Sustainability Accounting Standards

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFTS

REDLINE OF STANDARDS FOR PUBLIC COMMENT

CONSUMER GOODS SECTOR

Apparel, Accessories & Footwear
Appliance Manufacturing
Household & Personal Products
Building Products & Furnishings
Toys & Sporting Goods
Multiline and Specialty Retailers & Distributors
E-commerce

Prepared by the
Sustainability Accounting Standards Board®

CONSUMER GOODS SECTOR

Table of Contents

CONSUMER GOODS SECTOR

APPAREL, ACCESSORIES & FOOTWEAR*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0101

APPAREL, ACCESSORIES & FOOTWEAR

Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Apparel, Accessories & Footwear industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

Industry Description

The Apparel, Accessories & Footwear ~~Industry~~industry includes companies involved in the design, manufacturing, wholesaling, and retailing of various products, including men's, women's, and children's clothing, handbags, jewelry, watches, and footwear. These companies operate globally, and many are headquartered outside the U.S. Although

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

the U.S. remains the largest single market for many apparel, accessories, and footwear companies, products are largely manufactured and imported from outside the U.S. Most companies in the industry outsource manufacturing to vendors in emerging markets and focus on design, wholesaling, marketing, and retail activities.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Apparel, Accessories & Footwear industry, the SASB has identified the following sustainability disclosure topics:

- Management of Chemicals in Products
- Raw Material Sourcing~~ & Innovation~~
- Labor Conditions in the Supply Chain
- Environmental Impacts in the Supply Chain

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

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

companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

[12] http://using.sasb.org/mock-10-k-library/

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

---

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

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

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

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

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

[17] https://www.sec.gov/rules/final/33-8176.htm

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) tier 1 suppliers and (2) suppliers beyond tier 1[19]	Quantitative	Number	~~CN0501~~ CG0101-A

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[20]

Estimates

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

---

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

[19] Note to **~~CN0501~~CG0101-A**—Tier 1 suppliers are defined as suppliers that transact directly with the registrant, such as finished goods manufacturers (cut and sew facilities). Suppliers beyond tier 1 are the key suppliers to the registrant's tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (e.g., mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, slaughter houses, etc.) The registrant shall disclose whether any supplier data beyond tier 1 is based on assumptions, estimates, or otherwise includes any uncertainty.

[20] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Management of Chemicals in Products	Description of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	n/a	~~CN0501~~ CG0101-01
	Description of processes to assess and manage risks associated with chemicals in products	Discussion and Analysis	n/a	~~CN0501~~ CG0101-02
Raw Material Sourcing ~~& Innovation~~	~~Top five~~Discussion of environmental and social risks associated with sourcing priority raw materials ~~used in products, by weight~~[21]	Discussion and Analysis ~~Quantitative~~	~~Metric tons (t)~~ n/a	~~CN0501-03~~ TA09-01-01
	Percentage of raw materials third-party certified to an environmental or social sustainability standard, by standard	Quantitative	Percentage (%) by weight	~~CN0501~~ CG0101-04
Labor Conditions in the Supply Chain	Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 that have been audited to a labor code of conduct, percentage conducted by a third-party auditor	Quantitative	Percentage (%)	~~CN0501~~ CG0101-05
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits[22]	Quantitative	Rate	~~CN0501-06~~ TA09-03-01
	Discussion of greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	Discussion and Analysis	n/a	~~CN0501~~ CG0101-07
Environmental Impacts in the Supply Chain	Percentage of (1) tier 1 supplier facilities (2) supplier facilities beyond tier 1 with wastewater discharge meeting or exceeding legal requirements[23]	Quantitative	Percentage (%)	~~CN0501~~ CG0101-08
	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 or equivalent environmental data collection	Quantitative	Percentage (%)	~~CN0501~~ CG0101-09

~~[21] Note to **CN0501-03**—Disclosure shall include a discussion of environmental and social risks associated with sourcing each of the top five raw materials used in products.~~

[22] Note to **TA09-03-01**—Disclosure shall include a discussion of additional context around supply chain auditing, such as audit criteria, etc.

[23] Note to ~~**CN0501**~~**CG0101-08**—Disclosure shall include a description of the risk related to wastewater discharge and the wastewater treatment and management method(s) used.

Management of Chemicals in Products

Description

The introduction of the Consumer Product Safety Improvement Act in the U.S. and the Registration, Evaluation, Authorization, and Restriction of Chemicals legislation in the E.U. demonstrates increasing regulatory and stakeholder concern surrounding the use of harmful or potentially harmful substances in consumer products, including apparel, accessories, and footwear. Finished apparel and footwear products have been found to contain traces of chemicals that have been banned or regulated. Depending on the chemical, the amount present in a product, and the type of exposure that consumers face, specific substances can be carcinogenic, and can disrupt hormone activity in humans and other organisms. Companies in this industry must work at both the design and manufacturing phases to manage the use of chemicals of concern, develop safe alternatives, and eliminate those that have been banned. Given the industry's reliance on outsourced manufacturing, this requires proactive partnerships with suppliers. In managing this issue, companies must balance the hazard posed by certain chemicals, some of which are important to the functionality or quality of a product, with the risk that consumers face in using these products. Failure to manage this issue may generate additional regulatory oversight and impact a company's social license to operate. In addition, the presence of harmful chemicals in products can lead to recalls, litigation, and reputational damage.

Accounting Metrics

~~CN0501~~CG0101-01. Description of processes to maintain compliance with restricted substances regulations

.01 The registrant shall describe the processes it uses to verify that its products are in compliance with restricted substances regulations to which they are subject (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question Gen-B-4.1), where:

- Restricted substances regulations are defined as laws, rules, and regulations that restrict or ban the use of certain materials, chemicals, and substances in finished home textile, apparel, and footwear products.

.02 The registrant shall discuss its use of finished product and product input laboratory testing and verification, restricted substance lists (RSL), material supplier (i.e., vendor) agreements, and/or input stream management where:

- An RSL is defined as a list of chemicals that the registrant restricts from inclusion in materials, components, and products that it produces. This list typically includes the common names of the chemicals, the Chemical Abstracts Service (CAS) numbers, the restriction levels in the final product or tested component, and the test method.

- Material supplier agreements are defined as contracts between the registrant and its manufacturing suppliers that limit regulated substances to their restricted levels in the products that the supplier manufactures.

- Input stream management is defined as a preventive process for monitoring and optimizing chemical recipes, proactive reactants and reagents, or material inputs (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-2.5).

.03 The registrant shall describe the verification and testing processes it employs to confirm that its materials maintain compliance with restricted substances regulations, (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-3.1) including:

- Whether the registrant tests each product input or finished products
    - Product inputs are defined as the component(s) of the finished product
- Whether the registrant conducts its own lab testing or if testing is done by a third party
- The frequency of testing, including whether or not random sampling is conducted
- Whether the registrant has a standard operating procedure (SOP) for verifying compliance with restricted substances regulations as a part of its material selection and approval process (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-5.2)~~.~~

.04 The registrant shall describe the scope of the RSL(s) it uses, including whether it:

- Uses separate RSLs to manage legal compliance within each market it operates in or applies a single RSL to products in all markets in which it operates, regardless of whether the RSL contains chemicals that are not be regulated in certain markets.
- Uses one or more RSL that it has independently developed or if it uses an industry-accepted RSL (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-2.1).
    - An industry-accepted RSL is defined as an RSL that is promulgated by an industry or trade organization (e.g., American Apparel & Footwear Association (AAFA) Restricted Substance List (RSL), June 2015 | Release 16).
- Uses an RSL that reflects the strictest regulation in all of the countries or markets in which the brand operates and sells products (e.g., regulations that apply to manufacturing, marketing, and sales locations). (Disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B.2.1~~.~~).
    - Strictest regulation is defined as the lowest allowable concentration of the regulated chemical found in any regulation in all locations worldwide where the chemical is regulated.
- Uses an RSL that reflects the most restrictive allowable limits in all locations worldwide where the chemicals that may be used in the registrant's products are regulated (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B.2.2).
    - An example of an RSL that reflects the most restrictive allowable limits worldwide is the American Apparel & Footwear Association (AAFA) RSL), June 2015 | Release 16.
- Uses one or more RSL that includes voluntary limits or bans of chemicals beyond what is covered in the most restrictive global regulations, or if it includes chemicals that may not be subject to regulation but

which the registrant has voluntarily chosen to limit or ban from its products (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-2.3 and GEN-B-4.5.1).

- An example of an RSL that includes chemicals that may not be subject to regulation but which a registrant may voluntarily have chosen to limit or ban from its products is the List of Non-Regulated Substances Contained in the AFIRM RSL Guidance.

.05 The registrant shall disclose whether the RSL(s) it uses is publicly available and shall disclose its location. (Disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-2.4.)

- Public disclosure is defined as online disclosure of the full list of chemicals on the RSL, their restriction limits, and the regulations to which the chemicals are subject.

.06 The registrant shall disclose how it enforces compliance with restricted substances regulations within its supply chain, including:

- How it requires its suppliers to demonstrate adherence (i.e., through self-declaration or if the registrant includes RSL compliance requirements in supplier contracts/agreements) (Disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-3.1).
- Which tiers (i.e. tier 1, tier 2, or beyond tier 2) of suppliers the registrant directly verifies to be in compliance with restricted substance regulations.
- How the registrant enforces corrective actions when it identifies non-compliance with its RSL(s) (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question GEN-B-4.3.1 and GEN-B-4.3.3).

~~CN0501~~CG0101-02. Description of processes to assess and manage risks and/or hazards associated with chemicals in products

.07 The registrant shall describe the business and operational processes it employs to assess and manage potential risks and hazards associated with materials, chemicals, and substances (hereafter "chemicals") (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question GEN-B-4.7).

- The scope of disclosure shall focus on chemicals that may be detected at certain levels in the registrant's finished products.
- The scope of disclosure excludes chemicals management processes for chemicals used during manufacturing and production processes or that are associated with the production of raw materials or components of its products, but which are not present in finished products, which are addressed through ~~CN0501~~CG0101-09.

.08 Where chemicals management policies and practices differ significantly by business unit, product category, or geography, the registrant shall describe those differences.

.09 The registrant shall describe whether its approach to chemicals management is characterized by a hazard-based, risk-based, or other approach, where:

- A hazard-based approach to chemicals management is defined as the process of identifying and managing the usage of chemicals based on the inherent human-health and environmental toxicological characteristics of chemical ingredients, including specific exposure routes (e.g., oral, dermal, or inhalation) and dosages (amounts) of a substance it takes to cause an adverse effect.[24]

- A risk-based approach to chemicals management is defined as managing the usage of chemicals based on the integration of chemical hazard information with an assessment of chemical exposure (i.e., route, frequency, duration, and magnitude) to assess the probability and magnitude of harm to a given population(s) arising from exposure to a chemical, given attendant uncertainties.[25]

- Other approaches may include the usage of hazard-based and risk-based approaches depending on the chemical in question, product category, business segment, operating region, and/or intended product user.

.10 The registrant shall describe the operational processes it employs for chemicals management, where:

- Relevant operational processes used for hazard-based approaches include the exclusion of chemicals in a finished product because their use is prohibited by a regulation or because they have known toxicity at levels at or below amounts detectable in the registrant's products (e.g., use of a comprehensive restricted substances list (RSL) for chemicals that are banned globally or in locations where the registrant operates) (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-4.1).

- Relevant operational processes that typify risk-based management include evaluating chemical hazard data, conducting assessment of exposure pathways, and identifying potential corresponding health risks through the use of screening methods and chemical risk framework tools, such as the World Health Organization (WHO) Human Health Risk Assessment Toolkit: Chemical Hazards, the International Council of Chemical Associations (ICCA) Guidance on Chemical Risk Assessment, and the Outdoor Industry Association's Chemicals Management Framework Tool.

- Additional frameworks for hazard- and risk-based chemical assessment include those compiled by the Organisation for Economic Co-operation and Development (OECD), available here.

.11 The registrant shall discuss its approach to chemicals management in the context of each stage in its products' lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, and product labeling and marketing.

.12 The registrant shall describe how it prioritizes chemicals for reduction and/or elimination from its products and how it works to incorporate alternative chemicals into product formulation and design, including through

[24] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

[25] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

materials substitution assessments (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator questions GEN-B-4.6.1 and MAT-B-4.3).

.13 The registrant shall describe whether it designs its products according to one or more green chemistry principles, including how it prioritizes a set of chemicals from its full product portfolio and evaluates sourcing options and potential material innovation (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT-B-4.1 and MAT-B-4.3).

- Green chemistry principles are defined by the [12 Principles of Green Chemistry].

- A product shall be considered to have been designed with green chemistry principles if documentation shows that tools, frameworks, standards, and/or certifications were used to incorporate one or more green chemistry principle into the design, materials selection, manufacturing processes, use-phase, and/or end-of-life disposal of the product.

.14 The registrant shall disclose whether it pursues third-party certifications to verify the chemical content of its finished products, including which certifications it holds and which products the certifications apply to.

- Examples of third-party certifications that verify chemical content in products include, but are not limited to, OEKO-TEX Standard 100 Certification, Eco-Passport, Bluesign, and Intertek Eco-Certification.

.15 The registrant shall describe how it works with its suppliers to manage risks and/or hazards associated with chemicals in products, (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question GEN-B-4.6) including:

- Whether and how it works with its suppliers to implement its green chemistry program, if extant, and if it rewards suppliers for participating (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question MAT B-4.2 and MAT-B-4.3).

.16 The registrant may choose to identify chemicals found in its finished products that it is targeting for reduction, elimination, or assessment for reasons such as:

- There is incomplete and/or insufficient availability of toxicity information such that the registrant cannot determine if the chemical is safe for use;

- Pending or anticipated regulations may limit or restrict the use of the chemical in the future;

- There is potential for environmental, but not human health, harm that the registrant wishes to limit; and/or

- In response to shifts in market demand or expectations relating to the usage of a specific chemical, class of chemicals, or category of chemicals that may not be regulated but are recognized by the registrant as being "of concern" to consumers, customers, regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).

- Specific chemicals to discuss may include, but are not limited to, those found on the California Department of Toxic Substances Control Priority Product Work Plan).

- Disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question GEN-B-4.6.1.

.17 Where the registrant has identified specific chemicals for elimination or substitution, it should discuss the timeline to achieve its goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress toward achieving its goals (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question GEN-B-4.7).

Raw Material Sourcing~~ & Innovation ~~

Description

The Apparel, Accessories & Footwear industry relies on numerous raw materials as key inputs for finished products. Sustainability concerns related to climate change, water scarcity, land use, resource scarcity, and conflict in the supply chain are increasingly shaping the industry's ability to source materials, including cotton, leather, wool, rubber, and precious minerals and metals. The ability of companies to manage potential materials shortages, supply disruptions, price volatility, and reputational risks is made more difficult by the fact that they source materials from geographically diverse regions through supply chains that often lack transparency. Further, the types of risk faced for different materials can require different solutions, ranging from engaging with suppliers, enhancing transparency, using certification standards, to using innovative alternative materials. Companies that are most proactive are likely to reduce their exposure to price volatility and potential supply disruptions, while improving the brand reputation and developing new market opportunities. Failure to effectively manage this can lead to higher costs of capital, reduced margins, and constrained revenue growth.

Accounting Metrics

~~CN0501-03. Top five~~TA09-01-01. Discussion of environmental and social risks associated with sourcing priority raw materials ~~used in products~~

.18 The registrant shall ~~disclose the five~~discuss its strategic approach to managing its environmental and social risks that arise from sourcing priority raw materials ~~that compose its finished~~(disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator questions MAT-B-1.1.1, MAT-B-1.1.2, MAT-B-1.1.3, MFG-B-3.1.1, GEN-B-3.1, GEN-B-3.2), where:

- Priority raw materials are defined as those which are essential to the registrant's principal products, where principal products ~~in~~are those that accounted for 10 percent or more of consolidated revenue in any of the ~~greatest amounts (by weight) during the~~ last three fiscal ~~year, and~~ years, consistent with 17 CFR 229.101.

~~.18~~.19 Disclosure shall include the methodology of how the ~~amount of each, in metric tons~~registrant identified priority raw materials.

~~.19~~.20 Raw materials include synthetic fibers and fabrics, natural fibers and fabrics, cellulosic materials, materials derived from animals, and any other materials used directly to make apparel, accessories, or footwear products, including, but not limited to:

- Cotton, rayon, polyester, acrylic, spandex, nylon, rubber, leather, wool, flax, silk, hemp, and down.

~~.20~~.21 The registrant shall disclose the ~~top five~~priority raw materials~~ by weight~~ that comprise its products regardless of whether the registrant purchased the materials directly or its suppliers purchased the materials.

~~Note to **CN0501-03**~~

~~.21 The registrant shall discuss environmental and social risks associated with sourcing each of the top raw materials it used, and describe how it manages those risks.~~

.22 Environmental supply chain risks include, but are not limited to:

- Climate change impacts (e.g., changing temperatures, water stress, etc.) on natural fiber crop production that may affect their price and availability;
- Legislation on greenhouse ~~gasses~~gases (GHG) affecting the price of petroleum which may affect the price of petroleum-derived raw materials;
- Tightening environmental regulations for suppliers that could affect the cost or availability of raw materials they supply;
- Lack of full traceability to the source of the raw materials, which may hinder the ability to identify compliance incidents that could lead to negative effects on brand reputation;
- Improper land use practices within the supply chain that may affect the yield of natural fiber raw materials; and
- Other environmental factors that may have an impact on the registrant's ability to source raw materials for its products.

.23 Social supply chain risks include, but are not limited to:

- Suppliers' animal welfare, labor and human rights practices that may affect the registrant's reputation; and
- Sourcing materials from regions of conflict which may affect the price and availability of raw materials.

.24 If the registrant identifies cotton as one of the ~~top five~~priority raw materials~~ used in its products~~, it shall discuss its vulnerability to cotton-growing regions with water stress and how it manages the risk of price variability due to sourcing cotton from these regions.

- The registrant may choose to identify its known sources of cotton for High (40—80%) or Extremely High (>80%) Baseline Water Stress using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here)

.25 The registrant shall discuss its approach to managing risks associated with the use of raw materials in its products, including physical limits on availability, access, price, and reputational risks.

- Relevant strategies to discuss include due diligence practices, supply chain auditing, partnerships with industry groups or nongovernmental development organizations, using substitute materials, research and development into materials with less environmental or social risks, supplier diversification, implementing supply chain codes of conduct, training or engagement programs, supplier audits and/or certifications, and research into the full traceability of material sources, among other strategies.

~~CN0501~~CG0101-04. Percentage of raw materials third-party certified to an environmental or social sustainability standard, by standard

.26 The registrant shall disclose the percentage of raw materials, by weight in metric tons, that are third-party certified to an environmental or social sustainability standard.

.27 Environmental and social sustainability standards are defined as standards that address environmental and social impacts that result from the primary sourcing of raw materials, such as standards for organic or recycled content, animal welfare, fair labor, and others.

.28 Third-party certifications include, but are not limited to:

- Outdoor Industry Association's Content Claim Standard (CCS)
- Textile Exchange's Recycled Claim Standard, Global Recycled Standard, Organic Cotton Standard, and Responsible Down Standard
- Certified Organic
- Control Union Global Organic Textile Standard
- Better Cotton Initiative
- Forestry Stewardship Council certification (for lyocell and rubber)
- Rainforest Alliance leather products
- Global Organic Textile Standard
- STeP by OEKO-TEX®~~,~~
- OEKO-TEX® Standard 100
- ECO PASSPORT
- Cradle to Cradle
- Bluesign

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

.30 The percentage is calculated as the total weight, in metric tons, of raw materials that are certified to a third-party environmental and/or social standard divided by the total weight of raw materials that compose the registrant's finished products.

.31 The registrant shall disclose, on a percentage of cost basis, the certification schemes to which its raw materials are certified.

