Circular A-119 requires, with limited exception, that federal agencies and departments use "voluntary consensus standards," which are "standards developed or adopted by voluntary consensus standards bodies."<sup>1</sup> The Circular also established guidelines for federal participation in the development and use of voluntary consensus standards. Specifically, the Circular provides the following attributes for a "voluntary consensus standards body": (i) openness; (ii) balance of interest; (iii) due process; (iv) an appeals process; and (v) consensus. Section 12(d) of the National Technology Transfer and

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<sup>1</sup> Office of Management and Budget, Circular A-119 (Revised), February 10, 1998.

Advancement Act of 1995 (Public Law 104-113) basically codified the OMB Circular and requires that “all Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies,” unless use of such a standard is “inconsistent with applicable law or otherwise impractical.”

By definition, private standards such as SASB’s do not include the due process protections found in the development of government standards. ANSI *Essential Requirements* closely track the procedural safeguards required by the Circular.<sup>2</sup> In its RPC Document, SASB clarified that, even though it is an ANSI-accredited standards setting organization, it does not intend to use ANSI procedures to finalize its standards, and instead will seek comment on the proprietary procedures it intends to use.

### **Private, Non-Consensus Standards**

Generally, as required by ANSI, the Standard should avoid references to private tools or standards (*e.g.*, Green-e). Among other concerns, these tools or standards have not been developed in a consensus-based process that provides the procedural safeguards discussed above.

In addition, SASB’s adoption of a particular private tool or standard has the effect of locking in that standard for the future. Other existing tools or standards may perform similar functions but be more suitable to the Building Products & Furnishings Products sector, and new, innovative standards may be developed in the future. SASB shouldn’t prejudge the suitability of those standards by locking in one particular standard at this time. At a minimum, SASB should describe what the tool provides or the standard is trying to accomplish, and after identifying the tool or standard, add “or equivalent.”

### **SASB Use of Varying National Standards, Laws and Definitions**

Our understanding is that SASB expects sustainability reporting to include global data, not information specific to the U.S. alone. However, the standards and laws referenced for development of the metrics are often nation-specific rather than internationally-recognized standards. Use of the SASB metrics by a global company will require significant duplicative reporting by country. SASB should permit companies to report data using applicable nation-specific definitions and reporting requirements, as long as the bases for the definitions and requirements are also reported.

### **Usefulness of Metrics as Indicators of Sustainability**

As discussed in the “Specific Comments” section below, we do not believe that the disclosure of certain metrics provides useful, comparable, sustainability-related information for stakeholders.

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<sup>2</sup> The ANSI Essential Requirements for Due Process are: openness, lack of dominance, balance, coordination and harmonization, notification of standards development, consideration of views and objections, consensus vote, appeals, written procedures, compliance with normative ANSI policies and procedures. ANSI Essential Requirements: Due process requirements for American National Standards. January 2014.

But, more importantly, we do not believe that a simple comparison of any metrics themselves would provide a complete picture of the sustainability performance of the companies that reported those metrics (or didn't report a particular metric because it is not material). Many companies explain the context for the metrics they include in their sustainability reports. Similarly, SASB should encourage stakeholders to consider the entirety of the information provided by companies that may report based on the Standard, and not to simply compare one company to another based only on the metrics.

## **SPECIFIC COMMENTS**

AWC has a number of comments on specific metrics included in the Standard as discussed below. We have omitted metrics on which we do not have any comments.

### **Energy Management (CN0603-01)** *Total energy consumed; percent grid electricity; percent renewable*

1. As discussed above, the Standard should not reference the privately-developed Green-e standard. Similarly, for the same reasons, the Low Impact Hydropower Institute standard should not be referenced—Federal Energy Regulatory Commission (FERC) licensing should be sufficient. Many companies already report (voluntarily or as required by governments) their renewable energy usage and do not use those standards in reporting. This could lead to confusion among stakeholders as to the discrepancies between the reports.
2. Purchased electricity should be on a net basis, as this is consistent with most reporting protocols, and appropriately recognizes facilities that self-generate energy. We appreciate the recognition of self-generated energy in the RPC Document, but we still maintain that purchased electricity should be on a net basis, and that should be made explicit.
3. As a drafting suggestion in (.06), we recommend that SASB change “and” to “or” in the sentence listing the scope of renewable energy for biomass certifications to make clear that there are three independent options for biomass renewable energy, and that biomass materials are not required to meet all of the three options to qualify as renewable.

### **Health Impacts of Chemicals in Products (CN0603-02)** *Description of chemical hazard and risk management program*

Note (.08) asks companies to report on their management approach to “materials, chemicals and substances that may be of human health and/or environmental concern to customers, regulators, and/or others... but are not currently regulated. The inclusion of the qualifier “but are not currently regulated” would impose a significant and costly administrative burden on companies. Any chemical can be a chemical of concern given the right dosage; as such what is the definition of a chemical of concern? By excluding a *de minimus* exemption, SASB's metric could potentially require companies to report their management approach to all materials, chemicals and substances used regardless of whether they actually pose a human health or environmental concern. We would suggest that SASB be consistent with the metric from the Household and Personal Care Products provisional standard in note (.28) which includes a *de minimus* concentration level of 0.1% (w/w).



