



Summary of Consultation with Key Stakeholders

Resource Transformation Sector

Chemicals Industry

Aerospace & Defense Industry

Electrical & Electronic Equipment Industry

Industrial Machinery & Goods Industry

Containers & Packaging Industry



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Introduction

Although evidence-based research provides a foundation for the Sustainability Accounting Standards Board's (SASB's) standard-setting process, its outcomes are shaped in large part by feedback from participants in the capital markets—primarily corporate issuers and mainstream investors. By providing ongoing and meaningful opportunities for communication and input, the SASB leverages the expertise of its stakeholders and facilitates a collaborative approach to establishing a market standard that more effectively responds to the needs of market participants.

The SASB actively solicits input and carefully weighs all stakeholder perspectives in considering which aspects of a sustainability topic warrant standardized disclosure and in determining how to frame, describe, and measure those aspects for the purposes of standardization. This market feedback helps the SASB better meet its core objectives of delivering material, decision-useful, cost-effective disclosures to the users and providers of financial capital. Furthermore, as changes occur in an industry's competitive context, in the broader sustainability landscape, or in the interests of the reasonable investor, this bottom-up, market-informed approach is key to ensuring that the SASB standards evolve to support market needs.

Such stakeholder engagement was instrumental not only to the development of the SASB's provisional standards, but also to its work to update and codify the standards, which will culminate in 2018. This document details how market feedback informed the latter effort, through deep, focused consultation with key issuers, investors, and other market participants.

SASB Consultation Period Overview

In April 2016, the SASB marked a pivotal point in its standard-setting work when it issued the last of its provisional sustainability accounting standards for all 79 [Sustainable Industry Classification System \(SICS™\)](#) industries. Having completed its provisional standards development, the SASB turned its attention to updating the standards for codification, thereby establishing the first complete authoritative set of sustainability accounting standards for use in the capital markets. In service of this objective, the SASB began a period of consultation and stakeholder engagement in Q4 2016 to gather additional input regarding the materiality of its disclosure topics and the usefulness of the associated performance metrics. This consultation period continued through the end of Q1 2017. Following this period, the SASB revised its standards and has since opened them for public comment before they are codified in 2018.

Codification Timeline

2016	2017				2018	
Q4	Q1	Q2	Q3	Q4	Q1	Q2
Consultation		SASB Research	Public Comment		Codification	

Objective & Approach

The goal of the consultation phase was to elicit and gather feedback on the provisional standards for each industry and the accompanying “hypothesis for change” developed by the SASB's sector analysts. The hypothesis for change put forth initial proposals for modifications to the standards; and stakeholders were then invited to

respond to these proposals, provide comments on other disclosure topics and metrics in the provisional standards but not specified in the hypothesis for change, or to suggest additional topics not yet considered by the SASB. The SASB staff incorporated the responses from this consultation process and proposed changes for each industry standard, which will receive additional input during a 90-day public comment period (with 30-day extension), ending on January 31, 2018. Comments received during this period will inform the deliberations of the SASB when the updated standards are put to a vote in 2018. Upon approval by the SASB, the updated standards will form the SASB Code.

Recruiting

Prior to engaging in consultation, the SASB's sector analysts developed consultation plans targeting companies, analysts, industry associations, and subject matter experts from whom they would seek feedback during the period. The SASB actively recruited consultation participants through a variety of channels, including:

- Referrals from previous individuals who had engaged with the SASB
- Outreach through the SASB's Investor Advisory Group (IAG)
- Presentation to and participation in conferences, panels, and industry events
- Michael Bloomberg and Mary Schapiro's outreach to the CEOs and CFOs of Fortune 500 companies
- Use of the Bloomberg Professional terminal to identify the leading publicly traded companies by market capitalization
- Use of the Thomson Reuters platform to identify analysts and portfolio managers
- Sector-specific webinars
- The general SASB email list and sector-specific email lists
- Announcements on the SASB website
- Other means, such as cold calls and emails, Twitter, and LinkedIn

Consultation Classification

The SASB classified engagements during consultation according to three categories. These categories and associated statistics apply within the context of the consultation phase only and do not include prior engagement, such as participation in an Industry Working Group (IWG) or Public Comment Period (PCP) prior to the release of the provisional standards.