.32 The registrant may also choose to discuss its use of other sustainable materials that may not be third-party certified, but may demonstrate an environmental lifecycle benefit, and fibers such as reclaimed cotton and wool, mechanically or chemically recycled polyester, nylon, and lyocell.

Labor Conditions in the Supply Chain

Description

The fair treatment of workers and the protection of worker rights in the Apparel, Accessories~~, and~~ & Footwear industry's supply chain is of growing concern among consumers, regulators, and leading companies. Critical aspects of this issue include employee health and safety, fair pay, child labor, and forced labor. Although companies continue to improve performance on this issue, the industry's reliance on a multitiered system of suppliers, subcontractors, labor recruitment firms, and part-time workers makes it difficult to manage. Since companies in the industry typically contract with suppliers in countries with the lowest direct costs, the industry's products are often manufactured in countries that have limited regulations or enforcement protecting workers. This makes labor issues related to product manufacturing widely prevalent and important to address to reduce reputational risks and impacts on short- and long-term costs and sales. Such effects can arise from increasing regulation and its enforcement in response to high-profile safety or labor incidents, production disruptions due to strikes and other labor-related work stoppages, or through a shift in demand away from companies associated with such incidents. Companies with strong supply chain standards, monitoring, and engagement with suppliers to address labor concerns may therefore be better positioned to protect shareholder value over the long term.

Accounting Metrics

~~CN0501~~CG0101-05. Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 that have been audited to a labor code of conduct, percentage conducted by a third-party auditor

.33 The registrant shall disclose the percentage of its tier 1 suppliers and the percentage of suppliers beyond tier 1 that have been audited to a labor code of conduct during the fiscal year, where:

- Tier 1 suppliers are defined as suppliers that transact directly with the registrant, such as finished goods manufacturers (cut and sew facilities).
- Suppliers beyond tier 1 are the key suppliers to the registrant's tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (e.g., mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, slaughter houses, etc.).

.34 Audits are defined as visits to a supplier's facility and review of records to ensure compliance with the code of conduct.

- The scope includes audits conducted by an internal corporate representative or by a third-party auditor.
- The scope includes audit results conducted by other brands or by external third parties not commissioned by the registrant in lieu of having an audit conducted solely for the registrant's purpose (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.2.1).
- The registrant may choose to disclose the extent to which it has reduced audit duplicity by accepting audits conducted by other brands or external third parties (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.2.1).

.35 A labor code of conduct is a corporate policy, standard, or contract that outlines a set of working conditions, labor practices, and environmental health and safety requirements for suppliers and contractors. At a minimum, a code of conduct ensures that suppliers are in compliance with regulations.

- Labor criteria in the code of conduct shall include, at a minimum, an assessment of worker hours/excessive overtime, nondiscrimination, minimum age requirements, compensation practices, freedom of association (worker involvement and communication), worker treatment and development (anti-harassment and anti-abuse policies), and termination and retrenchment policies.

- Environmental health and safety criteria in the code of conduct shall include, at a minimum, an assessment of building and occupational safety hazards and environmental provisions relating to human health and safety, including criteria focused on compliance with environmental laws, environmental permits, pollution prevention and source reduction, hazardous materials management, wastewater and solid waste management, and air emissions levels.

- Examples of apparel industry codes of conduct include the Fair Labor Association Workplace Code of Conduct and Compliance Benchmarks and the Outdoor Industry Association (OIA) Code of Conduct in the Fair Labor Toolkit.

.36 The registrant shall disclose the standards to which it measures labor code of conduct compliance.

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

.37 The registrant shall disclose the percentage of the total audits conducted that were performed by an independent third-party auditor.

- An independent third-party audit is defined as an audit conducted by an independent external organization to determine that the supplier facility complies with specific standards.

.38 The registrant may choose to describe its approach to auditing supplier facilities, including how the registrant adjusts the scope and frequency of monitoring for supplier facilities based on potential risk factors and the continuous performance of the facility (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.2.1).

.39 The registrant may choose to describe how the it assesses and prioritizes its supply chain partners (including subcontractors) to determine the level of risk associated with each in terms of labor and working conditions (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.1.2), including:

- If the registrant maintains an ongoing list of the tier 1 suppliers and suppliers beyond tier 1 involved with the production of its goods.

- If the registrant records information about risk factors that impact performance on labor standards for manufacturers that have been mapped to determine proper levels of oversight and monitoring.

~~CN0501-06~~TA09-03-01. Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits

.40 The registrant shall disclose the rate of its suppliers' non-conformance with external labor code of conduct audit standards or internally developed supplier code(s) of conduct and the rate at which those instances of non-conformance have been subject to corrective action.

.41 The priority non-conformance rate shall be calculated as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited, where:

- A non-conformance is defined as a finding of violation of a local law or one or more aspects of a code of conduct that has been corroborated by more than one source (e.g., management interview, worker interview, payroll review, on-site observation, etc.) unless that single source is incriminating. [26]

- Priority non-conformances are defined as the highest severity of non-conformance and require escalation by auditors or the registrant. Priority non-conformances may arise from a significant risk to labor conditions, safety, or the environment; non-compliance with relevant regulatory requirements; or failure to adequately address prior minor non-conformances.

    - Priority non-conformances are defined by the registrant's or an external third party's code of conduct, and are also known as "high-risk violations," "severe violations, or "major deficiencies," among other terms. Examples of what constitutes a priority non-conformance in an apparel, accessories, or footwear supplier facility audit include the indicators of a "Major Deficiency" outlined in the OIA Code of Conduct.

- The number of facilities audited includes those that were audited by the registrant, by other brands, or by external third parties commissioned by the registrant in lieu of having an audit conducted solely for the registrant's purpose.

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

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

.44 The registrant may choose to disclose the number of contracts with suppliers that were terminated as result of non-conformances.

.45 The registrant may also choose to provide a breakdown of levels in the supply chain where non-conformances occurred (tier 1, tier 2, or other), or by geographic region.

[26] Definition adapted from Fair Labor Association (FLA) Independent External Monitoring Reports, available online here.

Note to **TA09-03-01**

.46 The registrant shall discuss additional context around supply chain auditing, such as:

- Audit methodology and criteria (e.g., management system investigation, worker interviews, management interviews, document review, visual observations, etc.)
- Relationship with suppliers (e.g., length, nature, etc.)
- Timeline to resolve priority non-conformances (e.g., immediate for locked or no fire exits, 30 days for involuntary labor, 60 days for delays in payments to workers, 90 days for expired health and safety certificates, etc.)
- Efforts to increase supply chain transparency (e.g., supplier demonstration of compliance, supplier ability to provide timely robust data and supporting evidence, etc.)
- Efforts to build capacity with its suppliers to improve labor conditions in the supply chain (e.g., development of supplier workplace code of conduct, worker benefit programs at supplier factories, etc.)

~~CN0501~~CG0101-07. Discussion of greatest (1) labor and (2) environmental, health, and safety risks in the supply chain

~~.46~~.47 The registrant shall list the three labor conditions issues and the three environmental health and safety issues that pose the greatest potential risk in the registrant's supply chain.

- A risk can be identified because: (a) the registrant has determined its potential to cause accidents or incidents at supplier facilities, (b) it was identified as a non-conformance most frequently in labor code of conduct audits, or (c) the registrant has determined it to have the greatest potential to cause financial and/or reputational harm to the registrant or its suppliers if left uncorrected.

~~.47~~.48 Labor conditions risks include the following, related to the criteria outlined in the registrant's labor code of conduct or audit criteria: excessive worker hours, violations in minimum age requirements, unfair compensation practices, lack of freedom of association rights, unfair worker treatment (harassment or abuse), or other labor conditions risks identified by the registrant.

~~.48~~.49 Environmental health and safety risks include the following, related to the criteria outlined in the registrant's environmental, health, and safety code of conduct or audit criteria: unsafe building and occupational safety hazards, noncompliance with environmental permits, unsafe levels of air and water pollution, improper management of hazardous substances, wastewater and solid waste disposal violations, or other risks identified by the registrant.

~~.49~~.50 The registrant should discuss any trends within the labor and environmental, health, and safety risks in its supply chain, such as how frequently the greatest risks were identified through monitoring, any differences between geographic regions, or the level in the supply chain at which these risks occur (i.e., tier 1-level or beyond tier 1).

~~.50~~.51 The registrant may choose to include a discussion of strategies and efforts to reduce the occurrence of the greatest labor conditions and environmental, health, and safety risks in its supply chain, (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.2.2) including, but not limited to:

- Tracking closure of corrective actions;
- Capacity building efforts, such as analysis of root causes and management systems and engagement with workers in the remediation process;
- Supplier training;
- Self-auditing and reporting support;
- Participation in multi-stakeholder initiatives; and
- Providing incentives or mandating sanctions for labor and environmental, health, and safety performance (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question SL-B-2.2.4).

Environmental Impacts in the Supply Chain

Description

The Apparel, Accessories & Footwear industry's global supply chain contributes to significant environmental externalities, including water consumption and pollution and air pollution. Water pollution results from the discharge of chemicals during water-intensive dyeing and tanning processes, while air pollution stems from the industry's inefficient use of energy. These impacts have the potential to damage a company's reputation and to affect cost structures over time. The scale of this issue has historically been intensified by the fact that the industry relies on manufacturing partners in emerging markets where environmental regulations and oversight are limited. However, enhanced scrutiny on the part of stakeholders and consumers, coupled with the development of more stringent regulation in certain regions, has led companies throughout the industry to work with suppliers to reduce their environmental impact. Apparel, accessories, and footwear companies that leverage their market power to work with suppliers to improve operational efficiencies and resource consumption and limit pollution will be able to mitigate costs associated with increased resource scarcity and regulation. Further, those that engage with suppliers through monitoring, auditing, and strict standards will be better positioned to protect shareholder value over the long term.

Accounting Metrics

~~CN0501~~CG0101-08. Percentage of (1) tier 1 supplier facilities and (2) supplier facilities beyond tier 1 with wastewater discharge meeting or exceeding legal requirements

~~.51~~.52 The registrant shall disclose the percentage of (1) its tier 1 supplier facilities and (2) its supplier facilities beyond tier 1 that have industrial wastewater treatment systems that meet or exceed applicable regulatory requirements and have wastewater levels that do not adversely affect the environment or the receiving infrastructure (i.e., drains, treatment plants, vehicles, etc.), as determined by applicable regulations or receiving facility limits (disclosure corresponds to Sustainable Apparel Coalition's Higg Index indicator question FAC-4.1.1).

- Wastewater discharge shall be considered to meet applicable regulatory requirements if it meets the limits established by local regulatory requirements for each chemical during testing conducted by local officials and by the registrant, and if the facility has not received a wastewater discharge violation during the fiscal year.

- The scope includes supplier facilities that discharge industrial wastewater from any building, activity, piece of equipment, or process that uses water.

- The scope includes facilities that conduct any of the following: dying, tanning, lamination, laundry/washing, wet finishing, boiler blow-down, steam generation, cooling waters, cleaning, printing, screen printing, and degreasing.

- The scope includes wastewater treatment occurring on-site at the supplier facility and off-site (i.e., sent to a wastewater treatment facility).

~~.52~~.53 Tier 1 suppliers are defined as suppliers that transact directly with the registrant, such as finished goods manufacturers (cut and sew facilities).

~~.53~~.54 Suppliers beyond tier 1 are the key suppliers to the registrant's tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (e.g., mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, slaughter houses, etc.)

- The registrant should indicate the degree of estimation if the registrant does not know its complete list of suppliers beyond tier 1.

~~.54~~.55 The registrant shall disclose whether the wastewater standards to which its supplier facilities are subject to exceed regulated limits for the concentrations of chemicals in wastewater, and the location of those wastewater standards, if publicly available.

- Examples of relevant manufacturing wastewater standards that exceed regulated limits include, but are not limited to, the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MSRL), OEKO-TEX Standard 100, and Bluesign criteria.

~~.55~~.56 The registrant shall briefly characterize the treatment methods used for wastewater discharge at supplier facilities, where treatment methods include:

- Primary treatment is defined as screening and settling—clarification in which solids settle and oil and grease float.
- Secondary treatment is defined as biological decomposition—degradation of organic content with aerobic and/or anaerobic biological treatment.
- Tertiary treatment is defined as any additional method to further improve water quality, such as disinfection, nutrient removal, or reverse osmosis/ultra filtration.
- The registrant may choose to disclose the percentage (by volume) of water treated and returned to the environment by each treatment method.

~~.56~~.57 The registrant shall discuss how its requirements address wastewater discharge for:

- Illegal substances
- Legally regulated substances
- Substances or discharge parameters which are not regulated or prohibited by law, but may be a specific pollutant or risk to textile manufacturing, such as use of pesticides, allergenic dyes, or tin-organic compounds, and pH value.

~~.57~~.58 The registrant shall describe the reasons for choosing wastewater discharge requirements for supplier facilities, which may include, but are not limited to:

- The type of effluents being discharged;
- The regulatory or voluntary standards that the registrant is subject to;

- The environmental setting of the facility; and
- The financial implications of developing such treatment methods.

~~.58~~.59 The registrant may choose to describe its procedure for testing wastewater quality at supplier facilities, including the frequency of testing, whether testing is done internally or externally, and the testing parameters used.

Note to **~~CN0501~~CG0101-08**

~~.59~~.60 The registrant shall discuss its supply chain risks associated with discharge of water from supplier facilities and describe how it manages these risks.

~~.60~~.61 The registrant shall discuss, where applicable, risks associated with discharge of wastewater in the supply chain.

- Relevant information to provide includes, but is not limited to:
  - Environmental constraints, such as the ability to maintain compliance with regulations focused on the quality of effluent discharged to the environment, the ability to eliminate existing and emerging pollutants of concern, and the ability to maintain control over storm water discharges.
  - External constraints, such as increased liability and/or reputational risks, restrictions to discharges and/or increased operating costs due to regulation, stakeholder perceptions and concerns related to water discharges (e.g., those from local communities, non-governmental organizations, and regulatory agencies), and the ability to obtain discharge rights or permits.
  - How risks may vary by discharges to different destinations, including wetlands, rivers, lakes, oceans, groundwater, rainwater, municipal water supplies, or other water utilities.

~~.61~~.62 The registrant should include a discussion of the potential impacts that these risks may have on its supply chain operations and the timeline over which such risks are expected to manifest.

- Impacts may include, but are not limited to, those associated with costs, revenues, liabilities, continuity of operations, and reputation.

~~.62~~.63 The registrant may choose to describe any practices, programs, technology, or methods it utilizes to manage and improve wastewater quality and chemical formulations used at its supplier facilities (disclosure corresponds with Sustainable Apparel Coalition's Higg Index indicator FAC-4.3.2).

- Relevant programs to discuss include adherence to certification schemes with wastewater discharge standards, including, but not limited to, STeP by OEKO-TEX, German Blue Angel, Bluesign, and Cradle to Cradle Certified, and improving chemical formulations at supplier facilities to eliminate priority chemicals identified in the ZDHC Manufacturing Restricted Substances List (available here).

~~CN0501~~CG0101-09. 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 or equivalent environmental data collection

~~.63~~.64 The registrant shall disclose the percentage of tier 1 suppliers and the percentage of suppliers beyond tier 1 who have completed the Sustainable Apparel Coalition's Higg Index Facility Module assessment or collected equivalent environmental data.

~~.64~~.65 Tier 1 suppliers are defined as suppliers that transact directly with the registrant, such as finished goods manufacturers (cut and sew facilities).

~~.65~~.66 Suppliers beyond tier 1 are the key suppliers to the registrant's tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (e.g., mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, slaughter houses, etc.).

~~.66~~.67 A Facility Module assessment shall be considered complete if the supplier completed all of the questions in the Facility Module (Facility Profile, Environmental, and Social), available online here.

~~.67~~.68 If the registrant collects environmental inventory data from its suppliers without using the Facility Module, the data collection shall be considered equivalent to the Facility Module if the registrant gathers inventory data and reduction targets for all categories and criteria covered in the Facility Module, including data on:

- Environmental management systems
- Energy use
- ~~Greenhouse gas (~~GHG~~)~~ emissions
- Water use
- Wastewater/effluent discharge
- Air emissions
- Waste management
- Chemicals management

~~.68~~.69 The registrant may also choose to discuss efforts to improve the outcomes of Facility Module indicators at supplier facilities, such as working with supplier facilities and providing resources to achieve reduction targets.

CONSUMER GOODS SECTOR

APPLIANCE MANUFACTURING*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0201

APPLIANCE MANUFACTURING

Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Appliance Manufacturing industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

Industry Description

The Appliance Manufacturing industry includes companies involved in the design and manufacturing of household appliances and hand tools. The industry sells and manufactures products around the world, primarily selling products to consumers through retail locations.

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Appliance Manufacturing industry, the SASB has identified the following sustainability disclosure topics:

- Product Safety
- Product Lifecycle Environmental Impacts

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

---

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed." [10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition." [11]

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

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

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

Finally, as a general matter, Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may

---

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability

[12] http://using.sasb.org/mock-10-k-library/

of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.

- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.

- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.

- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.

- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

---

[13] These areas for possible additional narrative description are generally aligned with the [Recommendations of the Task Force on Climate-related Financial Disclosures](), which contains a more extensive discussion of such disclosure matters.

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

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

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

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

Activity metrics disclosed should:

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

- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.

[17] https://www.sec.gov/rules/final/33-8176.htm

- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Annual production[19]	Quantitative	Number of units	~~CN0601~~ CG0201-A

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[20]

Estimates

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

Timing

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

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

[19] Note to **~~CN0601~~CG0201-A**—Production shall be disclosed as the number of units produced by product category, where relevant product categories may include small appliances, major appliances, etc.

[20] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Safety	Number of recalls and total units recalled[21]	Quantitative	Number	~~CN0601~~ CG0201-01
	Discussion of process to identify and manage safety risks associated with the use of its products	Discussion and Analysis	n/a	TA09-04-01
	Amount of legal and regulatory fines and settlements associated with product safety[22]	Quantitative	U.S. Dollars ($)	~~CN0601~~ CG0201-02
Product Lifecycle Environmental Impacts	Percentage of eligible products certified to a U.S. EPA ENERGY STAR® standard	Quantitative	Percentage (%) by revenue	~~CN0601~~ CG0201-03
	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	Quantitative	Percentage (%) by revenue	~~CN0601~~ CG0201-04
	Description of efforts to manage products' end-of-life impacts	Discussion and Analysis	n/a	~~CN0601~~ CG0201-05

[21] Note to ~~**CN0601**~~**CG0201-01**—The registrant shall discuss notable recalls such as those that affected a significant number of units of one product or those related to serious injury or fatality.

[22] Note to ~~**CN0601**~~**CG0201-02**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Product Safety

Description

Product safety is of utmost importance to appliance and tool manufacturers. When an appliance malfunctions, it can result in fires or other hazards that damage property and cause injury or even death. The potential for product malfunction and its sometimes-serious consequences opens up firms to risks related to litigation and negative consumer sentiment, which can affect brand value. Failure to report known product safety hazards to relevant authorities can result in civil penalties.

Accounting Metrics

~~CN0601~~CG0201-01. Number of recalls and total units recalled

.01 The registrant shall disclose the total number of product recalls, where:

- A recall is defined as an action to remove alleged, potentially, or known defective or hazardous products from the distribution chain and from the possession of consumers.

.02 The registrant shall disclose the total number of units that were subject to product recalls.

.03 The scope includes voluntary recalls initiated by the registrant and recalls requested by the Consumer Product Safety Commission (CPSC) or other relevant government agency.

Note to **~~CN0601~~CG0201-01**

.04 The registrant shall discuss notable recalls such as those that affected a significant number of units of one product or those related to serious injury or fatality.

.05 For such recalls, the registrant should provide:

- Description and cause of the recall issue
- The total number of units recalled
- The cost to remedy the issue (in U.S. dollars)
- Whether the recall was voluntary or involuntary (mandated by CPSC)
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings, customer fatalities, etc.)