SASB has stated that it seeks to use metrics for which companies already collect and report data, such as to government agencies or non-governmental organizations, so that reporting would not impose many additional costs. However, requiring companies to report on chemicals that are not covered under any regulations would impose just the type of additional costs SASB claims to be trying to avoid.

Additionally, for the wood products industry, the majority of chemicals and substances of concern are already regulated by some federal agency such as OSHA or EPA.

The request in Note (.09) for the disclosure of "future plans and targets for the reduction and/or removal of certain chemicals of concern" and Note (.10) for companies to disclose "product formulation and design" could infringe upon confidential business information and require the disclosure of proprietary information to competitors, such as new chemical formulations created by the company. Material safety data sheets only require companies to list all chemicals but not specific amounts so long as they are at *de minimus* levels. Having companies report on the material safety data sheets should be sufficient to allay any concerns investors may have about the health and environmental impact of chemicals used in products.

Note (.11) lists a number of private, non-consensus standards that include banned substances lists. As noted above, we do not support including references in the SASB standards to such private standards.

Note (.12) refers to Proposition 65, EU REACH and IARC. Requiring registrants to adhere to international regulatory requirements or the requirements of a particular U.S. state is tantamount to turning the SASB standard into a regulatory regime for products that are subject to the standard. Some of the lists issued under these regulations contain hundreds, if not thousands, of substances that are of concern to those governments or organizations. Compliance with these requirements would impose a significant and costly administrative burden. Similarly, we object to the requirement that products not even subject to E.U. regulation be included within the scope of reporting.

**Health Impacts of Chemicals in Products (CN0603-03)** *Percentage of applicable products meeting California Standard Section 01350 Specification for VOCs*

We reiterate our opposition above to citing in SASB standards the regulatory requirements for a particular U.S. state. To the extent that SASB would like to include reporting regarding percentage of products meeting a VOC standard, SASB could cite to include reference to *ANSI/NSF 440 - Health-based Emissions*, when it becomes available.

As stated, we do not support SASB including in its standards state regulations and private, non-consensus standards, such as GREENGUARD or Indoor Advantage Gold™ in Note (.15). However, to the extent that SASB does include regulatory requirements such as the California standard, AWC appreciates that SASB provides options for companies to demonstrate that they have met the California standard through private third-party certifications. We request that the qualifier, "including, but not limited to" be added. If SASB chooses to list out certification

programs, we recommend SASB include the "Other Pollutants" criteria from Green Globes (<http://greenglobe.com/standard/>).

**Product Lifecycle Environmental Impacts (CN0603-04)** *Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products*

As a general matter, we do not agree with the virtual exclusion of renewable resources and products made from renewable resources in the entire "Product Lifecycle Environmental Impacts" Disclosure Topic. We agree that recyclable resources and products, and reusable products are important attributes of the "industry's sustainability commitments," as discussed in the "Description" and the metrics. It should go without saying, however, that renewable resources and products made from renewable resources are widely recognized and equally important as well. While "renewable materials" is mentioned once in Note (.16), the Topic is dominated by a focus on recycled materials and content. Accordingly, we believe the Topic and its metrics need significant revision and should treat renewable resources and products equally with recyclable material and recycled and reused products.

In previous standards SASB has recognized the benefits of products not only being recyclable and reusable but also those that are manufactured from renewable resources. For example, in the recently-issued Household and Personal Care Products provisional standard the Packaging Lifecycle Management topic included extensive discussion of renewable materials that made clear renewable materials were equally as important from a sustainability perspective as recycled materials. Further, many ratings systems and the federal government recognize the benefits of using renewable resources, and SASB should be consistent with standards it previously released by including renewable resources along with materials that are recyclable and reusable. For instance, the EPA Frequently Asked Questions about Green Building document states that "green buildings may incorporate sustainable materials in their construction (e.g. reused, recycled-content, or made from renewable resources)...<sup>3</sup>

In the second bullet under Note (.16), SASB has listed strategies companies can discuss to demonstrate their management of life cycle impacts. In this list SASB should change "reduction of packaging" to "optimize packaging." The focus of the package design should be optimization of performance, which may, but just as easily may not, lead to minimization of weight and volume. Product damage, and the resulting environmental impacts associated with replacing damaged goods, has a larger overall life cycle negative impact than the impact of additional package weight. This would also be consistent with SASB's Standards Outcome Report for Containers and Packaging which recognized that lightweighting "can have positive and negative benefits depending on the product."

Another strategy mentioned in this bullet is "design for product take-back." AWC has a project currently in the beta testing phase that will be launched this Fall to assist companies to develop and implement strategies to divert wood products from solid waste streams. We support such programs so long as they remain voluntary. Mandatory take back programs often increase costs to consumers and create market distortions and have never been proven to be as effective as voluntary programs.