- **Contacted:** The SASB sent a personalized invitation to participate in the consultation process to a company, investor, industry association, or subject matter expert (SME).
- **Briefing Held:** The SASB had a briefing meeting with a company, investor, industry association, or SME.
- **Consultation Feedback Received:** The SASB received consultative feedback (through a meeting, email, or other form of communication) from a company, investor, industry association, or SME.

Chemicals Industry

Feedback was received from 10 stakeholders in the Chemicals industry, as shown in the table below categorized by stakeholder type. Member companies of an industry association and the association gave direct feedback on the provisional standard, beginning with a review of how the SASB incorporated the previous feedback they provided during the pre-provisional public comment period into the provisional standard. Issuers continued to have substantial concerns regarding the cost-effectiveness and relevance of multiple metrics, while they generally supported the materiality of the disclosure topics. Investors were generally supportive of the proposed metrics and topics. Issuers and investors tended to disagree on the utility of the metrics, particularly with regard to the decision-usefulness and cost-effectiveness.

Consultation Feedback Received for the Chemicals Industry

	Investor ¹	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	14	1	n/a	15
# of Briefings Held	n/a	9	1	n/a	10
# of Feedback	3	0	1	6	10

Feedback was provided by stakeholders on the specific topics below.

- Greenhouse Gas Emissions** – An industry association provided technical comments on the scope, comparability, and regulatory alignment of the greenhouse gas metrics and technical protocols. The association strongly suggested that the SASB remove the requirement to report de minimis emissions (from vehicles and non-manufacturing facilities) and narrow the scope of air emissions to reflect current industry practices, possibly improving the cost-effectiveness of reporting. Additionally, there were concerns over the comparability of the qualitative GHG emissions disclosure metric. The association also suggested that SASB include Scope 2 emissions and energy consumption as an indication of purchased energy consumption (upstream emissions). A limited number of investors were supportive of these draft metrics.
- Air Quality (other air emissions)** – An industry association provided technical comments on the scope, comparability, and regulatory alignment of the Air Quality metrics and technical protocols. The association strongly suggested that the SASB remove the requirement to report de minimis emissions (from vehicles and non-manufacturing facilities)

¹ Investors were typically engaged directly through SASB’s Investor Advisory Group and agreed to provide consultative feedback, therefore the first row is marked “not applicable.” Furthermore, those engaged during consultation either had sufficient familiarity with SASB that briefing meetings were deemed unnecessary or briefings were conducted by members of the Capital Markets Policy and Outreach team; therefore, the second row is marked “not applicable.”

and narrow the scope of air emissions to reflect current industry practices, possibly improving the cost-effectiveness of reporting.

- **Energy & Feedstock Management** – An industry association suggested that the SASB include an additional metric on self-generated energy to reflect the fact that chemical companies often self-generate a significant amount of energy onsite using combined heat and power systems. Self-generated energy can reduce the reliance on purchased electricity and fuels, mitigating the impacts of emissions regulations and energy price increases, among other potential benefits.
- **Water Management** – An industry association and a subject matter expert expressed concerns over the existing water metrics. These stakeholders suggested that additional tools should be allowed to measure water stress and that water recycling and withdrawals are not cost-effective to measure. Investors, however, were supportive of the existing metrics. Additionally, the industry association suggested that the SASB utilize a net water-consumption metric in lieu of requiring water withdrawals and recycling.
- **Hazardous Waste Management** – An industry association expressed concern with the existing metrics and suggested that the SASB revise the scope of the metric to improve the cost-effectiveness of disclosure. Specifically, they suggested replacing the categorization of hazardous wastes per the U.S. Environmental Protection Agency (EPA) definitions with categorization per local jurisdictional definitions, as companies with international operations already report the latter. Additionally, the association suggested that the SASB utilize the term “hazardous waste” instead of “hazardous materials.”
- **Safety & Environmental Stewardship of Chemicals & GMOs** – An industry association cautioned that the existing metrics that require disclosure of the percentage of products that contain certain hazardous chemical substances or genetically modified organisms could be misleading because the metrics may not give investors an accurate view of product portfolio risk as it pertains to regulatory or brand-value risk. The association strongly suggested including a qualitative disclosure of product safety instead. Investor views on the existing metrics were generally supportive.
- **Health, Safety & Emergency Management** – An industry association strongly recommended that the provisional Tier 3 process safety-leading indicator metric should be removed, as it is not comparable nor is it designed for public reporting. Investors did not comment on the metric.