TA09-04-01. Discussion of process to identify and manage safety risks associated with the use of its products

.06 The registrant shall describe the business and operational processes it employs to assess and manage risks associated with the use of its products.

- The scope of disclosure shall include product safety risks to end consumer during use phase.

- Risks may include those related to the materials used in the product, those related to the intended use of the product, and those related to design and function of the product.

- Examples of risks include, but are not limited to, fire, electric shocks, appliance tipping, and carbon monoxide emissions.

.07 At a minimum, the registrant shall discuss how it assesses products for safety risks, including operational processes it employs for these assessments and other actions it takes to manage hazards and risks.

.08 The registrant shall disclose if it pursues testing and/or third-party certification to verify safety of its finished products, including which certifications it holds and which products the certifications apply to.

- The scope of disclosure excludes discussion of mandatary product certifications.

.09 For identified safety hazards, the registrant may discuss the timeline to managing the hazard, identify which products or product lines are affected, and provide an analysis of progress toward hazard mitigation.

~~.06~~.10 Relevant operational processes may include, but are not limited to, product design, product safety testing, risk characterization, prioritization of product risks, product labeling, product declarations, sharing of information on product risks, and management of new information on product risks.

~~.07~~.11 Relevant actions to discuss may include product recall, consumer education, and initiatives aimed at meeting applicable regulations and industry standards including, but not limited to, the Consumer Product Safety Improvement Act, Federal Hazardous Substances Act, Refrigerator Safety Act, and Association of Home Appliance Manufacturers (AHAM) Safety Standards.

.12 Relevant initiatives may include labeling, product design, material procurement, training, education, and product declarations.

~~CN0601~~CG0201-02. Amount of legal and regulatory fines and settlements associated with product safety

~~.08~~.13 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to product safety, including, but not limited to, violations of the following:

- Consumer Product Safety Act and all associated regulations

- Refrigerator Safety Act

- Occupational Safety and Health Administration (OSHA) Safety Standards (e.g., requirements for testing and certification of electrical equipment by a Nationally Recognized Testing Laboratory (NRTL) under 29 CFR Part 1910, or by a Qualified Testing Laboratory (QTL) under 29 CFR Part 1926).

~~.09~~.14 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to ~~CN0601~~CG0201**-02**

~~.10~~.15 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., inadequate testing or certification, etc.) of fines and settlements.

~~.11~~.16 The registrant shall describe any corrective actions it has implemented as a result of each incident. These may include, but are not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Product Lifecycle Environmental Impacts

Description

Companies in the Appliance Manufacturing industry are constantly trying to differentiate their products from those of their competitors. One key differentiating factor is the lower lifecycle impact of products, which is also associated with the lower cost of using appliances. This issue involves a company's ability to design products with the entire lifecycle in mind, from creation and use to disposal. In particular, this covers energy and water efficiency in appliances, which account for a significant proportion of a home's energy and water use, as well as designing for and facilitating safe end-of-life disposal and recycling.

Accounting Metrics

~~CN0601~~CG0201-03. Percentage of eligible products certified to a U.S. EPA ENERGY STAR® standard

~~.12~~.17 The registrant shall calculate the percentage as the revenue, in U.S. dollars, from products meeting the requirements for U.S. Environmental Protection Agency (EPA) ENERGY STAR® certification divided by total revenue from products eligible for ENERGY STAR certification.

- Eligible products are those in a product category for which ENERGY STAR certification exists, which includes the following appliance and heating and cooling product categories: air purifiers, clothes dryers, clothes washers, dehumidifiers, dishwashers, freezers, refrigerators, air conditioning, boilers, ductless heating and cooling, furnaces, heat pumps, and ventilation fans.

~~.13~~.18 The scope of disclosure includes products that meet the criteria of the most current version of the applicable ENERGY STAR standard.

- If the registrant has products certified to a previous version of an ENERGY STAR standard, it shall disclose this information, including which version of the standard its products are certified to, a breakdown of how many products are certified to that version of the standard, and its timelines for achieving certification to the most current version of the standard.

~~CN0601~~CG0201-04. Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard

~~.14~~.19 The registrant shall calculate the percentage as the revenue, in U.S. dollars, from products certified to an AHAM sustainability standard divided by total revenue from products addressed by the scope of an AHAM sustainability standard.

- Eligible products are those addressed by the following standards:
  - Major Appliances, including clothes dryers (AHAM HLD-1-2010), clothes washers (AHAM HLW-1-2010), dehumidifiers (ANSI/AHAM DH-1-2008 (under revision)), dishwashers (ANSI/AHAM DW-1-2010), electric ranges (ANSI/AHAM ER-1-2007), food waste disposers (AHAM FWD-1-2009), oven volume (AHAM OV-1-2011), refrigerators/freezers (AHAM HRF-1-2008 (under revision)), room air conditioners (ANSI/AHAM RAC-1-R2008 (under revision)), and trash compactors (AHAM TC-1-2012).

- Portable appliances, including coffee makers (AHAM CM-1-2012), humidifiers (ANSI/AHAM HU-1-2006 (R2011)), Irons (ANSI/AHAM I-1-2005 (R2011)), room air cleaners—CADR (ANSI/AHAM AC-1-2006 (under revision)), room air cleaners—sound (ANSI/AHAM AC-2-2004 (R2008) (under revision)), room air cleaners—accelerated loading (AHAM AC-3-2009), and slow cookers (AHAM SC-1-2007 (R2011)).

- Additions to the scope of AHAM sustainability standards and/or eligible products addressed therein constitute additions to the scope of this disclosure.

~~.15~~.20 AHAM sustainability standards are available here.

~~CN0601~~CG0201-05. Description of efforts to manage products' end-of-life impacts

~~.16~~.21 The registrant shall describe its efforts to manage the end-of-life impacts of its products, including those related to safe and proper disposal or recycling of constituent chemicals and other product components, including but not limited to toxic heavy metals (e.g., mercury, cadmium, etc.), rigid polymers, refrigerants, and other metals (e.g., steel and aluminum).

~~.17~~.22 The registrant shall describe the scope of its efforts including to which product categories, business segments, and/or operating regions they relate.

~~.18~~.23 The registrant shall discuss how it incorporates end-of-life considerations into the design of its product such as:

- Use of materials that are easily and commonly recyclable in existing recycling infrastructure.

- Eliminating or minimizing the use of hazardous materials or materials that may otherwise pose environmental harm upon disposal (e.g., refrigerants with ozone depleting potential and/or global warming potential).

- Designing products for disassembly (i.e., designing products so they can be easily, rapidly, and cost-effectively disassembled with commonly available tools).

- Proper labeling of products and their component materials to facilitate disassembly and recycling.

~~.19~~.24 The registrant shall discuss its participation in extended producer responsibility (EPR) initiatives, including the following aspects:

- Whether the registrant directly conducts product take-back, recovery, and recycling or if the registrant supports infrastructure for product recovery and recycling through joint ventures, partnerships with retailers and others, or by funding research into recycling technologies.

- Whether the initiative is voluntary or mandatory (e.g., in order to maintain compliance with European Community directive 2012/19/EU on waste electrical and electronic equipment (WEEE) or the Japan home appliance recycling law).

- Relevant performance measures or targets for the initiative such as the total amount of material recovered and the total amount of material recycled.

CONSUMER GOODS SECTOR

HOUSEHOLD & PERSONAL PRODUCTS*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0202

HOUSEHOLD & PERSONAL PRODUCTS

Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Household & Personal Products industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Industry Description

The Household & Personal Products industry comprises companies that manufacture a wide range of goods for personal and commercial consumption, including cosmetics, household and industrial cleaning supplies, soaps and detergents, sanitary paper products, household batteries, razors, and kitchen utensils. Household and personal products companies operate globally and typically sell their products to mass merchants, grocery stores, membership club stores, drug stores, high-frequency stores, distributers, and e-commerce retailers. Some companies sell products through independent representatives rather than third-party retail establishments.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Household & Personal Products industry, the SASB has identified the following sustainability disclosure topics:

- Water Management
- Packaging Lifecycle Management
- Product Environmental, Health, and Safety Performance
- Environmental & Social Impacts of Palm Oil Supply Chain

2. Determination of Materiality

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

---

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

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

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

[12] http://using.sasb.org/mock-10-k-library/

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

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

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

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

[17] https://www.sec.gov/rules/final/33-8176.htm

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

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Units of products sold, total weight of products sold	Quantitative	Number, Metric tons (t)	~~CN0602~~ CG0202-A
Number of manufacturing facilities	Quantitative	Number	~~CN0602~~ CG0202-B

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[19]

Estimates

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.
[19] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

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

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Water Management	(1) Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	~~CN0602~~ CG0202-01
	Discussion of water management risks and description of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	~~CN0602~~ CG0202-02
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable or compostable	Quantitative	Metric tons (t), Percentage (%)	~~CN0602~~ CG0202-03
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	~~CN0602~~ CG0202-04
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	Quantitative	U.S. Dollars ($)	~~CN0602~~ CG0202-05
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Quantitative	U.S. Dollars ($)	~~CN0602~~ CG0202-06
	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion and Analysis	n/a	~~CN0602~~ CG0202-07
	Revenue from products designed with green chemistry principles	Quantitative	U.S. Dollars ($)	~~CN0602~~ CG0202-08
Environmental & Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through (1) Roundtable on Sustainable Palm Oil (RSPO) Book & Claim and Mass Balance systems and (2) RSPO Identity Preserved and Segregated systems	Quantitative	Metric tons (t), Percentage (%)	~~CN0602~~ CG0202-09

Water Management

Description

Water is vital to the Household & Personal Products industry, both as a coolant in manufacturing processes and as a main input for many of the industry's products. Water is becoming a scarce resource around the world due to increasing consumption as a result of population growth, rapid urbanization, and reduced supplies due to drought and climate change. Many firms in this industry have operations in regions of the world that are facing water scarcity. Without careful planning, companies could face increased costs, or worse, lose access to water in these regions. Having rigorous checks in place to ensure a steady supply of water to all factories, as well as investing in technology to increase the efficiency of water use, will help firms in this industry keep a lower risk profile as water scarcity inevitably becomes a more pressing international issue.

Accounting Metrics

~~CN0601~~CG0201-01. (1) Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

.01 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from all sources, where:

- Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the registrant, wastewater obtained from other entities, municipal water supplies, or supply from other water utilities.

.02 The registrant may choose to disclose the portion of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources, where:

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

- Water obtained from a water utility in compliance with U.S. National Primary Drinking Water Regulations can be assumed to meet the definition of fresh water.

.03 The registrant shall disclose the amount of water (in thousands of cubic meters) that was consumed in its operations, where water consumption is defined as:

- Water that evaporates during withdrawal, usage, and discharge;

- Water that is directly or indirectly incorporated into the registrant's product or service; and

- Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.

.04 The registrant shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80%) or Extremely High (>80%) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly accessible online here).

.05 The registrant shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.

.06 The registrant shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

~~CN0602~~CG0202-02. Discussion of water management risks and description of strategies and practices to mitigate those risks

.07 The registrant shall discuss its risks associated with water withdrawals, water consumption, and discharge of water to the environment and describe how it manages these risks.

.08 The registrant shall discuss, where applicable, risks to the availability of adequate, clean water resources.

- Relevant information to provide includes, but is not limited to:
  - Environmental constraints, such as operating in water-stressed regions, drought, interannual or seasonal variability, and risks due to the impact of climate change.
  - External constraints, such as volatility in water costs, stakeholder perceptions and concerns related to water withdrawals (e.g., those from local communities, non-governmental organizations, and regulatory agencies), direct competition with and impact from the actions of other users (commercial and municipal), restrictions to withdrawals due to regulations, and the ability to obtain and retain water rights or permits.
  - How risks may vary by withdrawal source, including wetlands, rivers, lakes, oceans, groundwater, rainwater, municipal water supplies, or supply from other water utilities.

.09 The registrant shall discuss, where applicable, risks associated with its discharge of wastewater.

- Relevant information to provide includes, but is not limited to:
  - Environmental constraints, such as the ability to maintain compliance with regulations focused on the quality of effluent discharged to the environment, the ability to eliminate existing and emerging pollutants of concern, and the ability to maintain control over runoff and storm water discharges.
  - External constraints, such as increased liability and/or reputational risks, restrictions to discharges and/or increased operating costs due to regulation, stakeholder perceptions and concerns related to water discharges (e.g., those from local communities, non-governmental organizations, and regulatory agencies), and the ability to obtain discharge rights or permits.
  - How risks may vary by discharges to different destinations, including wetlands, rivers, lakes, oceans, groundwater, rainwater, municipal water supplies, or other water utilities.

.10 The registrant should include a discussion of the potential impacts that these risks may have on its operations and the timeline over which such risks are expected to manifest.

- Impacts may include, but are not limited to, those associated with costs, revenues, liabilities, continuity of operations, and reputation.

.11 The registrant shall provide a description of its short-term and long-term strategy or plan to manage these risks, including the following, where relevant:

- Any water management targets it has set, and an analysis of performance against those targets.
  - Water management targets can include water management goals that the registrant prioritizes to manage its risks and opportunities associated with water withdrawal, consumption, or discharge.
  - Targets can include, but are not limited to, those associated with reducing water withdrawals, reducing water consumption, reducing water discharges, and improving the quality of wastewater discharges.
- The scope of its strategy, plans, or targets, such as whether they pertain differently to different business units, geographies, or water-consuming operational processes.
- The activities and investments required to achieve the plans and targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.

.12 For water management targets, the registrant shall additionally disclose:

- The percentage reduction or improvements from the base year, where:
  - The base year is the first year against which water management targets are evaluated toward the achievement of the target.
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target.
- The timelines for the water management plans, including the start year, the target year, and the base year.
- The mechanism(s) for achieving the target, including:
  - Efficiency efforts, such as the use of water recycling and/or closed-loop systems
  - Product innovations such as redesigning products or services to require less water
  - Process and equipment innovations, such as those that enable the use of less water in manufacturing or operations

- Use of tools and technologies (e.g., the World Wildlife Fund Water Risk Filter, WRI/WBCSD Global Water Tool, and Water Footprint Network Footprint Assessment Tool) to analyze water use, risk, and opportunities

- Collaborations or programs in place with the community or other organizations

.13 Disclosure of strategies, plans, and targets shall be limited to activities that were ongoing (active) or reached completion during the fiscal year.

.14 The registrant shall discuss if its water management practices result in any additional lifecycle impacts or tradeoffs in its organization, including tradeoffs in land use, energy consumption, and greenhouse gas (GHG) emissions, and why the registrant chose these practices despite lifecycle tradeoffs.

Additional Resources

GRI-Global Reporting Initiative (GRI G4)

CDP 2015 Water Questionnaire

CEO Water Mandate

Global Water Footprint Assessment Standard

Ceres Aqua Gauge Framework

Packaging Lifecycle Management

Description

The Household & Personal Products industry uses a large amount of materials for product packaging, which often constitutes a significant portion of companies' expenses. In addition, packaging design, particularly packaging weight, has a direct impact on transportation expenses, which can be significant. At the same time, the industry is facing pressure from both consumers and large retail outlets to address the environmental characteristics of its packaging, as material extraction and waste contribute to environmental externalities. The sustainability performance of packaging depends largely on the type, use, and ultimate disposal of materials. However, companies that effectively manage the sustainability characteristics of their product packaging—including light-weighting of materials, the use of recycled content and recyclable materials, and the use of sustainably sourced materials—may be better positioned to capture shifting consumer demand and avoid (or mitigate the impacts of) regulation related to extended producer responsibility. By managing the sustainability of product packaging, companies can also potentially reduce input and transportation costs.

Accounting Metrics

~~CN0602~~CG0202-03. (1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable or compostable

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

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products. This includes:
  - Primary packaging that is designed to come into direct contact with the product; and
  - Secondary packaging that is designed to contain one or more primary packages together with any protective materials, where required.
  - The scope excludes tertiary packaging that is designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling and/or distribution. Tertiary packaging is also known as "distribution" or "transport" packaging

.16 The registrant shall disclose the percentage of packaging (by weight) made from recycled and/or renewable materials.

- Recycled content is defined, consistent with definitions in ISO 14021:1999, "Environmental labels and declarations—Self-declared environmental claims (Type II environmental labelling)," as the portion, by mass, of recycled or recovered material in a product or packaging, where only pre-consumer and post-consumer materials shall be considered as recycled content, and where:

- Recycled material is defined as material that has been reprocessed from recovered (or reclaimed) material by means of a manufacturing process and made into a final product or a component for incorporation into a product.

- Recovered material is defined as material that would have otherwise been disposed of as waste or used for energy recovery, but has instead been collected and recovered (or reclaimed) as a material input, in lieu of new primary material, for a recycling or manufacturing process.

- Pre-consumer material is defined as material that has been diverted from the waste stream during a manufacturing process. Excluded is reutilization of materials such as rework, regrind, or scrap that are generated in a process and are capable of being reclaimed within the same process that generated them.

- Post-consumer material is defined as material generated by households or by commercial, industrial, and institutional facilities in their role as end-users of the product that can no longer be used for its intended purpose. This includes returns of material from the distribution chain.

- Renewable resources are defined, consistent with the Global Protocol on Packaging Sustainability 2.0, as resources that are composed of biomass from a living source and are replenished at a rate equal to or greater than the rate of depletion, where:

  - Biomass is defined as a material of biological origin, excluding materials embedded in geological formations or transformed to fossilized material and excluding peat. This includes organic material (both living and dead) from above and below ground, such as trees, crops, grasses, tree litter, algae, animals, and waste of biological origin (e.g., manure), consistent with the Global Protocol on Packaging Sustainability 2.0.

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

- For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable based on an estimate of the weight of each portion.

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

- For purpose of this disclosure, recyclable material includes those materials that are reusable, where:

  - "Recyclable" is defined as a product or packaging that can be diverted from the waste stream through available processes and programs and can be collected, processed, and returned to use in the form of raw materials or products, consistent with definitions in ISO 14021:1999, "Environmental labels and declarations—Self-declared environmental claims (Type II environmental labelling)."

  - "Reusable" is defined as a product or packaging that has been conceived and designed to accomplish, within its lifecycle, a certain number of trips, rotations, or uses for the same purpose for which it was conceived, consistent with definitions in ISO 14021:1999, "Environmental labels and declarations—Self-declared environmental claims (Type II environmental labelling)."

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

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

.20 The registrant should disclose (1) the total weight of packaging sourced, (2) the percentage made from recycled or renewable materials, and (3) the percentage that is recyclable or compostable for each major packaging substrate (e.g., wood fiber, glass, metal, and petroleum-based).

~~CN0602~~CG0202-04. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

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

.22 The registrant shall discuss the circumstances surrounding its use of recycled and renewable packaging, including, but not limited to, discussions of supply availability, consumer preferences, and packaging durability requirements.

.23 The registrant shall discuss the circumstances surrounding its use of packaging that is recyclable and compostable, including, but not limited to, discussions of regulations, packaging end-of-life commitments, consumer demand, and packaging durability.

.24 Relevant disclosure may include, but is not limited to, discussion of the following:

- Implementation of EN 13428 or ISO 18602, which include criteria for minimization of packaging weight and optimization to the amount needed for safety, hygiene, and consumer acceptance of the packed product.

- Implementation of EN 13430 or ISO 18604, which include criteria for recyclable packaging.

- Implementation of EN 13432, ISO14855-1:2005, ASTM D6400, or ASTM D6868, which include criteria for packaging recoverable through biodegradation and composting.

- Implementation of ISO 14021, which includes criteria for renewable and recycled material content claims.

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

.25 The registrant should, where relevant, discuss any packaging-related targets and performance against those targets. Examples of such targets include, but are not limited to:

- Reduction in packaging footprints
- Reduction in packaging weight either in total or on a per-unit basis
- Increasing recycled, recyclable, reusable, renewable, and/or compostable content

.26 The registrant may choose to discuss its use of Life Cycle Assessment (LCA) analysis in the context of its approach to environmental impact reduction and maximization of product efficiency, including weight reduction and transportation efficiency.