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<sup>3</sup> <http://www.epa.gov/greenbuilding/>

AWC appreciates that SASB has recognized in Note (.18) the utility that Life Cycle Assessments (LCAs) and Environmental Product Declarations (EPDs) provide in describing the environmental efficiency of a product. AWC has already completed a number of EPDs for wood products that would be subject to the Standard such as particleboard (see AWC's web site for a complete list of EPDs - <http://www.awc.org/greenbuilding/epd.php>).

Note (.18) states that LCAs should be based on "ISO 14040 and 14040;" the second 14040 should be changed to 14044.

**Weight of end-of-life material recovered, percentage of recovered materials that are recycled (CN0603-07)**

As stated above, AWC has a project that will be launched this Fall to assist companies in developing and implementing product take-back and diversion strategies. We support such programs so long as they remain voluntary. Mandatory take back programs often increase costs to consumers and create market distortions and have never been proven to be as effective as voluntary programs.

**Wood Sourcing Risks (CN0603-08)** *Total wood fiber purchased, percentage from third-party certified sources*

The registrant shall disclose the percentage of its wood fiber-based materials that were sourced from certified sources, where... (.29):

As discussed above, the SASB standards should not be referencing private standards, as it is not up to SASB to determine which standards demonstrate responsible forest management practices. However, if SASB does include this metric, we support retaining all of the listed certification programs.

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AWC appreciates the opportunity to comment on the Standard. Please contact Jerry Schwartz at ( [REDACTED] or [REDACTED] or Katie Missimer ( [REDACTED] or [REDACTED] if you have any questions on our comments.

Sincerely yours,

[REDACTED]

Jerry Schwartz  
Senior Director  
Energy and Environmental Policy



BUSINESS + INSTITUTIONAL FURNITURE MANUFACTURERS ASSOCIATION

July 7, 2015

Elizabeth Singleton  
Director, Advisory Groups  
Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

**RE: Building Products & Furnishings Industry Draft Standards, SASB Consumption 2 Sector**

Dear Ms. Singleton:

The members of the Business and Institutional Furniture Manufacturers Association (BIFMA) appreciate the opportunity to both contribute and comment on the development of voluntary guidelines for disclosure of sustainability topics in SEC filings.

For nearly 25 years BIFMA members have collaborated in the development of effective environmental regulation including multiple National Emission Standards for Emissions of Hazardous Air Pollutants. In 2005, BIFMA members developed the ANSI/BIFMA Furniture Emission Standard to identify sources of indoor air pollution and encourage material suppliers to make necessary improvements. In 2010, BIFMA published the ANSI/BIFMA e3 Furniture Sustainability Standard in order to provide the marketplace with a meaningful standard that would harmonize sustainability standards for the office furniture industry and help to distinguish environmentally preferable business and institutional furniture. In 2012, BIFMA published its first of a series of Product Category Rules for conduct of Life Cycle Assessment on Office Furniture. These efforts clearly demonstrate the industry's dedication to continuous improvement in product performance while reducing our environmental footprint.

Overall, BIFMA believes the metrics contemplated by the SASB Standard are some of the best currently available indicators of improvement potential but do not provide absolute measures of outcome. The application of narrowly focused assessment systems frequently lead to a simple shift in impact from that measured to another not included in the assessment. In addition, many of the metrics proposed by the SASB Standard, increasing recycled content for example, do not necessarily drive environmental improvement and may in fact have the opposite effect. Together, these issues have the effect of increasing uncertainty to a point where reliable representation of potential for financially material disclosure is not practical. In addition, and based on long experience, BIFMA understands that environmental improvements are incremental and, while seldom of a financially material level to individual companies, our combined efforts drive significant improvement for the industry.

Our specific concerns are:

- Section CN0603-03 - Percentage of products by dollars that have been tested and certified is an overly simplified metric. Emission testing would be better based on the widely accepted ANSI/BIFMA Furniture Emission Standard already used by most manufacturers. The ANSI/BIFMA emission standard and certifications are the most stringent in the world.

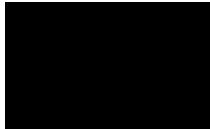


BUSINESS + INSTITUTIONAL FURNITURE MANUFACTURERS ASSOCIATION

- Section CN0603-05 - Calculating the weight of product that is reusable or recyclable results in a meaningless number. Furniture manufactures could simply say that 100% of our products are reusable given that they have such exceptionally long life cycles.
- CN0603-06 - Calculating the percent of raw materials from recycled content is another meaningless number. In addition “recycled content” does not necessarily translate to reduced environmental impact.
- CN0603-07 - Few, if any, office furniture manufacturers attempt to recover materials for reuse. Availability of needed materials and transportation impact far outweigh benefits. Reclamation factors typically used are proxies from US EPA Municipal Solid Waste surveys.
- CN0603-08 - The Standard make the assumption that unless wood is certified it isn’t sustainably managed. We know the reality to be that the difference between certified and non-certified wood is often the cost of the extra tracking and paperwork and certification. In addition, with the extensive use of wood fiber, wood flour and cellulose derived from wood, the suggested accounting methodology simply could not produce reliable results.