Aerospace & Defense Industry

Feedback was received from four stakeholders in the Aerospace & Defense industry, as shown in the table below categorized by stakeholder type. Both issuers participating in consultation supported the provisional draft disclosure topics, but they commented that the associated accounting metrics may not be relevant to companies, nor is it likely that they would be disclosed by companies given privacy concerns or a perceived lack of materiality. Investor input, though limited, was generally supportive of the metrics.

Consultation Feedback Received for the Aerospace & Defense Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	14	1	n/a	15
# of Briefings Held	n/a	6	0	n/a	6
# of Feedback	1	2	0	1	4

Feedback was provided by stakeholders on the specific topics below.

- Hazardous Waste Management** – Issuers expressed concern with the provisional metrics and further suggested that the SASB revise the scope of the metrics to improve the cost-effectiveness of disclosure. Specifically, they suggested replacing the categorization of hazardous wastes per the EPA definitions with categorization per international definitions, as companies with international operations already report the latter. The SASB received investor feedback supporting this potential revision as a useful approach to defining a disclosure metric on the topic.
- Data Security** – Issuer feedback indicated that the provisional draft Data Security metrics are not representative of company management of this issue and should be revised. In addition, issuers cited concerns with the provisional metric regarding the disclosure of sensitive business information. Companies suggested that a qualitative disclosure may be feasible, although the information would only be high-level.
- Product Safety** – According to issuer feedback, indemnification laws pertaining specifically to the industry make the product-safety topic less relevant to companies and unlikely to result in significant financial impacts. Issuers commented that the product recalls metric is not likely to be relevant because the number of recalls is very low in the industry. Investors supported these points. Issuers and investors did support the relevance of the disclosure topic, however.

- **Supply Chain Management & Materials Sourcing** – Issuers expressed concern about the cost-effectiveness of the counterfeit products metric given the limited ability of companies to effectively track such products within complex supply chains. Companies supported the relevance of the topic, however. Additionally, issuers expressed concern with the relevance of the critical- and conflict-materials angles and metrics, stating that conflict materials are not likely material for most companies in the industry.

Electrical & Electronic Equipment Industry

Feedback was received from eight stakeholders in the Electrical & Electronic Equipment industry, as shown in the table below categorized by stakeholder type. In general, issuers were supportive of the disclosure topics; however, issuers surfaced several concerns with the accounting metrics, as described in detail below. The limited investor input that was received was generally supportive of the disclosure topics and accompanying metrics.

Consultation Feedback Received for the Electrical & Electronic Equipment Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	9	1	n/a	10
# of Briefings Held	n/a	5	0	n/a	5
# of Feedback	4	3	0	1	8

Issuers generally supported the existing disclosure topics but commented that many of the existing metrics may not be cost-effective because of the diverse types of products manufactured by companies in the industry, which complicates data gathering.

Feedback was provided by stakeholders on the specific topics below.

- Product Safety** – Companies were generally supportive of the Product Safety disclosure topic but had concerns with the cost-effectiveness and comparability of metrics, noting that the metric related to the number of recalls may not be fully representative of company exposure to and management of product safety risks. Investors were mixed in their support for the two metrics.
- Product Lifecycle Management & Innovation for Environmental Efficiency** – Issuers supported the relevance of the disclosure topic but had concerns with the cost effectiveness of the metrics, which require extensive cataloging of products and components. Investors were mixed in their support for the metrics. Discussions with corporates in this industry focused on how to improve the technical guidance of the topic and metrics after concerns were raised about the complexity of aggregating data for companies with thousands of products, which would be costly to collect and limited comparability between issuers.
- Materials Sourcing** – Issuers commented that the metrics in the Materials Sourcing topic are not likely to be material because potential financial impacts from critical/conflict materials constraint have not occurred historically, and are not likely to be of interest to investors. Some issuers suggested that the disclosure topic itself may not be relevant as framed by

SASB (concerning critical materials). Issuers further suggested that a qualitative disclosure of company management strategies to prevent supply interruptions may be more relevant, applicable, and useful for investors. Investor feedback similarly suggested that the metrics may not be relevant to most companies in the industry.

Industrial Machinery & Goods Industry

Feedback was received by eight stakeholders in the Industrial Machinery & Goods industry, as shown in the table below categorized by stakeholder type. Three issuers participated in consultation with the SASB. The general sentiment was that companies would have a difficult time reporting some metrics because of highly diverse product types and business lines, reducing the cost-effectiveness and comparability of the metrics. Investor feedback was mixed, with support expressed for traditional metrics such as energy consumption, and some confusion expressed about the usefulness of industry-specific metrics.