- When discussing improvements to the environmental efficiency of packaging products, improvements should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Additional References

EPA Waste Hierarchy

Summary of the EPA Municipal Solid Waste Program

Product Environmental, Health, and Safety Performance

Description

The Household & Personal Products industry is facing growing consumer and regulatory pressure over the use of chemicals of concern, which have been linked to negative environmental externalities and impacts on human health. Some of these chemicals include persistent, bioaccumulative, and toxic (PBT) substances and carcinogenic, mutagen, or teratogenic chemicals, all of which are under increased threat of legislation. Isolating and determining causal channels for negative health and environmental impacts is difficult, which means there is often a significant lag between a product's introduction to the market and the point at which regulation and/or public opinion causes companies in the industry to reformulate. Directives in the E.U. and legislation in the U.S. place restrictions on or suggest alternatives to the use of harmful chemicals within the industry. Separately, the Food & Drug Administration in the U.S. may secure greater regulatory power over chemicals used by the cosmetics industry, which would very likely result in higher costs for the Household & Personal Products industry. Large retailers have implemented programs to ban chemicals of concern in the products they sell, which is placing greater pressure on the industry. Companies that are able to anticipate the changing regulatory landscape and implement stricter processes and testing will have a competitive advantage. Early adopters of innovations in green chemistry and the reduction of chemicals of concern may improve profitability by being better able to capture customer demand and avoiding regulatory burdens.

Accounting Metrics

~~CN0602~~CG0202-05. Revenue from products that contain REACH substances of very high concern (SVHC)

.27 The registrant shall calculate the percentage as the revenue, in U.S. dollars, from products that contain substances listed on the Candidate List of Substances of Very High Concern for Authorisation (hereafter "SVHC Candidate List") promulgated by the European Chemicals Agency (ECHA) divided by total revenue from products.

.28 A product shall be considered to contain a substance on the SVHC Candidate List if the concentration of the substance in the product is above 0.1% (w/w).

- The scope of disclosure includes products that contain these substances, regardless of whether the product is subject to E.U. regulation.

.29 The SVHC Candidate List, which is associated with Regulation (EC) No 1907/2006 – REACH, may be accessed here.

.30 Products that contain substances that have exemptions from authorization under REACH may be considered excluded from the scope of this disclosure.

~~CN0602~~CG0202-06. Revenue from products that contain substances on the California DTSC Candidate Chemicals List

.31 The registrant shall disclose the amount of revenue from products that contain substances listed on the California Department of Toxic Substances Control's (DTSC) Candidate Chemicals List (accessible here).

- Candidate chemicals are defined, according to the California Code of Regulations, Title 22, § 69502, as chemicals that exhibit a "hazard trait and/or an environmental or toxicological endpoint" and are either: (a) found on one or more of the authoritative lists specified in section 69502.2(a) of the regulation; or (b) listed by DTSC using the criteria specified in section 69502.2(b).

- The scope of disclosure includes, but is not limited to, chemicals and products currently under regulation due to inclusion on the Priority Products list (the initial list of Priority Products may be accessed here).

    - Updates to the Candidate Chemicals List, made per the California Code of Regulations, Title 22, § 69502.3, shall constitute updates to this standard.

- The scope of disclosure includes all products (and their chemical constituents) sold by the registrant, regardless of whether they are subject to the California Safe Consumer Products Regulations (i.e., regardless of whether they have been "placed into the stream of commerce in California").

.32 A product shall be considered to contain a substance on the California DTSC Candidate List if the concentration of the substance in the product is above 0.1% (w/w).

.33 The registrant may choose to discuss whether it has conducted an "Alternatives Assessment" as described by DTSC regulation and, if so, its results.

~~CN0602~~CG0202-07. Discussion of process to identify and manage emerging materials and chemicals of concern

.34 The registrant shall discuss its strategy and approach to managing the use of materials, chemicals, and substances that may be of human health and/or environmental concern to consumers, customers (e.g., retailers and commercial buyers), regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).

- "Materials, chemicals, and substances" includes individual compounds, classes of chemicals, and categories of chemicals.

.35 At a minimum, the registrant shall discuss how it assesses materials and chemicals for hazard characteristics and risk traits, including the operational processes it employs for these assessments and other actions it takes to manage hazards and risks.

.36 Relevant operational processes may include, but are not limited to, product formulation and design, product safety testing, risk characterization, prioritization of product risks, product labeling, product declarations (e.g., material safety data sheets), sharing of information on product risks, and management of new information on product risks.

.37 Relevant actions to discuss may include the exclusion of substances (e.g., use of banned substances lists), use of material substitution assessments, use of tools and screening methods (e.g., GreenScreen® For Safer Chemicals or CleanGredients® Data Verification), or any other methods that consider the usage of materials, chemicals, and substances of concern.

.38 The registrant shall discuss the use of chemicals listed in the "Safer Consumer Products DRAFT Priority Product Work Plan, Three Year Work Plan | 2015-2017, April 2015" as potential candidate chemicals in Beauty, Personal Care, and Hygiene products, including:

- Aldehydes such as formaldehyde that are used as cross-linking agents, modifiers, and preservatives;
- Alkyl phenols and ethoxylates (used as surfactants);
- Azo dyes, coal tars, lead, and lead acetate (used as colorants, dyes, and pigments);
- Phthalates (used as emulsifiers and plasticizers); and
- Triclosan (used as an antimicrobial).

.39 The registrant should discuss its use of chemicals that appear on California's Proposition 65 list of carcinogens and reproductive toxicants, Washington State's List of Chemicals of High Concern to Children, and/or other equivalent state and country regulations regarding chemicals of concern.

.40 The registrant should discuss the use of the emerging materials and chemicals of concern which may include, but are not limited to:

- Preservatives such as parabens (PHBA), benzophenones, and other phenols used as preservatives;
- Antimicrobials such as triclocarban and nanosilver;
- Toluene;
- Polyvinyl chloride; and
- Polyethylene microbeads.

~~CN0602~~CG0202-08. Revenue from products designed with green chemistry principles

.41 The registrant shall disclose the amount of its revenue that is from products designed with one or more green chemistry principles, where "green chemistry principles" are defined by 12 Principles of Green Chemistry.

.42 Relevant products include:

- Products that contain "safer" chemicals while maintaining function and efficacy, thereby meeting Green Chemistry Principle 4, "Design benign chemicals."
- Products that are biodegradable, in that they break down into innocuous degradation products and do not persist in the environment, thereby meeting Green Chemistry Principle 10, "Design for degradation."
- Products that can be shown to meet the following Green Chemistry Principles: 1 ("Prevent waste"), 2 ("Atom efficiency"), 3 ("Less hazardous chemical syntheses"), 5 ("Benign solvents and auxiliaries"), 6 ("Design for energy efficiency"), 7 ("Use of renewable feedstocks"), 8 ("Reduce chemical derivatives"),

9 (“Use catalysts, not stoichiometric reagents”), 11 (“Real-time analysis for pollution prevention”), or 12 (“Inherently benign chemistry for accident prevention”).

.43 A product shall be considered to have been designed with green chemistry principles if documentation shows that tools, frameworks, standards, and/or certifications were used to incorporate one or more green chemistry principles into the design, materials selection, manufacturing processes, use-phase, and/or end-of-life disposal of the product.

.44 Specific green chemistry efforts may include products that are designed according to the American Chemistry Society (ACS) Green Chemistry Initiative (GCI) Formulator’s Roundtable guidance, the EPA Design for Environment Program, and/or third-party certification such as Cradle-to-Cradle certification.

Environmental & Social Impacts of Palm Oil Supply Chain

Description

Palm oil has rapidly risen in popularity over the last two decades as a cheap input for a wide range of goods in this industry, including cleaning products, candles, and cosmetics. If not sourced responsibly, palm oil materials contribute to environmental and social externalities that can present reputational and regulatory risks for companies. Palm oil harvesting in specific regions of the world can contribute to deforestation, GHG emissions, and other environmental and social problems. Companies in this industry are exposed to the risk of supply chain disruptions, input price increases, and reputational damage associated with environmental and social externalities from palm oil sourcing. Companies face pressure to track and responsibly source palm oil. Additionally, they face pressure to ensure minimum standards for working conditions in the supply chain, as the production of palm oil is often associated with fair labor issues. Implementing sourcing standards can contribute to reducing risks, as can innovations at the product-design phase to reduce dependence on controversial materials such as palm oil.

Accounting Metrics

~~CN0602~~CG0202-09. Amount of palm oil sourced, percentage certified through (1) Roundtable on Sustainable Palm Oil (RSPO) Book & Claim and Mass Balance systems and (2) RSPO Identity Preserved and Segregated systems

.45 The registrant shall disclose the amount, in metric tons, of palm oil that it sourced during the fiscal year.

.46 The registrant shall disclose the percentage, on a weight basis, of palm oil it sourced that has been third-party certified to bear a Roundtable on Sustainable Palm Oil (RSPO) claim under the "Book & Claim" (BC) or "Mass Balance" (MB) supply chain mechanism, where:

- The percentage shall be calculated as the weight, in metric tons, of BC and MB RSPO-certified palm oil sourced by the registrant divided by the total weight, in metric tons, of palm oil sourced by the registrant.
- BC palm oil is represented by certificates purchased through the GreenPalm certificate-trading program.

.47 The registrant shall disclose the percentage, on a weight basis, of palm oil it sourced that has been third-party certified to bear an RSPO claim under an "Identity Preserved" (IP) or "Segregated" (SG) supply chain mechanism, where:

- The percentage shall be calculated as the weight, in metric tons, of IP and SG RSPO-certified palm oil sourced by the registrant divided by the total weight, in metric tons, of palm oil sourced by the registrant.

.48 The registrant may choose to discuss other strategies, approaches, and mechanisms used to manage risks and opportunities associated with the environmental and social impacts of palm oil sourcing.

CONSUMER GOODS SECTOR

BUILDING PRODUCTS & FURNISHINGS*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0203

BUILDING PRODUCTS & FURNISHINGS
Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Building Products & Furnishings industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

---

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Industry Description

The Building Products & Furnishings industry comprises companies involved in the design and manufacturing of home improvement products, home and office furnishings, and structural wood building materials. The industry's products include flooring, ceiling tiles, home and office furniture and fixtures, wood trusses, plywood, paneling, and lumber. Companies typically sell their products through distribution channels to retail stores or through independent or company-owned dealerships. The industry is global.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Building Products & Furnishings industry, the SASB has identified the following sustainability disclosure topics:

- Energy Management in Manufacturing
- Management of Chemicals in Products
- Product Lifecycle Environmental Impacts
- Wood Sourcing

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en
[6] https://library.sasb.org/materiality_bulletin/

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.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

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

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via

[12] http://using.sasb.org/mock-10-k-library/

http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

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

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

---

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

[17] https://www.sec.gov/rules/final/33-8176.htm

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

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Annual production[19]	Quantitative	See note	~~CN0603~~ CG0203-A
Area of manufacturing facilities[20]	Quantitative	Square meters (m^2)	~~CN0603~~ CG0203-B

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[21]

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

[19] Note to **~~CN0603~~CG0203-A**—Production shall be disclosed in typical units tracked by the registrant such as number of units, weight, square feet, etc.

[20] Note to **~~CN0603~~CG0203-B**—The scope shall be limited to total area under roof, including manufacturing and administrative functions.

[21] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

Estimates

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

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management in Manufacturing	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	~~CN0603~~ CG0203-01
Management of Chemicals in Products	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	~~CN0603~~ CG0203-02
	Percentage of applicable products meeting volatile organic compound (VOC) emissions and content standards	Quantitative	Percentage (%) by revenue	~~CN0603~~ CG0203-03
Product Lifecycle Environmental Impacts	Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products	Discussion and Analysis	n/a	~~CN0603~~ CG0203-04
	Weight of end-of-life material recovered, percentage of recovered materials that are recycled	Quantitative	Metric tons (t), Percentage (%) by weight	~~CN0603~~ CG0203-05
Wood Sourcing	Total wood fiber purchased, (1) percentage from third-party certified forestlands, by standard, and (2) percentage meeting other fiber sourcing standards, by standard	Quantitative	Metric tons (t), Percentage (%) by weight	~~CN0603~~ CG0203-06

Energy Management in Manufacturing

Description

The Building Products & Furnishings industry relies heavily on its use of energy for value creation in manufacturing processes. Purchased electricity represents the largest share of energy consumption across the industry, while companies may also utilize fossil fuel energy on site. The price of conventional grid electricity and volatility of fossil fuel prices may increase as a result of evolving climate change regulations and new incentives for energy efficiency and renewable energy, among other factors, while alternative energy sources become cost-competitive. Decisions regarding energy sourcing and type, as well as the use of alternative energy, can create trade-offs related to the energy supply's cost and reliability for operations. As the industry operates on relatively narrow profit margins, reductions in energy consumption may have a significant influence on financial performance. The manner in which a company manages energy efficiency, its reliance on different types of energy and the associated sustainability risks, and its ability to access alternative energy sources is likely to impact financial performance.

Accounting Metrics

~~CN0603~~CG0203-01. Total energy consumed, percentage grid electricity, percentage renewable energy

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

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

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

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

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

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

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

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

- The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.[22]

- Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, consistent with U.S. Environmental Protection Agency (EPA) definitions, such as geothermal, wind, solar, hydro, and biomass.

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

- Energy from hydro sources that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard.

- Energy from biomass sources is limited to materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered "eligible renewables" according to the Green-e Energy National Standard Version 2.5 (2014), and materials that are eligible for a state Renewable Portfolio Standard.

.07 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (for energy data including electricity from solar or wind energy).

[22] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid.

Management of Chemicals in Products

Description

Building products and furnishings may contain substances that have the potential to harm human health, including volatile organic compounds and potential reproductive toxins, carcinogens, and endocrine disruptors. In general, these substances are found in products at low concentrations, if at all, and therefore do not pose a health concern. Nonetheless, the industry is exposed to potentially significant regulatory and reputational risk as a result of the use of substances of concern. Actual or perceived human health risks create the potential for future regulation around product chemical content and possible reputational impacts for companies, which can significantly affect demand for products. Increasing consumer concern over chemical use is driving the industry's voluntary efforts to eliminate such chemicals from products and use alternative materials. The continued adoption of building certification standards such as LEED are driving demand for products with reduced chemical content. Companies that effectively manage harmful chemicals in their products may enjoy a competitive advantage over the long term through higher demand, reduced regulatory risk, and improved brand reputation.

Accounting Metrics

~~CN0603~~CG0203-02. Description of processes to assess and manage risks and/or hazards associated with chemicals in products

.08 The registrant shall describe the business and operational processes it employs to assess and manage potential risks and hazards associated with the use of materials, chemicals, and substances (hereafter "chemicals").

- The scope of disclosure shall focus on chemicals that may be detected at certain levels in the registrant's finished products
- The registrant may choose to discuss its management of chemicals used during manufacturing and production of its products or that are associated with the production of raw materials or components of its products, but which are not present in finished products.

.09 The registrant shall describe whether its approach to chemicals management is characterized by a hazard-based, risk-based, or other approach, where:

- A hazard-based approach to chemicals management is defined as the process of identifying and managing the usage of chemicals based on the inherent human-health and environmental toxicological characteristics of chemical ingredients, including specific exposure routes (e.g., oral, dermal, or inhalation) and dosages (amounts) of a substance it takes to cause an adverse effect.[23]
- A risk-based approach to chemicals management is defined as managing the usage of chemicals based on the integration of chemical hazard information with an assessment of chemical exposure (i.e.,

[23] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

route, frequency, duration, and magnitude) to assess the probability and magnitude of harm to a given population(s) arising from exposure to a chemical, given attendant uncertainties.[24]

- Other approaches may include the usage of hazard-based and risk-based approaches depending on the chemical in question, product category, business segment, operating region, and/or intended product user.

.10 The registrant shall describe the operational processes it employs for chemicals management, where:

- Relevant operational processes that typify hazard-based approaches include the limitation or exclusion of chemicals in a finished product because their use is prohibited by a regulation or because they have known toxicity at levels at or below amounts detectable in the registrant's products (e.g., use of a restricted substances list (RSL) for chemicals that are banned where the registrant operates and/or for chemicals that the registrant has chosen to limit or eliminate).

- Relevant operational processes that typify risk-based management include evaluating chemical hazard data, conducting assessment of exposure pathways, and identifying potential corresponding health risks through the use of screening methods and chemical risk framework tools, such as the World Health Organization (WHO) Human Health Risk Assessment Toolkit: Chemical Hazards and the International Council of Chemical Associations (ICCA) Guidance on Chemical Risk Assessment.

- Additional frameworks for hazard- and risk-based chemical assessments include those compiled by the Organisation for Economic Co-operation and Development (OECD), available here.

.11 The registrant shall discuss its approach to chemicals management in the context of each stage in its products' lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, and product labeling and marketing.

.12 The registrant shall describe how it prioritizes chemicals for reduction and/or elimination from its products, and how it works to incorporate alternative chemicals into product formulation and design, including through materials substitution assessments.

- Examples of assessment tools and methods include, but are not limited to, GreenScreen® For Safer Chemicals and U.S. EPA Design for the Environment (DfE) Alternatives Assessments.

.13 The registrant shall disclose if it pursues testing and/or third-party certification to verify the chemical content of its finished products, including which certifications it holds and which products the certifications apply to.

- The scope of disclosure excludes discussion of mandatary product certifications.

- The scope of disclosure excludes product testing and certifications disclosed in ~~CN0603~~CG0203-03.

[24] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001, and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

.14 Where chemicals management policies and practices differ significantly by business unit, product category, or geography, the registrant shall describe those differences.

.15 The registrant may choose to identify chemicals found in its finished products that it is targeting for reduction, elimination, or assessment for reasons such as:

- There is incomplete and/or insufficient availability of toxicity information such that the registrant cannot determine if the chemical is safe for use;
- Pending or anticipated regulations may limit or restrict the use of the chemical in the future;
- There is potential for environmental, but not human health, harm that the registrant wishes to limit; and/or
- In response to shifts in market demand or expectations relating to the usage of a specific chemical, class of chemicals, or category of chemicals that may not be regulated but are recognized by the registrant as being "of concern" to consumers, customers, regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).
    - Specific chemicals to discuss may include, but are not limited to, those found on the Clean Production Action (CPA) Healthy Building Network Red List of Lists.

.16 Where the registrant has identified specific chemicals for elimination or substitution, it should discuss the timeline to achieve its goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress toward achieving its goals.

.17 The registrant should discuss its use of chemicals classified as Group 1 carcinogens by the *IARC Monographs on the Evaluation of Carcinogenic Risks to Humans* and substances listed in Annex XVII to REACH.

~~CN0603~~CG0203-03. Percentage of applicable products meeting volatile organic compound (VOC) emissions and content standards

.18 The registrant shall disclose the percentage of its products (by revenue) for which volatile organic compound (VOC) emissions and content standards are applicable, and which qualify for the U.S. Green Building Council's (USGBC) LEED v4 EQ credit for "Low Emitting Materials," where:

- A product qualifies for EQ credit for "Low Emitting Materials" if it meets emissions and content requirements listed on the most recent version of the Low-Emitting Materials Third Party Certification table maintained by the USGBC.
    - This includes products that have been tested according to CDPH Standard Method v1.1, ANSI/BIFMA M7.1-2011, AgBB Method, EN 717-1:2004, or ISO 16000-6:2011.

.19 A product is considered “applicable” if it falls into a product category generally used within the envelope of an enclosed indoor environment that can be tested whole or by representative sample in environmental chambers, such as paints, other architectural coatings and finishes, sealants, adhesives, wall coverings, floor coverings, acoustical ceilings, wood paneling, and wall and ceiling insulation used in public and commercial office buildings, schools, residences, and other building types.