Again, BIFMA supports and appreciates the efforts invested in this project. We realize the evolving quality of information and analytical processes make it difficult at best to provide absolute guidelines for calculating environmental impacts. It is in this light that we must restate our original conclusion that the project does not yet provide a reliable basis for or process supporting governmental reporting disclosures. Therefore, we suggest that participation in and certification under the ANSI/BIFMA e3 Furniture Sustainability Standard provides an adequate platform for quantifying changes in environmental performance for government reporting requirements.

Sincerely,



Brad Miller  
Director of Advocacy & Sustainability  
Business and Institutional Furniture Manufacturers Association (BIFMA)

Sustainability Accounting Standards Board  
75 Broadway, Suite 202  
San Francisco, CA 94111

July 17, 2015

Dear Madam or Sir:

Steelcase Inc. appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) Consumption II sector draft standards. In addition to comments submitted by the Business and Institutional Furniture Manufacturers Association (BIFMA), we submit the following:

Disclosure Topic: Energy Management in Manufacturing

Accounting metric code: CN0603-01

Line of disclosure: 01

Comment: We recommend the definition of "controlled" be better articulated to ensure registrants are reporting consistently.

Disclosure Topic: Energy Management in Manufacturing

Accounting metric code: CN0603-01

Line of disclosure: 06

Comment: We recommend removing eligibility for any state's Renewable Portfolio Standard (RPS) as a threshold when referring to hydropower. These standards change over time and sometimes allow for energy not typically considered renewable.

Disclosure Topic: Product Lifecycle Environmental Impacts

Accounting metric code: CN0603-04

Line of disclosure: 16

Comment: We recommend changing "reduction of packaging" to "optimization of packaging". By broadening the definition to optimization, this would allow for more innovative solutions to reducing environmental impacts.

Disclosure Topic: Product Lifecycle Environmental Impacts

Accounting metric code: CN0603-05

Line of disclosure: 22

Comment: It would be very difficult to make these determinations without significant assumptions and estimates. Data reported in such a manner would be unhelpful and potentially misleading.



We submit the above comments to be considered for inclusion within the existing structure of the draft standards. However, we do not believe the full spectrum of potential sustainability disclosure topics has been addressed. Social responsibility and related topics often have a material effect on company performance. We recommend such topics be considered for inclusion in these standards.

Again, we appreciate the opportunity to contribute to this important work and look forward to continuing our participation in this process. If there are any questions on these comments, please direct them to Jon Prins at [REDACTED]

Sincerely,

A large black rectangular redaction box covers the signature area. A thin horizontal line extends from the right side of the box.

Angela Nahikian  
Director of Global Sustainability  
Steelcase Inc.



July 19, 2015

Sustainability Accounting Standards Board®  
75 Broadway  
Suite 202  
San Francisco, CA 94111

Dear Board Members:

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) Toys & Sporting Goods draft standard in the Consumption II Sector. ACC is America's oldest trade association of its kind, representing companies engaged in the business of chemistry—an innovative, \$812 billion enterprise that is helping solve the biggest challenges facing our nation and the world. The products of chemistry will make it possible to satisfy a growing world population by providing a healthy and plentiful food supply, clean air and water, safe living conditions, efficient and affordable energy sources and lifesaving medical treatments in communities around the globe. To enable these ongoing innovations, ACC supports public policies and private sector voluntary consensus standard development that will drive creation of groundbreaking products that improve lives and our environment, enhance the economic vitality of communities and protect public health.

ACC submitted comments to SASB in January on the draft standard in the Resource Transformation Sector and in June for the Consumption I Sector. We incorporate those comments by reference here, and repeat them for the draft Consumption II Sector standard as if made separately.<sup>1</sup> Our comments here specifically urge SASB to make adjustments to the draft standard to address issues of materiality, relevance, decision-usefulness for the mainstream investor, technical deficiencies with certain metrics and associated definitions, and to consider modifications that will reduce what are, in some cases, extraordinary financial burden associated with the proposed reporting.

### **General Comments**

#### **SASB's Standard Development Procedures Should be Improved to Conform with *Essential Procedures*-level Due Process**

As we noted in our January 15, 2015 comments to the draft standard in the Resource Transformation Sector and May 1, 2015 comments to the draft standard in the Consumption II Sector, ACC is a strong supporter of the use of voluntary consensus standard development to meet market needs, and in particular, respects standard development conducted in accordance with ANSI's *Essential Procedures*, which are recognized in the U.S. as particularly robust, protective of stakeholder engagement, and the best platform to support stakeholder development of technically sound, usable standards output. Establishing a robust performance reporting program can take decades of investment supported by significant sector-specific expertise. Given the complex nature of this reporting, and the potential for substantial market and business impact, ACC believes that voluntary consensus standards must respect ANSI-level due process and consensus requirements as set out in *Essential Procedures* to be suitable for use in the private sector. For that matter, procedures must be followed if voluntary consensus standards are to be adopted or



incorporated by reference by any regulatory agency. SASB procedures are currently falling short of the procedural respect and robustness needed to achieve ANSI approval, and we urge the organization to carefully review its process.