Consultation Feedback Received for the Industrial Machinery & Goods Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	22	1	n/a	23
# of Briefings Held	n/a	5	0	n/a	5
# of Feedback	4	3	0	1	8

Issuers commented primarily on the Fuel Economy & Use-phase Emissions and Materials Sourcing and topics, with significant concern expressed as to the usefulness and feasibility of using some metrics.

In addition, feedback was provided by stakeholders on the specific topics below.

- Fuel Economy & Use-phase Emissions** – Issuers stated that the Fuel Economy metrics are not currently measured and are likely not to be comparable among companies given the different product types, which would require different measurement approaches to fuel efficiency. Because of this, issuers suggested a qualitative disclosure may be more representative and applicable. Investors shared this sentiment.
- Materials Sourcing** – Issuers stated that the metrics in the Materials Sourcing topic are not likely to be material because potential financial impacts from critical/conflict materials constraints have not occurred historically. Investors agreed that the metrics may not be relevant to most companies in the industry.

Containers & Packaging Industry

Feedback was received by 10 stakeholders in the Containers & Packaging industry, as shown in the table below categorized by stakeholder type. Engagement with industry associations as well as direct engagement with some of their member organizations was the primary channel of issuer engagement for this industry. The associations generally agreed with SASB's proposed disclosure topics, while they had numerous concerns with technical aspects of the associated metrics. An investor agreed with the materiality of the provisional topics and usefulness of the metrics.

Consultation Feedback Received for the Containers & Packaging Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	10	2	n/a	12
# of Briefings Held	n/a	3	2	n/a	5
# of Feedback	1	2	2	5	10

Engagement began with a review of outstanding concerns from the public comment period that occurred prior to the release of the provisional standards. Discussion resulted in consensus regarding potential revisions to the standard. Key areas of discussion included the cost-effectiveness and comparability of environmental metrics data, the product-recalls metric, and the product-lifecycle metrics. Investors were supportive of the metrics. As with feedback from the Chemicals industry, issuers commented that de minimis values should not be included in the scope of reporting for relevant topics, including GHG Emissions, Air Quality, and Water Management, because the values would not contribute materially to disclosure.

Feedback was provided by stakeholders on the specific topics below.

- Greenhouse Gas Emissions** – An industry association and issuers provided technical comments on the scope of the GHG Emissions metrics. The comments suggested that the SASB remove the requirement to report de minimis emissions, as there are already de minimis levels specified for reporting on air, water, chemicals, and other issues in regulatory text, and that reporting facilities should follow jurisdictional de minimis values. This would narrow the scope of air emissions to reflect current industry practices and improve the cost-effectiveness of reporting. Investors, however, were supportive of the existing metrics.
- Air Quality (other air emissions)** – An industry association and issuers provided technical comments on the scope of the Air Quality metrics. The comments suggested that the SASB remove the requirement to report de minimis emissions, as there are already de minimis levels specified for reporting on air, water, chemicals, and other issues in regulatory text, and that reporting facilities should follow jurisdictional de minimis values. This would narrow

the scope of air emissions to reflect current industry practices and improve the cost-effectiveness of reporting. Investors, however, were supportive of the existing metrics.

- **Energy Management** – An industry association and issuers commented that the SASB should include an additional metric on self-generated energy to reflect the fact that companies typically self-generated a significant amount of energy from biomass residuals. Self-generated energy can reduce the reliance on purchased electricity and fuels, mitigating the impacts of energy price increases. Investors, however, were supportive of the existing metrics.
- **Water Management** – Issuers and a subject matter expert provided feedback that additional tools should be allowed to measure water stress and that water recycling and withdrawals are challenging and may not always be relevant for all companies and therefore not cost effective to measure. Investors, however, were supportive of the existing metrics.
- **Waste Management** – An industry association and an investor suggested that the SASB revise the scope of the metric to improve the cost-effectiveness of disclosure. Specifically, they suggested SASB focus only on hazardous waste and replace the categorization of hazardous wastes per the EPA definitions with categorization per local jurisdictional definitions, as companies with international operations already report the latter.
- **Product Lifecycle Management** – Industry associations and subject matter experts suggested that the SASB revise the metrics to reflect industry practices regarding measuring recycled- and renewable-materials content. There was concern about being overly prescriptive in these metrics. Investors supported the metrics generally.