- Freestanding furniture used in schools and offices and open-plan office furniture are also considered applicable products

Product Lifecycle Environmental Impacts

Description

Depending on the specific building product or furnishing, significant environmental impacts can arise during raw material sourcing, transportation, manufacturing, use-phase, or end-of-life. Rising consumer and regulatory preference for less-impactful products has spawned the development of more sustainable products, broadly termed "green building materials." In addition, product lifecycle certification has arisen as a tool for companies and their customers to assess and improve a product's lifecycle impact. Certification programs typically address specific sustainability characteristics of a product category, and include the use of closed-loop materials that help minimize a product's end-of-life environmental impacts and reduce the need for extracting or producing virgin materials. Through product innovation and design that facilitates end-of-life product recovery and the use of less-impactful materials, the adoption of product certification programs, and partnerships with customers, building products manufacturers can achieve improvements in lifecycle impacts, reduce regulatory risk, meet growing customer demand, and realize cost savings.

Accounting Metrics

~~CN0603~~CG0203-04. Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products

.20 The registrant shall discuss its strategies to assess and manage the environmental impact of products throughout their lifecycle, where:

- Relevant strategies and efforts to assess product lifecycle impacts include the use of environmentally focused design principles, the use of sustainability performance standards, and the use of screening tools and sampling methods, among others, including the operational processes it employs for these assessments.

- Relevant strategies and efforts to manage product lifecycle impacts include changes in materials selection, assessment of upstream environmental impacts, changes in manufacturing (resource intensity), use of recycled materials, use of renewable materials, optimization of packaging, design for consolidated shipping, design of low-energy-consumption products, design for product take-back, and labeling for recycling, among others.

.21 The registrant shall discuss factors that drive demand for its sustainable building and furnishings products, including green building certification programs, federal and state procurement criteria, demand from retailers, and/or retail consumer demand.

.22 The registrant shall describe the scope of its efforts including to which product categories, business segments, and/or operating regions they relate.

.23 The registrant may choose to discuss its use of Life Cycle Assessment (LCA) and Environmental Product Declarations (EPD) in the context of its approach to reducing environmental impact and maximizing product resource efficiency.

- Improvements to the environmental efficiency of products should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

- LCA should be based on ISO 14040 and ISO14044 and EPD should be based on ISO 14025.

.24 The registrant should disclose the percentage of its products that are certified to third-party multi-attribute or single-attribute sustainability standards, where:

- Multi-attribute sustainability standards include, but are not limited to, NSF/ANSI 140: Carpet, NSF/ANSI 332: Resilient Floor Coverings, NSF/ANSI 336: Commercial Furnishings Fabric, NSF/ANSI 342: Wallcoverings, NSF/ANSI 347: Single Ply Roofing Membranes, ANSI/NSC 373: Sustainable Stone, NSF P391: Services and Service Providers, Green Squared℠: Tile and Installation Materials / ANSI A138.1-2011, ANSI/BIFMA e3 level®: Business Furniture, and the Cradle to Cradle Certified™ Products Standard.

- Single-attribute standards include, but are not limited to, ENERGYSTAR®, WaterSense, and recycled content certifications.

.25 The registrant should discuss its extended producer responsibility (EPR) efforts, including the following aspects:

- How it incorporates end-of-life considerations into the design of its products, including using materials that are easily and commonly recyclable in existing recycling infrastructure, designing products for disassembly (i.e., designing products so they can be easily, rapidly, and cost-effectively disassembled with commonly available tools), and properly labeling products and their component materials to facilitate disassembly and recycling.

~~CN0603~~CG0203-05. Weight of end-of-life material recovered, percentage of recovered materials that are recycled

.26 The registrant shall disclose the weight, in metric tons, of materials recovered, including those recovered through recycling services, product take-back programs, and refurbishment services, where:

- The scope of disclosure shall include products, materials, and parts at the end of their useful life that would have otherwise been disposed of as waste or used for energy recovery, but have instead been collected.

- The scope of disclosure shall include both materials physically handled by the registrant and materials of which the registrant does not take physical possession, but for which it has contracted with a third party the task of collection for the express purpose of reuse, recycling, or refurbishment.

- The scope of disclosure excludes products and parts that are in-warranty and have been collected for repairs.

.27 The percentage recycled shall be calculated as the weight of incoming material that was reused or reclaimed, plus the weight of material recycled or remanufactured (through treatment or processing) by the registrant, plus the weight of material sent externally for further recycling, divided by the total weight of incoming recovered material, where:

- A material is recycled if it is used, reused, or reclaimed.
- Reclaimed materials are defined as those processed to recover or regenerate a usable product.
- Reused materials are defined as those recovered products or components of products that are used for the same purpose for which they were conceived.
- 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.
- 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.
- Materials incinerated, including for energy recovery, are not considered reused, recycled, or reclaimed.
    - 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.

.28 The registrant should disclose the following:

- Whether it directly conducts product take-back, recovery, and recycling or if it contracts with a third party the task of collection for the express purpose of reuse, recycling, or refurbishment.
- If it supports infrastructure for product recovery and recycling through joint ventures, partnerships, or by funding research into recycling technologies.
- Whether its product take-back, recovery, and recycling efforts are voluntary or mandatory (e.g., in order to maintain compliance with California Carpet Stewardship Law).
- Relevant performance measures or targets for its product take-back, recovery, and recycling efforts such as the total amount of material recovered and the total amount of materiel recycled.

Wood Sourcing

Description

The Building Products & Furnishings industry utilizes large amounts of wood sourced from forests worldwide. Unsustainable production and harvesting of timber can result in adverse environmental and social impacts, including biodiversity loss and harm to the livelihoods of forest-dependent communities. Companies may inadvertently source wood from areas that are susceptible to unsustainable forestry practices. Reports of illegal logging, environmental pollution, or adverse impacts on communities—whether warranted or not—can result in reputational repercussions that can damage a company's brand value, affecting demand for their products. In addition, regulations that address the importation of illegally produced wood can result in penalties and further damage to brand value. To mitigate these risks, companies are increasingly adopting third-party certifications that verify that wood is grown and harvested in a sustainable manner. Obtaining wood sourcing certifications can also provide companies with a potential growth channel, as they can satisfy customer demand for certified products.

Accounting Metrics

~~CN0603~~CG0203-06. Total wood fiber purchased, (1) percentage from third-party certified forestlands, by standard, and (2) percentage meeting other fiber sourcing standards, by standard

.29 The registrant shall disclose the total amount of wood fiber (in air dried metric tons) it purchased during the fiscal year, including wood-fiber-based raw materials, components, and semi-finished and finished goods.

- If wood fiber comprises a portion of a material, component, or product, the registrant shall include this portion in its calculation.

.30 The percentage shall be calculated as the total weight (in air dried metric tons) of wood-fiber-based raw materials that have been sourced from third-party certified forestlands divided by the total weight (in air dried metric tons) of wood-fiber-based raw materials purchased, where certified fiber includes that from forestlands certified to standards promulgated by the following organizations (or the equivalent):

- Forest Stewardship Council (FSC) (i.e., FSC Forest Management and Chain of Custody certifications);~~,~~
- Sustainable Forest Initiative (SFI) (i.e., SFI Forest Management and Chain of Custody labels);~~,~~ and
- Programme for the Endorsement of Forest Certification (PEFC) (i.e., PEFC Certified).

.31 The scope of wood-fiber-based raw materials includes all inputs that are processed to be sold as a finished good, including recycled raw materials, virgin raw materials, and goods that will be consumed directly in the production process.

.32 For fiber that is certified to multiple schemes, the registrant shall not account for the weight more than once when calculating the total percentage of fiber certified to a third-party forest management standard.

.33 The registrant shall disclose the percentage of wood fiber certified to each relevant certification (e.g., FSC Chain of Custody, SFI Chain of Custody (certified forest content), and PEFC Certified).

- The registrant shall indicate whether fiber is certified to multiple certification schemes and the respective certifications.

.34 The registrant shall disclose the percentage of the total wood fiber purchased that meets other fiber sourcing standards, including:

- Responsible fiber sourcing standards (e.g., SFI Certified Fiber Sourcing Standard);
- Controlled wood standards (e.g., FSC Controlled Wood Certification, PEFC Controlled Wood);
- Recycled fiber standards that include post- and pre-consumer reclaimed material (e.g., PEFC Recycled Label, FSC Recycled Label); and
- Any other due diligence standards that cover fiber sourcing requirements for fiber from non-certified forestlands.

.35 For fiber that meets multiple fiber sourcing standards, the registrant shall not account for the weight more than once when calculating the total percentage of fiber that meets other fiber sourcing standards.

.36 The registrant shall disclose the percentage of wood fiber that meets each relevant sourcing standard (e.g., FSC Controlled Wood, SFI Fiber Sourcing Standard, PEFC Recycled, etc.).

- The registrant shall indicate whether fiber meets multiple fiber sourcing standards and the respective standards.

.37 The registrant shall discuss whether and how its sourcing standards for fiber from non-certified forestlands address the following environmental and social topics:

- Wood legality and compliance with the Lacey Act of 1990 (16 U.S.C. §§ 3371–3378);
- Wood sourced from areas of protected conservation status or high biodiversity value;
- Logging in or near areas of endangered species habitat;
- Forestry management and harvesting practices of suppliers, including environmental impact assessments or forestry management plans; and
- The use of genetically modified organisms (GMOs), pesticides, or other chemicals in forests.

.38 The registrant may also choose to disclose the sources of its wood fiber (e.g., from corporate, private, or federally owned forestlands and whether fiber is grown domestically or internationally) and the potential risks associated with procuring fiber from these sources.

CONSUMER GOODS SECTOR

TOYS & SPORTING GOODS*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0204

TOYS & SPORTING GOODS

Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Toys & Sporting Goods industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

---

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Industry Description

The Toys & Sporting Goods industry comprises two distinct segments that produce leisure products: companies that manufacture toys and games, and companies that manufacture sporting and athletic goods, such as bicycles, golf clubs, fitness equipment, and other similar products. Companies in this industry primarily sell their products to consumers through retail stores. The industry generates revenue globally, with primary markets in the U.S. and Europe. The level of manufacturing integration varies among and within segments of the industry; manufacturing is based primarily in Asia, with China accounting for a majority of production.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Toys & Sporting Goods industry, the SASB has identified the following sustainability disclosure topics:

- Chemical & Safety Hazards of Products
- Labor Conditions in the Supply Chain

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

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.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

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

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via

[12] http://using.sasb.org/mock-10-k-library/

http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

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

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

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

[17] https://www.sec.gov/rules/final/33-8176.htm

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

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Annual production	Quantitative	Number of units	~~CN0604~~ CG0204-A
Number of manufacturing facilities, percentage outsourced[19]	Quantitative	Number, Percentage (%)	~~CN0604~~ CG0204-B

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[20]

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

[19] Note to **~~CN0604~~CG0204-B**—Number of manufacturing facilities shall include those owned and operated by the registrant as well as those directly contracted by the registrant. The percentage outsourced shall account for those manufacturing facilities directly contracted by the registrant.

[20] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

Estimates

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

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Chemical & Safety Hazards of Products	Number of recalls and total units recalled[21]	Quantitative	Number	~~CN0604~~ CG0204-01
	Number of Letters of Advice (LOA) received	Quantitative	Number	~~CN0604~~ CG0204-02
	Amount of legal and regulatory fines and settlements associated with product safety[22]	Quantitative	U.S. Dollars ($)	~~CN0604~~ CG0204-03
	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	~~CN0604~~ CG0204-04
Labor Conditions in the Supply Chain	Number of facilities audited to a social responsibility code of conduct	Quantitative	Number	~~CN0604~~ CG0204-05
	Direct suppliers' social responsibility audit compliance: (1) priority non-conformance rate and associated corrective action rate and (2) other non-conformances rate and associated corrective action rate	Quantitative	Rate	~~CN0604~~ CG0204-06

[21] Note to **~~CN0604~~CG0204-01—**The registrant shall discuss notable recalls such as those that affected a significant number of units of one product or those related to serious injury or fatality.

[22] Note to **~~CN0604~~CG0204-03—**Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Chemical & Safety Hazards of Products

Description

Consumers and regulators expect the Toys & Sporting Goods industry to ensure that its products are safe and do not cause harm. The presence of certain chemicals in products—which can be introduced by design or as a result of poor oversight over supply chains—can have chronic impacts on child development and health. Faulty or poorly designed products can also create choking, fire, or other hazards, which can result in injury or death. The Toys & Sporting Goods industry is subject to regulation over the safety of its products. The toys segment in particular is highly regulated in order to protect children, and evolving science on the safety of certain chemicals will likely lead to additional restrictions. As a result, companies in this industry must work at both the design and manufacturing phases to manage the use of certain chemicals while eliminating others to ensure that consumers are not exposed to risks associated with chemical safety. Failure to create products that are safe for consumers may provoke new regulatory oversight and affect a company's social license to operate. Furthermore, improper product safety testing or evaluation can lead to costly recalls, litigation, or reputational damage that can affect sales.

Accounting Metrics

~~CN0604~~CG0204-01. Number of recalls and total units recalled

.01 The registrant shall disclose the total number of recalls and the total number of units that were recalled.

- A recall is defined as an action to remove alleged, potentially, or known defective or hazardous products from the distribution chain and from the possession of consumers.

.02 The scope includes voluntary recalls initiated by the registrant and involuntary recalls mandated by the Consumer Product Safety Commission (CPSC) or other relevant government agency.

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

Note to **~~CN0604~~CG0204-01**

.04 The registrant shall discuss notable recalls such as those that affected a significant number of units of one product or those related to serious injury or fatality.

.05 For such recalls the registrant should provide:

- Description and cause of the recall issue
- The total number of units recalled
- The cost to remedy the issue (in U.S. dollars)
- Whether the recall was voluntary or involuntary (mandated by CPSC)
- Corrective actions

- Any other significant outcomes (e.g., legal proceedings, customer fatalities, etc.)

~~CN0604~~CG0204-02. Number of Letters of Advice (LOA) received

.06 The registrant shall disclose the number of Letters of Advice it received from the CPSC, where:

- 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).

.07 The registrant may choose to discuss corrective actions implemented in response to receipt of an LOA.

~~CN0604~~CG0204-03. Amount of legal and regulatory fines and settlements associated with product safety

.08 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to product safety in U.S. dollars, including, but not limited to, violations of the following:

- Consumer Product Safety Act and all associated regulations
- Consumer Product Safety Improvement Act (CPSIA)
- ASTM F963-11 (Standard Consumer Safety Specification for Toy Safety)
- Federal Hazardous Substance Act (FHSA)
- Child Safety Protection Act (CSPA)

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

Note to **~~CN0604~~CG0204-03**

.10 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., inadequate testing or certification, etc.) of fines and settlements.

.11 The registrant shall describe any corrective actions it has implemented as a result of each incident. These may include, but are not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

~~CN0604~~CG0204-04. Description of processes to assess and manage risks and/or hazards associated with chemicals in products

.12 The registrant shall describe the business and operational processes it employs to assess and manage potential risks and hazards associated with the use of materials, chemicals, and substances (hereafter "chemicals").

- The scope of disclosure shall focus on chemicals that may be detected at certain levels in the registrant's finished products

- The registrant may choose to discuss its management of chemicals used during manufacturing and production of its products or that are associated with the production of raw materials or components of its products, but which are not present in finished products.

.13 The registrant shall describe whether its approach to chemicals management is characterized by a hazard-based, risk-based, or other approach, where:

- A hazard-based approach to chemicals management is defined as the process of identifying and managing the usage of chemicals based on the inherent human-health and environmental toxicological characteristics of chemical ingredients, including specific exposure routes (e.g., oral, dermal, or inhalation) and dosages (amounts) of a substance it takes to cause an adverse effect.[23]

- A risk-based approach to chemicals management is defined as managing the usage of chemicals based on the integration of chemical hazard information with an assessment of chemical exposure (i.e., route, frequency, duration, and magnitude) to assess the probability and magnitude of harm to a given population(s) arising from exposure to a chemical, given attendant uncertainties.[24]

- Other approaches may include the usage of hazard-based and risk-based approaches depending on the chemical in question, product category, business segment, operating region, and/or intended product user.

.14 The registrant shall describe the operational processes it employs for chemicals management, where:

- Relevant operational processes that typify hazard-based approaches include the limitation or exclusion of chemicals in a finished product because their use is prohibited by a regulation or because they have known toxicity at levels at or below amounts detectable in the registrant's products (e.g., use of a restricted substances list (RSL) for chemicals that are banned where the registrant operates and/or for chemicals that the registrant has chosen to limit or eliminate).

- Relevant operational processes that typify risk-based management include evaluating chemical hazard data, conducting assessment of exposure pathways, and identifying potential corresponding health risks through the use of screening methods and chemical risk framework tools, such as the World Health Organization (WHO) Human Health Risk Assessment Toolkit: Chemical Hazards and the International Council of Chemical Associations (ICCA) Guidance on Chemical Risk Assessment.

- Additional frameworks for hazard- and risk-based chemical assessments include those compiled by the Organisation for Economic Co-operation and Development (OECD), available here.

[23] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

[24] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

.15 The registrant shall discuss its approach to chemicals management in the context of each stage in its products' lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, and product labeling and marketing.

.16 The registrant shall describe how it prioritizes chemicals for reduction and/or elimination from its products, and how it works to incorporate alternative chemicals into product formulation and design, including through materials substitution assessments.

- Examples of assessment tools and methods include, but are not limited to, GreenScreen® For Safer Chemicals and U.S. EPA Design for the Environment (DfE) Alternatives Assessments.

.17 The registrant shall disclose if it pursues testing and/or third-party certification to verify the chemical content of its finished products, including which certifications it holds and which products the certifications apply to.

- The scope of disclosure excludes discussion of mandatary product certification such as ASTM Consumer Safety Specifications for Toy Safety (ASTM F 963-11).

.18 Where chemicals management policies and practices differ significantly by business, unit, product category, or geography, the registrant shall describe those differences.

.19 The registrant may choose to identify chemicals found in its finished products that it is targeting for reduction, elimination, or assessment for reasons such as:

- There is incomplete and/or insufficient availability of toxicity information such that the registrant cannot determine if the chemical is safe for use;
- Pending or anticipated regulations may limit or restrict the use of the chemical in the future;
- There is potential for environmental, but not human health, harm that the registrant wishes to limit; and/or
- In response to shifts in market demand or expectations relating to the usage of a specific chemical, class of chemicals, or category of chemicals that may not be regulated but are recognized by the registrant as being "of concern" to consumers, customers, regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).
    - Specific chemicals to discuss may include, but are not limited to, those found on the Reporting List of Chemicals of High Concern to Children (CHCC) established by the State of Washington's Children's Safe Product Act (RCW 70.240.030).

.20 Where the registrant has identified specific chemicals for elimination or substitution, it should discuss the timeline to achieve its goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress toward achieving its goals.

.21 The registrant should discuss its use of chemicals classified as Group 1 carcinogens by the *IARC Monographs on the Evaluation of Carcinogenic Risks to Humans* and substances listed in Annex XVII to REACH.

Labor Conditions in the Supply Chain

Description

Fair treatment of workers and safe labor conditions in the industry's manufacturing supply chain are of growing concern for consumers, regulators, and companies. Labor issues include poor worker health and safety standards, unfair pay, long working hours, discrimination, and forced labor. The industry is exposed to these issues because of its reliance on third-party manufacturing in emerging markets, where labor standards, labor protection, and regulation enforcement can be weak, and violations are common across industries. Companies also contract with numerous suppliers, adding complexity and challenges with respect to transparency. A failure to manage labor conditions can result in supply disruptions, reputational damage, and increased regulation and enforcement in response to high-profile safety or labor incidents, strikes and work stoppages, and shifts in consumer demand. Toys and sporting goods companies are increasingly engaging with suppliers through audits, partnerships, and increased oversight, allowing them to preempt and react more quickly to labor issues. Companies that effectively manage this issue can protect brand value and reduce their cost of capital.