### Specific Comments

#### **CN0604-04. Description of chemical hazard and risk management program**

*ACC recommends removal of the draft metric*

**.13, Third bullet:** The second bullet notes that the applicant “discusses policies and practices to manage chemicals and/or chemical risks, especially related to the use of PVC, BPA, brominated flame retardants, and (non-regulated) phthalates. We strongly urge that the second part of this sentence be struck. There is no reasonable basis for suggesting that this polymer and these chemistries are particularly noteworthy or deserve special treatment. BPA, for example, is used to make polycarbonate, an incredibly light, strong, shatter-resistant and optically clear plastic that is used for many performance applications where safety is paramount. Polycarbonate in many cases replaces glass, and the safety benefits of avoiding shattered glass are well documented (including by the Consumer Product Safety Commission's own database). Polycarbonate is used in safety helmets and protective eyewear such as safety glasses. The mention of "BPA" is particularly odd since BPA is highly regulated for safety, and in fact, is approved as safe for use in food contact applications in the U.S. using stringent FDA standards - in other words, the FDA says products made with BPA are safe enough to eat from and on. The polymer PVC or vinyl is also widely used in toys, textiles, electronics, flooring, sporting goods, and elsewhere, and we see no basis for SASB's apparent conclusion that the use of PVC merits special discussion. We further note that the comment about "non-regulated" phthalates makes little sense, as all phthalate esters are regulated.

We find it odd that SASB would focus on these particular chemistries instead of toy and sporting good designs where there might be greater exposures. Many toys contain liquids, beads, magnets, or have other design features that might be considered and discussed. The standard would be better served to focus on exposures and exposure pathways of concern instead of arbitrarily selecting particular chemicals.

If needed, this concept could be expressed by removing the problem statement and replacing as follows: "Discuss policies and practices to manage chemicals and/or chemical risks, especially where exposure scenarios suggest exposure may occur through ingestion, such as toys and products intended to be chewed or mouthed by small children."

**Fourth bullet:** We suggest this section be removed outright. Formulations plans can be competitively sensitive, and companies may have antitrust sensitivities to being asked to reveal formulation plans before they are otherwise publicly known. Standards should not ask companies to reveal competitively sensitive data of this type. Further, it is well known that if there is "concern" (whether warranted or unwarranted) about a particular chemistry and plans are in place to substitute another chemistry to avoid stigma, the replacement chemistry may need to perform the same function and thus may have a similar toxicological profile. In short, to the extent that the first chemistry presented a health or environmental "concern" the replacement chemistry may present exactly the same health or environmental "concern." Modern formulators conduct alternatives assessments considering the performance of the alternative chemistry for that reason, and a robust alternatives assessment considers not just health considerations but environmental considerations as well, taking life cycle thinking into account, and of course product performance, because reformulating only to achieve a toy that shatters or breaks is not progress. For these reasons, to the extent any request is made about plans to address a chemical risk, it should ask for

publicly disclosed plans to address a chemical risk, including a description of alternatives assessment to be conducted.

**.14** We recommend that material safety data sheets not be used as an example of product declarations but be offered as a stand-alone category, e.g., "product labeling, product declarations, and material safety data sheets."

**.15** This section asks for discussion of relevant actions. Human health and environmental performance of a finished product are best informed by risk assessment, which requires evaluation of chemical constituents and their toxicological profile as well as exposure. For that matter, environmental performance is informed by application of ISO Life Cycle Assessment measures. We recommend that this section suggest those discussion areas first. Likewise, we suggest that another relevant action to be included is whether an ISO-compliant Environmental Product Declaration has been completed and is publicly available.

This section also refers to "use of banned substances lists." We suggest this be clarified to "use of legal or regulatory banned substances lists." The use of lists should be limited to their intended purpose and scope. Non-regulatory lists typically have minimal value and may be entirely arbitrary. If a regulatory list is used, it should be used from the international or national governing body itself (e.g., the Environmental Protection Agency in the U.S.) and should be current.

The use of the "Clean Production Action" list or lists, is for these reasons, wholly inappropriate; it is the private "list" of a non-profit organization not suitable to reflect just those legal and regulatory restrictions that should be considered here. For that matter, it should be readily apparent that a "Red List" or "List of Lists" prepared by any NGO - many of which have fundraising and campaign commitments seeking to further restrict their targeted chemicals - is not suitable for inclusion in a voluntary consensus standard (those lists reflect the private views of a narrow band of stakeholders with defined agendas). And, it should likewise be apparent that a "red list" prepared specifically for another market or product line, e.g., a "red list" for buildings would not be appropriate or meaningful for another market or product line. Different products have entirely different compositions and risk profiles; a chemical to which a worker might be exposed building a building (e.g., wood dust, crystalline silica) might be present in a finished toy or sporting good in such a manner that the chemical is fully entrained or reacted such that there is no exposure at all to a product user (e.g., child playing with wooden blocks, glass windshield in toy car). This last point also helps illustrate the folly of relying on NGO developed "red lists": many of these target chemistries solely based on toxicological profile without regard to exposure and risk. When such "red lists" are applied to actual consumer products, the results can be meaningless or even ridiculous. Chemical management decisions should be informed by not just chemical hazard but also exposure so that meaningful, science-based risk decisions can be achieved. This is another example why legal and regulatory restrictions should be referenced, but other "red lists" developed by the private sector should not be incorporated in the standard.