Accounting Metrics

~~CN0604~~CG0204-05. Number of facilities audited to a social responsibility code of conduct

.22 The registrant shall disclose the number of facilities that have been audited to a social responsibility code of conduct during the fiscal year, where:

- A code of conduct is a corporate policy, standard, or contract that outlines a set of working conditions, labor practices, and safety and environmental requirements for suppliers and contractors.
  - At a minimum, a code of conduct ensures that suppliers are in compliance with regulations.
- Social code of conduct criteria shall include, at a minimum, an assessment of worker hours/excessive overtime, wages and compensation, underage labor, forced labor, disciplinary practices, discrimination, freedom of association (worker involvement and communication), worker treatment and development (anti-harassment and anti-abuse policies), termination and retrenchment policies, and health and safety conditions.
- Audits are defined as visits to a facility and review of records to ensure compliance with the code of conduct. Audits can be conducted by an internal corporate representative or by a third-party auditor.

.23 Facilities audited as part of the ICTI CARE Process (ICP) program shall be considered to have been audited to a social responsibility code of conduct.

- ICTI audit requirements are outlined in Section 2 of the ICTI CARE Audit Protocol Handbook Audit Checklist.

.24 The scope of facilities includes those owned and operated by the registrant as well as third-party vendors.

.25 Disclosure may also include audit frequency for each facility, the number of facilities shown to be at risk, and a discussion of practices and processes for at-risk facilities.

~~CN0604~~CG0204-06. Direct suppliers' social responsibility audit compliance: (1) priority non-conformance rate and associated corrective action rate and (2) other non-conformances rate and associated corrective action rate

.26 The registrant shall disclose the rate of its suppliers' non-conformance with external social responsibility audit standards or internally developed supplier code(s) of conduct and the rate at which those instances of non-conformance have been subject to corrective action.

.27 The priority non-conformance rate shall be calculated as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited, where:

- Priority non-conformances are defined as the highest severity of non-conformance and require escalation by auditors. Priority non-conformances may arise from a significant risk to safety or the environment, non-compliance with relevant regulatory requirements, or failure to adequately address prior minor non-conformances. These may also be referred to as "zero tolerance" issues or "core violations."

- The number of facilities audited includes those that were audited to external social responsibility audit standards, such as ICTI CARE, as well as internally developed supplier code(s) of conduct.

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

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

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

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

.31 Where relevant, the registrant may choose to disclose the number of contracts with suppliers that were terminated as result of non-conformances.

CONSUMER GOODS SECTOR

MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0301

MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Multiline and Specialty Retailers & Distributors industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

---

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Industry Description

The Multiline and Specialty Retailers & Distributors industry encompasses a variety of retailing categories such as department stores, mass merchants, home products stores, and warehouse clubs, as well as a smaller segment of distributors like electronics wholesalers and automotive wholesalers. Common to these companies (except for the distribution segment) is that they manage global supply chains to anticipate consumer demands, keep costs low, and keep products stocked in their brick-and-mortar storefronts. This is a highly competitive industry, in which each company category generally has a small number of key players, characterized by generally low margins. The relatively substitutable nature of retail makes companies in this industry especially susceptible to reputational risks.

Note: SASB has separate standards for the Food Retailers & Distributors (~~CN~~FB0401), Drug Retailers ~~& Convenience Stores~~ (~~CN0402~~HC0304), E-Commerce (~~CN0404~~CG0302), and Apparel, Accessories~~,~~ & Footwear (~~CN0501~~CG0101) industries. Companies involved in food or drug retail, e-commerce, or apparel, accessories, and footwear manufacturing should also consider the disclosure topics and metrics outlined in these other standards.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Multiline and Specialty Retailers & Distributors industry, the SASB has identified the following sustainability disclosure topics:

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

- Energy Management in Retail & Distribution
- Data Security
- Workforce Diversity & Inclusion
- ~~Fair~~ Labor Practices
- Product Sourcing, Packaging, and Marketing

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

---

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

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

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not

[12] http://using.sasb.org/mock-10-k-library/

otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

[17] https://www.sec.gov/rules/final/33-8176.htm

Activity Metrics and Normalization

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

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

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

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) retail locations and (2) distribution centers	Quantitative	Number	~~CN0403~~ CG0301-A
Total area of (1) retail space and (2) distribution centers	Quantitative	Square meters (m^2)	~~CN0403~~ CG0301-B

Units of Measure

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

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[19]

Estimates

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

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

[19] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management in Retail & Distribution	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	~~CN0403~~ CG0301-01
Data Security	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	n/a	~~CN0403~~ CG0301-02
	Number of data security breaches, percentage involving customers' personally identifiable information (PII), number of customers affected[20]	Quantitative	Number, Percentage (%)	~~CN0403~~ CG0301-03
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees[21]	Quantitative	Percentage (%)	~~CN0403-04~~ TA09-06-01
	Amount of legal and regulatory fines and settlements associated with employment discrimination[22]	Quantitative	U.S. Dollars ($)	~~CN0403~~ CG0301-05
~~Fair~~ Labor Practices	Average hourly wage and percentage of in-store employees earning minimum wage, by region	Quantitative	U.S. Dollars ($), Percentage (%)	~~CN0403~~ CG0301-06
	(1) Voluntary and (2) involuntary employee turnover rate for in-store employees	Quantitative	Rate	~~CN0403~~ CG0301-07
	Amount of legal and regulatory fines and settlements associated with labor law violations[23]	Quantitative	U.S. Dollars ($)	~~CN0403~~ CG0301-08
Product Sourcing, Packaging, and Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	U.S. Dollars ($)	~~CN0403~~ CG0301-09
	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	~~CN0403~~ CG0301-10
	Description of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	~~CN0403~~ CG0301-11

[20] Note to **~~CN0403~~CG0301-03**—Disclosure shall include a description of corrective actions implemented in response to data security breaches.

[21] Note to **TA09-06-01**—The registrant shall describe its policies and programs for fostering equitable employee representation across its global operations.

[22] Note to **~~CN0403~~CG0301-05**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

[23] Note to **~~CN0403~~CG0301-08**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Energy Management in Retail & Distribution

Description

Companies in this industry require significant amounts of energy for their retail facilities and warehouses. Sustainability factors—such as the increasing number of GHG-emissions regulations, incentives for energy efficiency and renewable energy, and risks associated with nuclear energy and its increasingly limited license to operate—are leading to price increases in conventional electricity sources while making alternative sources more cost-competitive. Fossil fuel–based energy production and consumption contribute to significant environmental impacts, including climate change and pollution. It is becoming increasingly important for companies to manage their overall energy efficiency, and their access to alternative energy sources. Efficiency in this area can have financial implications through direct cost savings, which are particularly beneficial in this low-margin industry.

Accounting Metrics

~~CN0403~~CG0301-01. Total energy consumed, percentage grid electricity, percentage renewable energy

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

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

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

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

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

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

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

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.
- The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.[24]
- Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, consistent with U.S. Environmental Protection Agency (EPA) definitions, such as geothermal, wind, solar, hydro, and biomass.

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

- Energy from hydro sources that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard.
- Energy from biomass sources is limited to materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered "eligible renewables" according to the Green-e Energy National Standard Version 2.5 (2014), and materials that are eligible for a state Renewable Portfolio Standard.

.07 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (for energy data including electricity from solar or wind energy).

[24] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid.

Data Security

Description

Consumers trust retail companies with their financial and personal data every time they make a noncash transaction. Credit cards and debit cards have steadily eclipsed cash and checks as consumers' preferred payment methods. In these noncash transactions, retailers build up a relationship of trust with consumers, assuring them of the safety of their personal information. Data breaches can occur both through breaches of the physical payment technology, called point-of-sales breaches, as well as through cyber-attacks. Retailers that prevent major data breaches can avoid harming brand value, reduce contingent liabilities, and maintain market share.

Accounting Metrics

~~CN0403~~CG0301-02. Discussion of management approach to identifying and addressing data security risks

.08 The registrant shall identify vulnerabilities in its information systems that pose a data security threat, where:

- A data security threat is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the nation through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.
- Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, or implementation that could be exploited by a data security threat source.

.09 The registrant shall describe how it addresses the threats and vulnerabilities it has identified, including, but not limited to operational procedures, management processes, structure of products, selection of business partners, employee training, or use of technology.

.10 The registrant should discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.

.11 Disclosure shall be additional but complementary to the disclosure of preparation, detection, containment, and post-incident activity according to the SEC's CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes disclosing when the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition or would cause reported financial information to not necessarily be indicative of future operating results or financial condition (e.g., reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

.12 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

.13 The registrant may choose to describe the degree to which its management approach is aligned with an external standard or framework for managing data security, such as:

- ISO/IEC 27001:2013—Information technology—Security techniques—Information security management systems—Requirements
- "Framework for Improving Critical Infrastructure Cybersecurity, Version 1.0," February 12, 2014, National Institute of Standards and Technology (NIST)

~~CN0403~~CG0301-03. Number of data security breaches, percentage involving customers' personally identifiable information (PII), number of customers affected

.14 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.

.15 The scope of disclosure shall be limited to data security breaches, cybersecurity risks, and incidents that resulted in the registrant's business processes deviating from its expected outcomes for confidentiality, integrity, and availability.

- The scope of disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from deficiencies or failures of people, processes, or technology.
- The scope of disclosure shall exclude disruptions of service due to equipment failures.

.16 Disclosure shall be additional but complementary to the SEC's CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes instances in which the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition, or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

.17 The registrant shall disclose the percentage of data security breaches in which customers' personally identifiable information (PII) was breached, where:

- PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.[25]

[25] *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, GAO Report 08-536, May 2008.

- The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by state law or voluntarily by the registrant.

- Disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired.

- The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise the investigation.

.18 The registrant shall disclose the total number of customers that were affected by data breaches, which includes all those whose personal data was compromised in a data breach.

Note to **~~CN0403~~CG0301-03**

.19 The registrant shall describe the corrective actions taken in response to specific incidents, such as changes in operations, management, processes, products, business partners, training, or technology.

.20 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

.21 The registrant should disclose its policy for disclosing data breaches to affected customers in a timely manner.

Workforce Diversity & Inclusion

Description

This industry is consumer-facing and relies on the ability to communicate effectively with customers during the sales process and adapt to changing consumer demands for products. The U.S. population is currently undergoing a massive demographic shift, with an increase in minority populations. Companies in this industry can benefit from ensuring that their company culture and hiring and promotion practices embrace the building of a diverse workforce at management and junior positions. Retailers that respond to this demographic trend and employ staff who will be able to recognize the needs of these populations may be better able to capture demand from these segments, which can provide companies a competitive advantage.

Accounting Metrics

~~CN0403-04~~TA09-06-01. Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees

.22 The registrant shall disclose the percentage of gender representation for all global operations and the racial and ethnic group representations for U.S. operations for its management level-employees and for all other employees.

~~.22~~.23 The registrant shall classify its employees according to Filing Procedures for the U.S. Equal Employment Opportunity Commission EEO-1 Survey into the following two categories: Management and All Other Employees.

- Management is defined as employees classified in the following EEO-1 categories: Executive/Senior-Level Officials and Managers; and First/Mid-Level Officials and Managers.
- Management shall include both managers at the corporate level and store level.
  - Executive/Senior-Level Officials and Managers include individuals who plan, direct, and formulate policies, set strategy, and provide the overall direction of enterprises/organizations for the development and delivery of products or services, within the parameters approved by boards of directors or other governing bodies. Residing in the highest levels of organizations, these executives plan, direct, or coordinate activities with the support of subordinate executives and staff managers. In larger organizations, Executive/Senior-Level Officials and Managers include those individuals within two reporting levels of the ~~CEO.~~Chief Executive Officer (CEO). Examples of these kinds of managers are chief executive officers, chief operating officers, chief financial officers, line of functional areas or operating groups, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, management directors, and managing partners.
  - First/Mid-Level Officials and Managers are individuals who serve in management roles other than those of Executive/Senior-Level Officials and Managers, including those who oversee and direct the delivery of products, services, or functions at group, regional, or divisional levels of organizations. These managers receive directions from the Executive/Senior-Level management and typically lead major business units. They implement policies, programs, and directives of Executive/Senior-Level management through subordinate managers and within the parameters set by Executive/Senior-Level management. Examples of these kinds of managers are vice presidents and directors; group, regional, or divisional controllers;

treasurers; and human resources, information systems, marketing, and operations managers. The First/Mid-Level Officials and Managers subcategory also includes those who report directly to middle managers. These individuals serve at functional, line-of-business-segment, or branch levels and are responsible for directing and executing the day-to-day operational objectives of enterprises or organizations, conveying the directions of higher level officials and managers to subordinate personnel and, in some instances, directly supervising the activities of exempt and non-exempt personnel. Examples of these kinds of managers are first-line managers, team managers, unit managers, operations and production managers, branch managers, administrative services managers, purchasing and transportation managers, storage and distribution managers, call center or customer service managers, technical support managers, and brand or product ~~mangers.~~ managers.

- All other employees not at the manager level (i.e., other EEO-1 categories, including professionals, technicians, sales, admin support, and service workers) should be considered in the "All other employees" category.

~~.23~~.24 The registrant shall categorize the gender of its employees as male, female, or not disclosed/available.

~~.24~~.25 The registrant shall classify employees in the U.S. by the racial/ethnic group ~~of its employees~~ in the following categories, using the same definitions ~~employed~~noted in the Filing Procedures for the ~~registrant's :~~EEO-1 Survey: White, Black or African American, Hispanic or Latino, Asian, and Other (which includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "Two or More Races" classifications), or not disclosed/available.

.26 Where relevant, the registrant may provide supplemental breakdown of racial/ethnic group representation by country or region as well as gender and racial/ethnic group representation by country or region.

~~.25~~.27 Where racial/ethnic group and/or gender representation percentages are significantly influenced by the country or region where the workforce is located, the registrant ~~shall provide~~may report data with contextual disclosure to ensure proper interpretation of results.~~Where relevant, the registrant may provide supplemental breakdown of gender and racial/ethnic group representation by country or region.~~

~~.26~~.28 The registrant should summarize and disclose employee representation by employee category in the following table format:

EMPLOYEE CATEGORY	GENDER			RACE AND ETHNICITY FOR U.S. OPERATIONS (%)					
	Male	Female	NA*	White	Black or African American	Hispanic or Latino	Asian	Other~~Δ~~**	NA*
Management									
All ~~o~~Other ~~e~~Employees									

*NA = not available~~/~~ or not disclosed

~~Δ~~** Other includes American Indian or Alaska Native, Native Hawaiian or ~~Other~~other Pacific Islander, and "Two or More Races" classifications~~.~~

Note to **TA09-06-01**

.29 The registrant shall describe its policies and programs for fostering equitable employee representation across its global operations.

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

- Relevant programs may include trainings on diversity, mentorship and sponsorship programs, partnership with employee resource and advisory groups, and provision of flexible work schedules to accommodate employees' varying needs.

- Relevant aspects of employee representation include, at a minimum, gender and race/ethnicity. Registrant may disclose other aspects of workforce, such as, age, physical abilities/qualities, sexual orientation, and religious beliefs, as relevant to local jurisdiction.

~~CN0403~~CG0301-05. Amount of legal and regulatory fines and settlements associated with employment discrimination

~~.27~~.30 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with discrimination.

~~.28~~.31 Discrimination is defined as violation of the laws enforced by the U.S. Equal Employment Opportunity Commission (EEOC), and includes the following types:

- Age discrimination, which involves treating someone (an applicant or employee) less favorably because of his or her age and is forbidden by the Age Discrimination in Employment Act (ADEA).

- Disability discrimination, which occurs when an employer or other entity covered by the Americans with Disabilities Act, as amended, or the Rehabilitation Act, as amended, treats a qualified individual with a disability who is an employee or applicant unfavorably because he or she has a disability.

- Equal pay and compensation discrimination, which involves discrimination in compensation and is protected under federal laws including the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, and Title I of the Americans with Disabilities Act of 1990.

- Genetic information discrimination, which involves employment discrimination on the basis of genetic information and is forbidden by Title II of the Genetic Information Nondiscrimination Act (GINA).

- Harassment discrimination, which involves unwelcome conduct that is based on race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability, or genetic information, and is forbidden under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, and the Americans with Disabilities Act of 1990.

- National origin discrimination, which involves treating people (applicants or employees) unfavorably because they are from a particular country or part of the world, because of ethnicity or accent, or because they appear to be of a certain ethnic background (even if they are not), and is prohibited under Title VII of the Civil Rights Act of 1964.

- Pregnancy discrimination, which involves treating a woman (an applicant or employee) unfavorably because of pregnancy, childbirth, or a medical condition related to pregnancy or childbirth, and is forbidden in the Pregnancy Discrimination Act (PDA), which is an amendment to Title VII of the Civil Rights Act of 1964.

- Race/color discrimination, which involves treating someone (an applicant or employee) unfavorably because he/she is of a certain race or because of personal characteristics associated with race (such as hair texture, skin color, or certain facial features), and is prohibited by Title VII of the Civil Rights Act of 1964.

- Religious discrimination, which involves treating a person (an applicant or employee) unfavorably because of his or her religious beliefs.

- Retaliation discrimination, which makes it illegal to fire, demote, harass, or otherwise "retaliate" against people (applicants or employees) because they filed a charge of discrimination, because they complained to their employer or other covered entity about discrimination on the job, or because they participated in an employment discrimination proceeding (such as an investigation or lawsuit), and is prohibited by all of the laws enforced by EEOC.

- Sex discrimination, which involves treating someone (an applicant or employee) unfavorably because of that person's sex and includes sexual harassment, is prohibited by Title VII of the Civil Rights Act of 1964.

~~.29~~.32 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **~~CN0403~~CG0301-05**

~~.30~~.33 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., unfair hiring and/or promotion practices, biased compensation practices, etc.) of fines and settlements.

~~.31~~.34 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

~~Fair~~ Labor Practices

Description

Retail's significance to the U.S. economy as a major employer means that it is also often at the center of public labor-practice discussions and fair wage arguments. This can have serious reputational implications for companies in the industry whose performance on labor relations is poor. The low average wages in the industry, which help companies maintain low prices on products, may increase these labor-related risks. Since customers regularly interact directly with employees, companies can face a decrease in market share and revenue from negative consumer sentiment due to public disagreement between companies and their workers. Companies may benefit from taking a long-term perspective on managing workers, including fair compensation, in a way that protects workers' rights and enhances their productivity, which can help to strengthen a company's reputation and financial success.

Accounting Metrics

~~CN0403~~CG0301-06. Average hourly wage and percentage of in-store employees earning minimum wage, by region

~~.32~~.35 The registrant shall disclose the average hourly wage, in U.S. dollars, paid to in-store and distribution center employees for each geographic region for which it conducts segment financial reporting (as determined by FASB Accounting Standards Codification Topic 280), where:

- The scope of disclosure excludes corporate employees.
- In-store employees are classified in the Bureau of Labor Statistics (BLS) Standard Occupation Classification under the General Merchandise Stores subsector (NAICS 452) and includes cashiers; customer service representatives; first-line supervisors/managers of retail sales workers; retail salespersons; and stock clerks and order fillers.
- If segment reporting (as determined by FASB Accounting Standards Codification Topic 280) does not apply to the registrant, the registrant should disclose one number for the average hourly wage paid to its in-store and distribution center employees.

~~.33~~.36 The average hourly wage is calculated as the total hourly wages (in U.S. dollars) paid to in-store and distribution center employees, excluding overtime, for the fiscal year, divided by the number of regular hours worked, excluding overtime hours, by in-store and distribution center employees during the fiscal year.

~~.34~~.37 The registrant shall disclose the percentage of in-store employees that earn minimum wage, where:

- Minimum wage is defined as the locally mandated minimum wage applicable for each worker.
- For countries or regions with no minimum wage requirement, the 10th percentile hourly wage, in U.S. dollars, of all wage earners in that country or region shall be used for this disclosure, including for the calculation of the percentage of staff that earns minimum wage and the calculation of the average prevailing minimum wage.

~~.35~~.38 The registrant shall disclose the minimum hourly wage for each geographic region for which it conducts segment financial reporting.

~~.36~~.39 The registrant should discuss the sensitivity of its costs and profit margins to future adjustments in minimum wage, including:

- The likelihood of a minimum wage increase in the regions where the registrant operates, and the regions in which this is more likely to occur.
- The percentage of its current retail and distribution center employees whose salaries are near the current minimum wage, and whose salaries may necessitate an increase given a change in minimum wage regulations.
- The magnitude of the financial impact that a minimum wage increase would likely have on the registrant.

~~CN0403~~CG0301-07. (1) Voluntary and (2) involuntary employee turnover rate for in-store employees

~~.37~~.40 The registrant shall disclose employee turnover of in-store and distribution center employees as a percentage, where:

- Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
- The scope of disclosure excludes corporate staff and executives. All calculations are based on the number of in-store and distribution center employees (i.e., those employees who work on-site in retail facilities, warehouses, or distribution centers).

~~.38~~.41 The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignations, retirement, etc.) during the fiscal year divided by the total number of employees during the fiscal year.

~~.39~~.42 The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, non-renewal of contract, etc.) during the fiscal year divided by the number of employees during the fiscal year.

~~CN0403~~CG0301-08. Amount of legal and regulatory fines and settlements associated with labor law violations

~~.40~~.43 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labor law 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.

~~.41~~.44 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to ~~CN0403~~CG0301**-08**

~~.42~~.45 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.

~~.43~~.46 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Product Sourcing, Packaging, and Marketing

Description

Companies in this industry sell a wide array of products including electronics, clothing, furnishings, and cosmetics, which all have varying environmental and social impacts throughout their lifecycles. The size and subsequent buying power of many companies in this industry allow them to work effectively with their suppliers to source products and packaging with low lifecycle environmental and social impacts. Companies can lower their costs from these efficiencies, as well as advertise these characteristics to their customers, to gain market share.

Accounting Metrics

~~CN0403~~CG0301-09. Revenue from products third-party certified to environmental and/or social sustainability standards

~~.44~~.47 The registrant shall disclose its revenue, in U.S. dollars, from products that are third-party certified to an environmental or social sustainability standard, where a product is considered to meet these criteria if:

- It has achieved certification through a government program, including, but not limited to, the U.S. EPA Star and Water Sense programs, USDA Certified Organic, or is listed in the Comprehensive Procurement Guidelines (CPG) directory.
- It has achieved certification to a third-party environmental or social sustainability standard or sustainability standards promulgated by organizations such as the American National Standards Institute (ANSI) or ASTM International, including, but not limited to, Fair Trade Certified, Forestry Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), Rainforest Alliance Certified, BPI Compostable, Cradle to Cradle, Green Seal, or Marine Stewardship Council.
- A product with third-party certification shall be considered certified regardless of what level or tier of certification it received.

~~.45~~.48 Third-party certification is defined as review by an independent organization that determines that the final product complies with specific standards.

~~.46~~.49 The scope of disclosure includes third-party certifications that are based on either environmental or social best practices or both environmental and social best practices.

~~CN0403~~CG0301-10. Description of processes to assess and manage risks and/or hazards associated with chemicals in products

~~.47~~.50 The registrant shall describe the business and operational processes it employs to assess and manage potential risks and hazards associated with materials, chemicals, and substances (hereafter "chemicals") in products it offers for sale.

- The scope of disclosure shall focus on chemicals that may be detected at certain levels in the national brand products and private-label products and that are offered for sale by the registrant.

- Private-label products include store-brand products packaged for sale under the registrant's brand name(s), whether manufactured by the registrant or by another manufacturer.

- The registrant may choose to discuss its management of chemicals used during manufacturing and production of products or that are associated with the production of raw materials or components of products, but which are not present in finished products.

~~.48~~.51 The registrant shall describe whether its approach to chemicals management is characterized by a hazard-based, risk-based, or other approach, where:

- A hazard-based approach to chemicals management is defined as the process of identifying and managing the usage of chemicals based on the inherent human-health and environmental toxicological characteristics of chemical ingredients, including specific exposure routes (e.g., oral, dermal, or inhalation) and the dosages (amounts) of a substance it takes to cause an adverse effect.[26]

- A risk-based approach to chemicals management is defined as managing the usage of chemicals based on the integration of chemical hazard information with an assessment of chemical exposure (i.e., route, frequency, duration, and magnitude) to assess the probability and magnitude of harm to a given population(s) arising from exposure to a chemical, given attendant uncertainties.[27]

- Other approaches may include the usage of hazard-based and risk-based approaches depending on the chemical in question, product category, business segment, operating region, and/or intended product user.

~~.49~~.52 The registrant shall describe the operational processes it employs for chemicals management, where:

- Relevant operational processes that typify hazard-based approaches include limiting or restricting certain chemicals in products it chooses to sell because the chemicals may be prohibited by a regulation or because they have known toxicity at levels at or below amounts detectable in finished products (e.g., use of a restricted substances list (RSL) for chemicals that are banned where the registrant operates and/or for chemicals that the registrant has chosen to limit or eliminate).

- Relevant operational processes that typify risk-based management include evaluating products' chemical hazard data, conducting an assessment of exposure pathways resulting from use of products, and identifying potential corresponding health risks from products through the use of screening methods and chemical risk framework tools, such as the World Health Organization (WHO) Human Health Risk Assessment Toolkit: Chemical Hazards and the International Council of Chemical Associations (ICCA) Guidance on Chemical Risk Assessment.

[26] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

[27] Definition adapted from "Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation," International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and "Understanding Risk and Hazard When it Comes to Chemicals," American Chemistry Council, accessed August 21, 2015, http://chemicalsafetyfacts.org/understanding-risk/.

- Additional frameworks for hazard- and risk-based chemical assessments include those compiled by the Organisation for Economic Co-operation and Development (OECD), available here.

~~.50~~.53 The registrant shall describe how it prioritizes chemicals for reduction and/or elimination from products it offers for sale, how it communicates these priorities to suppliers and enforces compliance, and whether it encourages or requires suppliers to consider alternative chemicals in product formulations.

- Examples of assessment tools and methods include, but are not limited to, GreenScreen® For Safer Chemicals and U.S. EPA Design for the Environment (DfE) Alternatives Assessments.

~~.51~~.54 The registrant shall disclose whether it has a policy to require disclosure of full chemical formulations for the products it offers for sale (both national brand and private label products), where:

- Disclosure is defined as disclosure of the full product formulations and all product ingredients, including all priority chemicals, either online, to the registrant, to a third-party, or directly on the product packaging or label.

~~.52~~.55 The registrant shall disclose if it pursues testing and/or third-party certification to verify the chemical content of its private-label products or if it selects national brand products based on whether they have obtained third-party certification that verifies their chemical content, including which certifications it holds and which products the certifications apply to.

~~.53~~.56 The registrant may choose to identify chemicals found in its product portfolio that it is has a policy for to reduce, eliminate, or assess for reasons such as:

- There is incomplete and/or insufficient availability of toxicity information such that the registrant cannot determine if the chemical is safe for use;
- Pending or anticipated regulations may limit or restrict the use of the chemical in the future;
- There is potential for environmental harm, but not human health harm, that the registrant wishes to limit; and/or
- In response to shifts in market demand or expectations relating to the usage of a specific chemical, class of chemicals, or category of chemicals that may not be regulated but are recognized by the registrant as being "of concern" to consumers, customers, regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).

~~.54~~.57 Where the registrant has identified specific chemicals for elimination or substitution in its product portfolio, it should discuss the timeline to achieve its goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress toward achieving its goals.

~~.55~~.58 The registrant should discuss its policy for selecting products to sell that use chemicals classified as Group 1 carcinogens by the IARC Monographs on the Evaluation of Carcinogenic Risks to Humans, and substances listed in Annex XVII to REACH, including its policy for labeling such products.

~~.56~~.59 Where applicable, the registrant shall discuss its approach to chemicals management in the context of each stage in its private-label products' lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, and product labeling and marketing.

~~.57~~.60 Where chemicals management policies and practices differ significantly by business unit, product category, or geography, the registrant shall describe those differences.

~~CN0403~~CG0301-11. Description of strategies to reduce the environmental impact of packaging

~~.58~~.61 The registrant shall discuss its strategies to reduce the environmental impacts of packaging, such as optimizing packaging weight and volume for a given application, or using alternative materials, including those that are renewable, recycled, recyclable, or compostable.

~~.59~~.62 Relevant disclosure may include, but is not limited to, the following:

- Design innovations, including strategies to optimize the amount of material used; packaging weight, shape, and size; product-to-package ratio; cube utilization; and void fill.
- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.
- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

~~.60~~.63 The registrant should discuss its strategies as they relate to primary, secondary, and tertiary packaging of its private-label products as well as the packaging of products from its vendors, where:

- Primary packaging is designed to come into direct contact with the product.
- Secondary packaging is designed to contain one or more primary packages together with any protective materials, where required.
- Tertiary packaging is designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling, and/or distribution. Tertiary packaging is also known as "distribution" or "transport" packaging.
- Private-label products include store-brand products packaged for sale with the retailer's name, whether manufactured by the retailer or by another manufacturer.

~~.61~~.64 The registrant may choose to discuss its use of Life Cycle Assessment (LCA) analysis in the context of its approach to environmental impact reduction and maximization of product efficiency, including weight reduction and transportation efficiency.

- When discussing improvements to the environmental efficiency of packaging products, improvements should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Additional References

Consumer Reports Greener Choices Eco-Labels

ISO 18601:2013 Packaging and the environment definitions

CONSUMER GOODS SECTOR

E-COMMERCE*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the
Sustainability Accounting Standards Board®

October 2017

* Sustainable Industry Classification System™ (SICS™) #CG0302

E-COMMERCE

Sustainability Accounting Standard

About the SASB

The Sustainability Accounting Standards Board (SASB) was founded in 2011 as an independent standard-setting organization. The SASB issues and maintains sustainability accounting standards for 79 industries, focusing on the subset of industry-specific sustainability factors that are reasonably likely to have material financial impacts on companies within that industry. Companies can use the standards to disclose material information to investors in SEC filings, including Forms 10-K, 20-F, and 8-K, as well as S-1 and S-3, in a cost-effective and decision-useful manner. The standards are designed to help companies better comply with existing disclosure obligations, working within the framework of existing U.S. securities laws.

The SASB Standards Board is responsible for developing and issuing the standards, maintaining technical agendas, proposing updates to the standards, and executing the standard-setting process. The SASB staff is responsible for performing research and engaging in consultation on the standards, supporting the work of the Standards Board.

The SASB Foundation, an independent 501(c)3 non-profit, is responsible for the funding and oversight of the SASB, including safeguarding the SASB's independence and integrity through due process oversight and inquiry resolution. The SASB Foundation Board of Directors appoints members of the SASB.

About this Standard

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

The public comment period lasts for 90 days, beginning on October 2, 2017, and ending on December 31, 2017. The Standard is subject to change thereafter. SASB Standards are scheduled to be ratified by the SASB in early 2018.

For instructions on providing comments to SASB, please click here (https://www.sasb.org/public-comment).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111

www.sasb.org

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the E-Commerce industry.

SASB Sustainability Accounting Standards comprise **(1) disclosure guidance and (2) accounting standards or metrics** for use by U.S. and foreign public companies in their disclosures to investors, such as in annual reports and filings with the U.S. Securities and Exchange Commission (SEC), including Forms 10-K, 20-F, 40-F, 10-Q, 8-K and S-1 and S-3. The Standards facilitate the meaningful disclosure of sustainability information that is useful to investors in making decisions on investments and corporate suffrage.[1] The Standards reflect the fact that certain sustainability information is important for assessing the future financial performance of an issuer, particularly over the long term.

SASB Standards identify sustainability topics that are reasonably likely to constitute material information for a company within a particular industry. Company management is responsible for determining whether those identified topics reflect information that is material to investors and should be disclosed in filings, based on that company's specific circumstances. For further details regarding the use of the SASB Standards, in particular guidance on determinations of materiality, please see SASB's Implementation Guide.[2]

SASB Standards provide companies with sustainability metrics designed to communicate performance on industry-level sustainability topics in a concise, comparable format using existing reporting mechanisms. Companies can use the Standards to help ensure that disclosure is reliable, decision-useful for investors, and cost-effective for issuers.

SASB Standards are intended to constitute "suitable criteria" for purposes of an attestation engagement as defined by Paragraph .A42 of AT-C section 105[3] and referenced in AT-C section 395.[4] "Suitable criteria" have the following attributes:

- *Relevance*—Criteria are relevant to the subject matter.
- *Objectivity*—Criteria are free from bias.
- *Measurability*—Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

---

[1] The AICPA defines sustainability information in its Guide, Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (Issued July 2017), as follows: "information about sustainability matters (such as economic, environmental, social and governance performance)." It further explains that "sustainability metrics and sustainability indicators are components of sustainability information. Sustainability information may be nonquantitative (narrative), historical, or forward-looking."

[2] https://library.sasb.org/implementation-guide

[3] https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-C-00105.pdf

[4] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

Industry Description

The E-Commerce industry is composed of firms that provide an online marketplace service for other firms or individuals to sell their goods and services, as well as retailers and wholesalers that provide an exclusively web-based platform for consumers to buy goods and services. Firms in this industry sell to consumers as well as to other businesses. Because of the accessibility of e-commerce sites, the industry is a global marketplace for buyers and sellers.

Note: The standards discussed below are for "pure-play" E-Commerce companies and do not address the manufacturing or brick-and-mortar retail operations of companies. Many consumer goods manufacturers and retailers have incorporated, or are in the process of incorporating, an E-Commerce component to their business. SASB has separate standards for the Multiline and Specialty Retailers & Distributors (~~CN0403~~CG0301); Apparel, Accessories & Footwear (~~CN0501~~CG0101); and Toys & Sporting Goods (~~CN0604~~CG0204) industries. Depending on the specific activities and operations of firms in the aforementioned industries, disclosure topics and accounting metrics associated with E-Commerce may also be relevant.

Users of the SASB Standards

The SASB Standards are intended for use by public companies and by investors to inform investment decisions. The standards facilitate disclosure of financially material sustainability-related information in a concise, comparable, cost-effective, decision-useful format.

The SASB Standards are designed for integration into existing reporting mechanisms, such as SEC filings. This keeps the administrative and cost burden to a minimum. SEC filings include Form 10-K for U.S. companies, Form 20-F for foreign issuers, Form 40-F for Canadian issuers, quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. The SASB Standards are also recognized by the European Commission as a suitable framework for companies to provide information to investors pursuant to EU Directive 2014/95/EU. See "Guidelines on non-financial reporting (methodology for reporting non-financial information)."[5] Thus, SASB standards are a cost-effective way to satisfy both U.S. and European reporting requirements.

SASB evaluates the materiality of sustainability-related topics by using the high threshold of financial materiality that is established under the U.S. securities laws.[6] Although designed to meet the rigorous disclosure requirements of the U.S. capital markets (thereby producing a high-quality set of evidence-based standards focused on material investor-focused topics), the standards represent a best practice that can be used by companies of all types (public and private) to describe their material sustainability-related risks and opportunities.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the E-Commerce industry, the SASB has identified the following sustainability disclosure topics:

[5] https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en

[6] https://library.sasb.org/materiality_bulletin/

- ~~Energy & Water Footprint of~~ Hardware Infrastructure Energy & Water Management
- Logistics & Packaging Efficiency
- Data Security & Fraud Protection
- Data Privacy & Advertising Standards
- Employee Recruitment, Inclusion, and Performance

2. Determination of Materiality

In the U.S., sustainability disclosures are governed by the same laws and regulations that generally govern disclosures by securities issuers. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available.[7]

Through a rigorous process of research, review of evidence, and public input, the SASB has identified sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each Sustainable Industry Classification System™ (SICS™) industry.[8] **However, the issuer must determine what information is (or is reasonably likely to be) material to the reasonable investor.** For further information regarding a process that corporations can use to assess the financial materiality of the sustainability-related topics in SASB standards, please see SASB's Implementation Guide.[9]

3. SEC Requirements Relating to Disclosure of Material Sustainability Information

If a public company determines that certain sustainability information is reasonably likely to be material, it must then determine whether disclosure of some or all of the information under applicable SASB Standards is required under the U.S. federal securities laws. Several provisions of those laws are relevant to sustainability disclosures.

Regulation S-K sets forth certain disclosure requirements associated with Form 10-K and other SEC filings. Item 303 of Regulation S-K requires companies to, among other things, describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[10]

Furthermore, the instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[11]

---

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

[8] https://library.sasb.org/materiality_bulletin/

[9] https://library.sasb.org/implementation-guide

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

[11] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand.

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC can be applied to the topics included within this Standard:

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

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

Companies should also consider the applicability of other Regulation S-K requirements. Specifically, Item 101 ("Description of Business") requires a company to provide a description of its business and its subsidiaries. Item 103 ("Legal Proceedings") requires a company to describe briefly any material pending or contemplated legal proceedings; instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment, or that are primarily for the purpose of protecting the environment. Item 503(c) ("Risk Factors") requires a company to provide discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how it affects the company.

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

4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "**Sustainability-Related Information**," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.[12] Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

The SASB recognizes that sustainability topics are relatively new areas of investor interest, and it may be difficult to determine whether particular sustainability information is material in certain situations. Accordingly, issuers might also

Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

[12] http://using.sasb.org/mock-10-k-library/

consider using the SASB Standards in filings using Form 8-K, Item 8.01 ("Other Events"). This provision states that "The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders." Making a disclosure under Item 8.01 would not require the issuer to make a decision regarding materiality, and might also provide the company with more time to make the disclosure than is permitted under filing rules applicable to Form 10-K, thereby facilitating the completeness and accuracy of the disclosed information.

When using the Standards, issuers should cite or refer to the relevant SASB Standard.

More detailed guidance on preparing disclosures of material information related to sustainability topics and making topic-level materiality determinations can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/, and the **SASB Implementation Guide for Companies**, available for download via https://library.sasb.org/implementation-guide/.

Guidance on Accounting for Sustainability Topics

The SASB has identified accounting metrics for each sustainability topic included in this Standard. The SASB recommends that companies within this industry consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

When disclosing information related to a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description might in certain circumstances include a discussion of the following:[13]

- The registrant's **governance** around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- The registrant's **strategic approach** regarding actual and potential impacts of topic-related risks and opportunities on the organization's **businesses, strategy, and financial planning**, over the **short, medium, and long term**.
- The registrant's process to **identify, assess, and manage** topic-related risks, and how these risks are integrated into the registrant's overall risk management process.
- The registrant's **use of metrics or targets** to assess and manage topic-related risks and opportunities.
- Data for the registrant's **last three completed fiscal years** (when available).

The SASB recommends that registrants use SASB Standards specific to their primary industry as identified in SICS™. If a registrant generates significant revenue from multiple industries, the SASB recommends that it also consider sustainability topics that the SASB has identified for those industries, and disclose the associated SASB accounting metrics.

[13] These areas for possible additional narrative description are generally aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures, which contains a more extensive discussion of such disclosure matters.

Further, the SASB recommends that companies design, implement, and maintain adequate systems of internal control over sustainability performance information to provide reasonable confidence regarding the achievement of related reporting objectives, such as those relating to the reliability of disclosed information.[14]

The SASB takes no position as to whether third-party attestation is necessary to enhance the credibility of the disclosed sustainability information, but as a matter of good governance, the SASB suggests that such assurance be considered.[15]

Scope of Disclosure

Unless otherwise specified, the SASB recommends:

- That a registrant disclose information on sustainability topics and metrics for itself and for entities that are consolidated for financial reporting purposes, as defined by accounting principles generally accepted in the United States ("US GAAP"), for consistency with other accompanying information within SEC filings;[16]

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

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. However, the registrant should disclose information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance. (Typically, this disclosure would be limited to risks and opportunities associated with these entities.)