**.16** This section asks registrants to discuss use of chemicals that appear on California's Proposition 65 list. This suggestion is without any scientific basis and should be deleted. The Proposition 65 statute is not a regulatory or chemical management statute; it was created as a so-called "right to know" statute. Because chemicals are added to the list based on their hazard profiles alone, listing has no bearing whatsoever on exposure, risk, or product safety. As California itself has said, "The purpose of Proposition 65 is to notify consumers that they are being exposed to chemicals...A Proposition 65 warning does not necessarily mean that a product is in violation of any product safety standards or requirements." Proposition 65 is largely an experimental statute in the right-to-know field, and no other state has adopted the scheme. It is not comprehensive; it does not review and consider all chemicals and

alternatives. It essentially "rewards" manufacturers to reformulate out of listed chemistries without a care for what the replacement is; under the statute a manufacturer could decide to reformulate a safe product that happened to contain very low (no human health risk) levels of a listed chemical, replacing that chemical with one a thousand times more potent, or with a chemical that is a known human allergen or sensitizer at a level that presents a significant health risk - Proposition 65 simply does not care and does not apply to the substitution if that chemical hasn't been added to the list. The administration of the program also suffers from other problems and the meaning of a listing is also widely misunderstood; Proposition 65 listed chemicals meet California's criteria for listing but a listing does not mean that the presence of the chemical in the product causes a health effect in humans. It is a grossly inappropriate program for chemical management or risk-based decision making and must be deleted. We urge SASB not to reference Proposition 65 in this or any future standard.

We likewise suggest that SASB consider removing the rest of this provision. It is unclear what is meant by "use of chemicals" and whether this is intended to apply to the supply chain and manufacturing; to precursor chemicals; or just the chemical composition of the finished consumer product that is the subject of the standard. Many chemicals are safely used to manufacture toys and sporting goods and do not appear in the chemical composition of the finished good, or are otherwise part of a polymeric chain or entrained in a matrix or coating such that there is little to no human exposure. Many chemicals that are considered carcinogens or reproductive toxicants as a matter of toxicological testing appear naturally in foods, are generated by the human body itself through metabolism, respiration and other acts, and are naturally present in plants and animals. A sweeping requirement to describe "use" of such chemistries is excessive and not well targeted to addressing risks to human health. To the extent that SASB decides discussion is warranted, however, we would suggest the provision be limited to Group 1 IARC carcinogens and agents classified as "known to be human carcinogens" by the National Toxicology Program. The standard should limit its request to the chemical composition of the finished consumer good and clarify that the request is to describe the free presence of the chemical (e.g., the use of a chemical to make a separate compound such as a polymer, or the inclusion of a chemical in a polymeric chain or compound is not covered); limit its request to a discussion of the presence of such chemistries in the finished consumer good where exposure may occur; and ask the registrant to describe generally its risk assessment or risk evaluation measures.

\*\*\*

Thank you for the opportunity to comment. Please feel free to contact me at [REDACTED] or [REDACTED] with any questions about these comments.

Respectfully submitted,

[REDACTED]  
Debra Phillips  
Vice President, Responsible Care® and Value Chain Outreach  
American Chemistry Council



## SUSTAINABILITY ACCOUNTING STANDARDS BOARD®

75 Broadway, Suite 202

San Francisco, CA 94111 415.830.9220

[info@sasb.org](mailto:info@sasb.org)

**Re:** Comments on APPAREL, ACCESSORIES, & FOOTWEAR Sustainability Accounting Standard Sustainable Industry Classification System™ (SICS™) #CN0501 Prepared by the Sustainability Accounting Standards Board® April 2015

To Whom It May Concern:

The OEKO-TEX® Association, headquartered in Zürich Switzerland, is pleased to offer comments to the Sustainability Accounting Standards Board concerning its Apparel, Accessories, and Footwear Sustainability Accounting Standard ("the Standard") draft document.

In general, the OEKO-TEX® Association is pleased to see a standard reporting framework emerge to unify the sustainability metrics and performance measurements for publicly held companies. We believe that the evolution of such reporting standards increases the rate and quality of progress toward more sustainable textile, apparel and footwear production. Required measurements and definitions of terms will accelerate the ability to measure and improve processes throughout the supply chain.

We are concerned about the lack of references to the OEKO-TEX® Standard 100, StEP by OEKO-TEX® and ECO PASSPORT, all certifications for textile products, materials, factories and chemicals utilized by the textile supply chain. We, therefore, wish to offer the following comments for education and information concerning the OEKO-TEX® services and certifications.

The following comments are not offered as criticism of the Sustainable Apparel Coalition (SAC), Zero Discharge of Hazardous Chemical (ZDHC) or other industry self-assessment efforts, as the OEKO-TEX® Association is fully engaged as a stakeholder in these organizations. However, there is a need for an independent, transparent, fully-audited accreditation system for textile and apparel product safety, supply chain sustainability and management systems. OEKO-TEX® has provided these services for over 20 years. We believe there should be more recognition of our certification systems within the Standard.

## Overview

The International OEKO-TEX® Association is an alliance of 16 internationally recognized textile, research and test institutes in Europe, Asia and Japan. With branches and information centers in more than 60 countries worldwide, the OEKO-TEX® Association developed the first standard for certification of textile and apparel products; the OEKO-TEX® Standard 100 certifies textile products as "tested and verified as free from harmful levels of more than 300 substances". With diverse and wide-ranging competencies, the member institutes within the OEKO-TEX® Association provide important impetus for innovation within the global textile and apparel industries, certifying product safety, factory performance and material safety for more than 20 years.

The main tasks of the member institutes are to keep problematic materials from entering any of the stages of textile production and to measure and assure the performance and management of sustainable practices throughout the supply chain. The certifications within the OEKO-TEX® portfolio ensure continuous improvement and review of the requirements for more sustainable textile production, seeking textile and apparel products



that are optimized for human ecology, social responsibility and environmental performance far beyond existing legal regulations. Many of the existing scientific criteria and corresponding testing methodologies have been pioneered by OEKO-TEX® institutes since our founding in 1992. We have included several pieces of literature and would invite your team to examine the plethora of information available on our standards, all of which can be found at: <http://www.oeko-tex.com>

## The OEKO-TEX® Association offers four specific service and certification areas

**OEKO-TEX® Standard 100:** the first global restricted substance list (RSL), launched in 1992. Today, it remains the most extensive restricted substance based, product safety certification for the textile industry, with over 145,000 certificates issued to more than 10,000 different companies expanding across more than 90 countries. Our consumer label, “Tested for Harmful Substances”, has extraordinary recognition by consumers in Europe and growing recognition in the USA and across Asia. This certification is “beyond” the American Apparel and Footwear (AAFA) RSL and maintains alignment with the growing number of international regulations for “harmful substances” through an annual expert technical review and update process.

**STeP by OEKO-TEX®, supported by the tracking software “MySTeP”:** STeP, which stands for Sustainable Textile Production, is aligned with the SAC HIGG Facility Environmental and Social Modules, the objectives of the ZDHC and the SASB Apparel, Accessories, and Footwear Draft Standard. STeP by OEKO-TEX® evaluates and benchmarks a supply chain facility’s ability to produce more sustainable textile products through the assessment of chemical management, environmental management, workplace safety, quality management and social compliance programs and performance data. STeP is supported by the tracking software MySTeP, which enables registered users to review and evaluate their suppliers based on their own unique sustainability goals.

**Made in Green by OEKO-TEX®:** Made in Green by OEKO-TEX® is the first, consumer-focused traceable label of its kind in the apparel and textile industry. In order to be awarded the Made in Green by OEKO-TEX® label, the product must not only be tested for harmful substances and certified according to OEKO-TEX® Standard 100, but must also be sustainably produced in accordance with verified, audited OEKO-TEX® guidelines. The label can be awarded to any kind of textile product anywhere in the world at any stage of the textile supply chain.

**ECO PASSPORT (EcoPass) by OEKO-TEX®:** a certification for textile chemicals that ensures no RSL, MRSL or regulatory prohibited substances are present above strictly monitored maximum levels. EcoPass utilizes a bill of substance disclosure to conduct hazard and risk assessment, powered by SciVera Lens® (<http://www.scivera.com/products.php>), with analytical verification of characteristics or moieties of concern. This final module of the OEKO-TEX® system will be officially launched in August 2015.



## The OEKO-TEX Portfolio

Presentation of how the above certifications and tools work together to provide a full, complementary and cohesive range of coverage for textile and apparel production, including stakeholder communication (both business-to-business and business-to-consumer) within the supply chain from Tier 1 to Tier 3, is supplied in the accompanying slides. The quality systems used by the OEKO-TEX® Association are rigorous as outlined in the slide presentation, in the accompanying literature and on the website. As a brief overview:

- For OEKO-TEX® Standard 100, STeP and ECO PASSPORT, all member institutes must be 17015 accredited laboratories;
- For STeP by OEKO-TEX®, all auditors are trained based on an ISO9001 management system approach and on the principles of ISO 26000. Additionally, our auditors receive special training in specific areas (ISO 9000 / ISO 14000; SA8000; etc.).

## Specific recommendations

The snapshot below from the Apparel, Accessories, and Footwear Sustainability Accounting Standard has been marked to show where the OEKO-TEX® Association is in alignment with SASB. We have also outlined the two questions which will be put before the OEKO-TEX® Executive Technical Committee for addition to the next revision of STeP by OEKO-TEX®.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE		
Product Safety	Percentage of products free of regulated substances	Quantitative	Percentage (%) by revenue	CN0501-01	OTS 100	Requires testing or 3 <sup>rd</sup> part certification proving not to contain regulated or AAFA RSL chemicals
	Description of the process to identify and manage risks associated with chemicals of concern	Discussion and Analysis	na	CN0501-02	OTS 100	
Raw Materials Sourcing Risks & Materials Innovation	Top five types of raw materials used in products, by weight <sup>1)</sup>	Quantitative	Metric tons (t)	CN0501-03	*could be added as a STeP question	
	Percentage of raw materials third-party certified to an environmental or social sustainability standard	Quantitative	Percentage (%) by COGS	CN0501-04	STeP, MiG	
	Percentage of cotton sourced from regions with High or Extremely High Baseline Insect Stress	Quantitative	Percentage (%) by COGS	CN0501-05	*could be added as a STeP question	
Working Conditions & Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 that have been audited to a social and environmental responsibility code of conduct, percentage conducted by a third-party auditor	Quantitative	Percentage (%)	CN0501-06	STeP	
	Priority non-conformance rate and associated corrective action rate for suppliers' social and environmental responsibility audits	Quantitative	Rate	CN0501-07	STeP	
	Top three (1) working conditions non-conformances and (2) environmental non-conformances identified in suppliers' social and environmental responsibility audits <sup>2)</sup>	Discussion and Analysis	na	CN0501-08	STeP	
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 tested for priority chemical discharge, percentage verified to be free of all chemicals in Zero Discharge of Hazardous Chemicals (ZDHC) priority chemical groups	Quantitative	Percentage (%)	CN0501-09	STeP	
	Percentage of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 who have completed the Sustainable Apparel Coalition's Higg Index Facility Module assessment	Quantitative	Percentage (%)	CN0501-10	STeP	

We believe the OEKO-TEX® system of certification should be recognized with equal, or greater, relevance when compared with HIGG or ZDHC as these are **not independent bodies** and **do not currently have the verification and rigor of the OEKO-TEX® system**. This is in no way a negative comment on the goals and/or tactics of the SAC or ZDHC; as mentioned, we are members and participants in these organizations' efforts. However, the



majority of the financing and participation within these groups come from the major retail brands. We agree with the SAC that there is tremendous value in reducing audit costs and duplication of effort. However, we believe that independent, transparent assessment is necessary, just as standard accounting practices are today.

## Specifically, the following changes are suggested

### PAGE 9: CN0501-01

.02 – Products can be verified as free of regulated substances through testing **or through third-party certification that includes substance review and confirmation via testing.**

.03 – We would like to suggest that you add the OEKO-TEX® Standard 100 criteria as an additional RSL list; it is always current on the web at: [https://www.oeko-tex.com/en/manufacturers/test\\_criteria/limit\\_values/limit\\_values.html](https://www.oeko-tex.com/en/manufacturers/test_criteria/limit_values/limit_values.html)

.04 – We would also like the OEKO-TEX® Standard 100 criteria to be added here as a reference.

### CN0501-02

.08- We would like for our ECO PASSPORT to be recognized as a valid certification and assessment tool.

### PAGE 10: CN0501-03

.11-.19 – These issues are aligned with the assessment and ranking process within STeP by OEKO-TEX®. STeP certification addresses all these issues and certification ensures alignment.

### PAGE 12: CN0501-04

.22 – Please add STeP by OEKO-TEX®, OEKO-TEX® Standard 100 and ECO PASSPORT to this list of suitable certifications.

### PAGE 14-15: CN0501-06

.29 - .42 – STeP by OEKO-TEX® certification and reporting address these criteria and should be recognized.

### CN0501-08

.43-.47 – STeP by OEKO-TEX® certification and reporting address these criteria and should be recognized.

### PAGE 16: CN0501-09

.48-.53 – STeP certification and reporting address these criteria and should be recognized.

### CN0501-10

\*The HIGG Facility Module is currently a self-assessment, not independently verified in a standardized way. We would like to include STeP by OEKO-TEX® certification as a question in this section as it is de facto to the HIGG Facility Module but with verification.



## Summary


We support fully the use of SASB Apparel, Accessories and Footwear Accountability Standard. We hope our comments are helpful and are certain the inclusion of this information will strengthen and improve the return on investment from SASB adoption. Normalization of accounting practices for sustainability is long overdue. Recognition of the OEKO-TEX® product portfolio by the SASB will stimulate greater use of OEKO-TEX® certifications and services, leading to greater product safety and sustainability improvement for the textile and apparel industry.

We would caution the SASB that while both the SAC and ZDHC are young, conscientious and dynamic associations, they are also large, multi-stakeholder organizations, constantly changing to meet the demands of the major apparel brands. The SASB must be clear on whom the stakeholders are within these associations, particularly as it regards the mandates placed on them by the funding organizations. These associations are not certification bodies and their mandates and agendas are complex; members (i.e. the major brands) operate within these associations in a “non-competitive” space. The reality, however, is that the members do compete and must observe the rules of a free market.

The OEKO-TEX® Association believes that investments in safety, product stewardship, sustainability and social responsibility create competitive advantages today and in the future. While certain information should be considered in support of the global environmental and social commons, control over industry information and a lack of independence, oversight, rigor and quality verification can create “groupthink”; we are concerned that such thinking may lead to the appearance of performance which is not representative of reality.

We are certain the utilization of SASB standard for reporting will increase the rigor and adoption of sustainability practices. We appreciate the opportunity to comment.

Sincerely,

  
Georg Dieners  
Secretary General OEKO-TEX®