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this Standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with US GAAP, and be consistent with the corresponding financial data reported in the registrant's SEC filings. Should accounting metrics, activity metrics, and technical protocols in this Standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with SEC Regulation G.[17]

Activity Metrics and Normalization

[14] In this regard, companies are referred to the report of a group of experts in this area. Robert H. Herz, Brad J. Monterio, Jeffrey C. Thomson, Leveraging the COSO Internal Control – Integrated Framework to Improve confidence in Sustainability Performance Data (August 2017).

[15] The AICPA's Guide (see supra note 1) provides guidance to assist accounting practitioners in performing attestation engagements on sustainability information.

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

[17] https://www.sec.gov/rules/final/33-8176.htm

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

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

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

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for investors relying on SASB accounting metrics to perform their own calculations and create their own ratios.
- Be explained and consistently disclosed from period to period to the extent that they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant, or if a better metric becomes available.[18]

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

Table 1. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Registrant-defined measure of customer activity[19]	Quantitative	Number	~~CN0404~~ CG0302-A
Data processing capacity, percentage outsourced[20]	Quantitative	See note	~~CN0404~~ CG0302-B
Number of shipments	Quantitative	Number	~~CN0404~~CG0302-C

[18] Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

[19] Note to **~~CN0404~~CG0302-A**—The registrant shall define and disclose a basic measure of customer activity suitable for its business activities. This measure may be sales transactions, purchase transactions, number of searches, monthly active users, page views, unique URLs, etc.

[20] Note to **~~CN0404~~CG0302-B**—Data processing capacity shall be reported in units of measure typically tracked by the registrant or used as the basis for contracting its IT services needs, such as million service units (MSUs), million instructions per second (MIPS), mega floating-point operations per second (MFLOPS), compute cycles, or other units of measure. Alternatively, the registrant may disclose owned and outsourced data processing needs in other units of measure, such as rack space or data center square footage. The percentage outsourced shall include co-location facilities and cloud services (e.g., Platform as a Service and Infrastructure as a Service).

Units of Measure

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

Uncertainty

The SASB recognizes that there may be inherent uncertainty when measuring or disclosing certain sustainability data and information. This uncertainty may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, the SASB recommends that the registrant should consider discussing its nature and likelihood.[21]

Estimates

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

Timing

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

Limitations

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

Use of the SASB Standards is voluntary. The Standards are not intended to replace any legal or regulatory requirements that may be applicable to a company's operations. When such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements.

Use of the SASB Standards is not required or endorsed by the SEC or various entities governing financial reporting, including the Financial Accounting Standards Board, the Government Accounting Standards Board, or the International Accounting Standards Board.

Forward-Looking Statements

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

[21] The AICPA's Guide (see supra note 1) provides guidance related to measurement uncertainty.

disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Notes on the Sustainability Accounting Standards

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

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

Table 2. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
~~Energy & Water Footprint of~~ **Hardware Infrastructure** **Energy & Water Management**	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	~~CN0404~~ CG0302-01
	(1) Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	~~CN0404~~ CG0302-02
	Description of the integration of environmental considerations into strategic planning for data center needs	Discussion and Analysis	n/a	~~CN0404~~ CG0302-03
Logistics & Packaging Efficiency	Total greenhouse gas (GHG) footprint of product shipments	Quantitative	Metrics tons CO_2-e	~~CN0404~~ CG0302-04
	Description of strategies to reduce the environmental impact of product delivery	Discussion and Analysis	n/a	~~CN0404~~ CG0302-05
Data Security & Fraud Protection	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	n/a	~~CN0404~~ CG0302-06
	Number of data security breaches, percentage involving customers' personally identifiable information (PII), number of customers affected[22]	Quantitative	Number, Percentage (%)	~~CN0404~~ CG0302-07
Data Privacy & Advertising Standards	Percentage of users whose customer information is collected for secondary purposes, percentage who have opted in	Quantitative	Percentage (%)	~~CN0404~~ CG0302-08
	Discussion of policies and practices relating to behavioral advertising and customer privacy	Discussion and Analysis	n/a	~~CN0404~~ CG0302-09

[22] Note to ~~CN0404~~CG0302-07—Disclosure shall include a description of corrective actions implemented in response to data security breaches or threats.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Employee Recruitment, Inclusion, and Performance	Employee engagement as a percentage[23]	Quantitative	Percentage (%)	~~CN0404~~ CG0302-10
	(1) Voluntary and (2) involuntary employee turnover rate	Quantitative	Rate	~~CN0404~~ CG0302-11
	Percentage of gender and racial/ethnic group representation for (1) ~~executives~~management, (2) technical staff, and (3) all others[24]	Quantitative	Percentage (%)	~~CN0404-12~~ TA09-07-01
	Percentage of technical employees who are H-1B visa holders	Quantitative	Percentage (%)	~~CN0404~~ CG0302-13
	Percentage of successful H-1B visa applications	Quantitative	Percentage (%)	~~CN0404~~ CG0302-14

[23] Note to **~~CN0404~~CG0302-10**—Disclosure shall include a description of the methodology employed.

[24] Note to **TA09-07-01--**The registrant shall describe its policies and programs for fostering equitable employee representation across its global operations.

~~Energy & Water Footprint of~~ Hardware Infrastructure Energy & Water Management

Description

A large part of the energy consumed by the industry is used to power critical hardware and IT infrastructure in data centers. Data centers need to be powered continuously, and disruptions to the energy supply can have a material impact on operations, depending on the magnitude and timing of the disruption. Companies also face a tradeoff when it comes to energy and water consumption for their data center cooling needs: Cooling data centers with water instead of chillers is a means of improving energy efficiency, but it can lead to dependence on significant local water resources. Companies that well manage this issue may benefit from cost savings and minimize reputational risks, as there is growing concern over energy and water use.

Accounting Metrics

~~CN0404~~CG0302-01. Total energy consumed, percentage grid electricity, percentage renewable energy

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

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

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

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

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

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

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

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

- The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.25

- Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, consistent with U.S. Environmental Protection Agency (EPA) definitions, such as geothermal, wind, solar, hydro, and biomass.

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

- Energy from hydro sources that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard.

- Energy from biomass sources is limited to materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered "eligible renewables" according to the Green-e Energy National Standard Version 2.5 (2014), and materials that are eligible for a state Renewable Portfolio Standard.

.07 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (for energy data including electricity from solar or wind energy).

.08 The registrant may choose to disclose the trailing twelve-month (TTM) weighted average power usage effectiveness (PUE) for its data centers, where PUE is defined as the ratio of the total amount of power used by a computer data center facility to the amount of power delivered to computing equipment.

- If disclosing PUE, the registrant shall follow the guidance and calculation methodology described in The Green Grid's White Paper #49-PUE: A Comprehensive Examination of the Metric.

~~CN0404~~CG0302-02. (1) Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

.09 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from all sources, where:

- Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the registrant, wastewater obtained from other entities, municipal water supplies, or supply from other water utilities.

[25] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid.

.10 The registrant may choose to disclose the portion of its supply by source if, for example, significant portions of withdrawals are from non-fresh water sources, where:

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

- Water obtained from a water utility in compliance with U.S. National Primary Drinking Water Regulations can be assumed to meet the definition of fresh water.

.11 The registrant shall disclose the amount of water (in thousands of cubic meters) that was consumed in its operations, where water consumption is defined as:

- Water that evaporates during withdrawal, usage, and discharge;

- Water that is directly or indirectly incorporated into the registrant's product or service; and

- Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.

.12 The registrant shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80%) or Extremely High (>80%) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly accessible online here).

.13 The registrant shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.

.14 The registrant shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

~~CN0404~~CG0302-03. Description of the integration of environmental considerations into strategic planning for data center needs

.15 The registrant shall discuss the environmental considerations that it integrates into siting, design, construction, refurbishment, and operational specifications for its data centers, including factors related to energy and water consumption.

.16 The scope of disclosure shall include data centers currently owned and operated by the registrant, data centers that have been planned or are under construction, and outsourced data center services, insofar as their selection integrates environmental considerations.

.17 Examples of environmental factors may include, but are not limited to, energy-efficiency standards; layout design, such as "hot aisle/cold aisle" layouts; and location-based factors, such as accounting for regional humidity, average temperature, water availability and groundwater stress, regional- or state-level carbon legislation or pricing, and the carbon intensity of electricity from the local grid.

.18 The registrant shall describe how the environmental considerations it identifies were incorporated into decisions related to its data centers that were made during the fiscal year, including if they influenced decisions to insource or outsource data center services, improve efficiency of existing data centers, and/or construct new data centers.

Logistics & Packaging Efficiency

Description

A significant part of the E-Commerce industry's added value comes from firms' ability to move a wide array of goods efficiently to consumers who would otherwise have to personally travel to collect the goods from brick-and-mortar stores. As the volume of packaging shipments increases, the industry may become more exposed to environmental externalities, such as carbon pricing and subsequent rising fuel costs that present risks associated with the shipping of its products. While firms that outsource shipping and logistics have less control over the specific processes of shipping operations, they can still select suppliers with more energy-efficient business practices. As this is a highly competitive and low-margin industry, the ability to shave off shipping costs through fuel reduction and more efficient routing can allow firms to pass those savings on to their customers. Additionally, e-commerce firms have an incentive to minimize the use of packaging. Efficient packaging can lead to cost savings from reducing the amount of material that needs to be purchased, as well as saving on logistics costs, as more products can fit into a single shipping load.

Accounting Metrics

~~CN0404~~CG0302-04. Total greenhouse gas (GHG) footprint of product shipments

.19 The registrant shall disclose the complete tank-to-wheels greenhouse gas (GHG) footprint, in metric tons of CO_2-e, associated with outbound shipment of the registrant's products, where:

- Tank-to-wheels emissions relate to vehicle processes and exclude upstream emissions associated with primary energy production (i.e., well-to-tank emissions).

.20 The scope of disclosure includes emissions from all freight transportation and logistics activities associated with outbound shipment of the registrant's products, including those from contract carriers and outsourced freight forwarding services and logistics providers (Scope 3) as well as those from the registrant's own assets (Scope 1).

.21 The scope of disclosure includes emissions from all modes of transportation, such as road freight, air freight, barge transport, marine transport, and rail transport.

.22 The registrant shall calculate its disclosure according to EN 16258:2012, Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers).

- Calculations shall be consistent with the methodology used to calculate the "tank-to-wheels GHG emissions (Gt)" result that is described in EN 16258:2012.

- Determination of transportation system scope, boundaries, and any necessary allocations shall be consistent with the methodology described in EN 16258:2012.

.23 Consistent with EN 16258:2012, disclosure may be based on calculations from a mix of categories of emissions values (i.e., specific measured values, transport operator vehicle-type- or route-type-specific values, transport operator fleet values, and default values).

.24 Where relevant and necessary for interpretation of disclosure, the registrant shall describe its allocation methods, emissions values, boundaries, mix of transport services used, and other information.

~~CN0404~~CG0302-05. Description of strategies to reduce the environmental impact of product delivery

.25 The registrant shall discuss its strategies to reduce the environmental impact of fulfillment and delivery of its products, including impacts associated with packaging materials and those associated with product transportation.

.26 Relevant disclosure may include, but is not limited to:

- Discussion of logistics selection, mode selection, and management (e.g., rail transport vs. air freight transport) and/or operation for route efficiency.
- Discussion of packaging choices, including, but not limited to, decisions to utilize recycled or renewable (e.g., bio-based plastic) packaging material, decisions to optimize the amount of packaging materials used (e.g., source reduction), use of refillable or reusable packaging, and design for efficient shipping and transport.
- Discussion of fuel choices and vehicle choices for fleets owned and/or operated by the registrant, such as decisions to use renewable and low-emission fuels and low-emission vehicles.
- Other relevant strategies, such as efforts to reduce idling of vehicles owned and/or operated by the registrant, innovations to improve the efficiency of "last-mile" delivery, and strategies to optimize delivery times to reduce traffic congestion.

Data Security & Fraud Protection

Description

The general model of e-commerce depends on a firm's ability to securely process electronic payments. As consumers become more educated about the threats of cybercrime, particularly in the wake of continued high-profile attacks, having a reputation as a secure company will become increasingly important to maintain or gain market share. There is an opportunity for the most trusted brands to position themselves favorably in the eyes of consumers and gain a significant competitive advantage. This makes customer loyalty, which is highly influenced by the perception of the safety of the customer's valuable financial and personal information, particularly important to maintaining market share.

Accounting Metrics

~~CN0404~~CG0302-06. Discussion of management approach to identifying and addressing data security risks

.27 The registrant shall identify vulnerabilities in its information systems that pose a data security threat, where:

- A data security threat is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the nation through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.

- Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, or implementation that could be exploited by a data security threat source.

.28 The registrant shall describe how it addresses the threats and vulnerabilities it has identified, including, but not limited to, operational procedures, management processes, structure of products and services, selection of business partners, employee training, or use of technology.

.29 The registrant should discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.

.30 Disclosure shall be additional but complementary to the disclosure of preparation, detection, containment, and post-incident activity according to the SEC's CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes disclosing when the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition or would cause reported financial information to not necessarily be indicative of future operating results or financial condition (e.g., reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

.31 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

.32 The registrant may choose to describe the degree to which its management approach is aligned with an external standard or framework for managing data security, such as:

- ISO/IEC 27001:2013—Information technology—Security techniques—Information security management systems—Requirements

- "Framework for Improving Critical Infrastructure Cybersecurity, Version 1.0," February 12, 2014, National Institute of Standards and Technology (NIST)

~~CN0404~~CG0302-07. Number of data security breaches, percentage involving customers' personally identifiable information (PII), number of customers affected

.33 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.

.34 The scope of disclosure shall be limited to data security breaches, cybersecurity risks, and incidents that resulted in the registrant's business processes deviating from its expected outcomes for confidentiality, integrity, and availability.

- The scope of disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from deficiencies or failures of people, processes, or technology.

- The scope of disclosure shall exclude disruptions of service due to equipment failures.

.35 Disclosure shall be additional but complementary to the SEC's CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes instances in which the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition, or would cause reported financial information to not necessarily be indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

.36 The registrant shall disclose the percentage of data security breaches in which customers' personally identifiable information (PII) was breached, where:

- PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.[26]

[26] *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, GAO Report 08-536, May 2008.

- The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by state law or voluntarily by the registrant.

- Disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired.

- The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise the investigation.

.37 The registrant shall disclose the total number of customers who were affected by data breaches, which includes all those whose personal data was compromised in a data breach.

Note to **~~CN0404~~CG0302-07**

.38 The registrant shall describe the corrective actions taken in response to specific incidents, such as changes in operations, management, processes, products, business partners, training, or technology.

.39 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

.40 The registrant should disclose its policy for disclosing data breaches to affected customers in a timely manner.

Data Privacy & Advertising Standards

Description

E-commerce companies have access to consumer information, including financial information, purchase history, and basic demographic data. Companies in this industry must carefully manage two separate and often conflicting priorities. On one hand, companies compete on their ability to leverage data to provide customers with relevant services and target advertising or product recommendations based on consumers' preferences and behavior patterns. On the other hand, the fact that companies have access to a wide range of customer data, such as personal, demographic, and behavioral data, raises privacy concerns among users and the public at large, and is leading to increased regulatory scrutiny from the U.S. Federal Trade Commission as well as authorities in Europe and other jurisdictions. Proper management of the issue will reduce regulatory and reputational risks.

Accounting Metrics

~~CN0404~~CG0302-08. Percentage of users whose customer information is collected for secondary purposes, percentage who have opted in

.41 The registrant shall indicate the percentage of customers whose customer information is collected for its own secondary use or for transfer to a third party, where:

- Customer information includes information that pertains to a user's attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or PII.
- Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
- Behavioral data is defined as the product of tracking, measuring, and recording individual consumers' behaviors, such as online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
- Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System (GPS) coordinates or other related data that would enable the identification and tracking of an individual's physical location.
- "Secondary use" is defined as the intentional use of data by the registrant (i.e., not a breach of security) that is outside the primary purpose for which the data was collected. Examples of secondary uses include, but are not limited to, selling targeted ads, selling aggregated behavioral or location data, improving the registrant's own product and service offerings, and transferring data or information to a third party through sale, rental, or sharing.

.42 Of the users whose customer information is collected for secondary use or transfer to third parties, the registrant shall indicate the percentage that provided opt-in consent, where:

- Opt-in is defined as express affirmative consent required to use or share content.

.43 The registrant may choose to discuss what type of customer information is collected, the scope of data collected from different groups, and/or the types of secondary uses for which demographic data is collected.

~~CN0404~~CG0302-09. Discussion of policies and practices relating to behavioral advertising and customer privacy

.44 The registrant shall describe the nature, scope, and implementation of its policies and practices related to customer privacy, with a specific focus on how it addresses the collection, usage, and retention of customer information, demographic data, customer behavioral data, location data from cellphone usage, and PII, where:

- Customer information includes information that pertains to a user's attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or PII.
- Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
- Behavioral data is defined as the product of tracking, measuring, and recording consumers' individual behaviors, such as online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
- Location data is defined as data describing the physical location or movement patterns of an individual, such as GPS coordinates or other related data that would enable the identification and tracking of an individual's physical location.
- PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.[27]

.45 The registrant shall describe the information "lifecycle" (i.e., collection, use, retention, processing, disclosure, and destruction of information) and how information-handling practices at each stage may affect individuals' privacy.

- With respect to data collection, it may be relevant for the registrant to discuss which data or types of data are collected without the consent of an individual, which require opt-in consent, and which require opt-out action from the individual.
- With respect to usage of data, it may be relevant for the registrant to discuss which data or types of data are used by the registrant internally, and under which circumstances the registrant shares, sells, rents, or otherwise distributes data or information to third parties.

[27] *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, GAO Report 08-536, May 2008.

- With respect to retention, it may be relevant for the registrant to discuss which data or types of data it retains, the length of time of retention, and practices used to ensure that data is stored securely.

.46 The registrant shall discuss the degree to which its policies and practices address similar issues as those outlined in the OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 (M-03-22), including use of Privacy Impact Assessments (PIAs), where:

- A PIA is an analysis of how information is handled that ensures handling conforms to applicable legal, regulatory, and policy requirements regarding privacy; determines the risks and effects of collecting, maintaining, and disseminating information in identifiable form in an electronic information system; and examines and evaluates protections and alternative processes for handling information in order to mitigate potential privacy risks.

- As outlined by OMB M-03-22, PIAs must analyze and describe: (a) what information is to be collected, (b) why the information is being collected, (c) the intended use of the information, (d) with whom the information will be shared, (e) what opportunities individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), including how individuals can grant consent, and (f) how the information will be secured, among other government-specific requirements.

.47 The registrant shall discuss how its policies and practices related to the privacy of customer information address children's privacy, which at a minimum includes the provisions of the Children's Online Privacy Protection Act (COPPA).

Employee Recruitment, Inclusion, and Performance

Description

Employees are key contributors to value creation in the E-Commerce industry. While the number of job openings in the industry continues to grow, companies are finding it difficult to recruit qualified employees to fill these positions. The shortage in technically skilled domestic workers has created intense competition to acquire highly skilled employees, contributing to high turnover rates. This competition for talent and the search for innovation opportunities presents several interrelated sustainability challenges regarding human capital that companies must manage. Hiring foreign nationals to compensate for shortages in local talent can create risks related to perceived social implications in the host and home countries of workers. Companies offer significant monetary and nonmonetary benefits to improve employee engagement and, therefore, retention and productivity. Initiatives to improve employee engagement and work-life balance might influence the recruitment and retention of a diverse workforce. As the industry is characterized by relatively low representation from women and minority groups, efforts to recruit from and develop diverse talent pools can serve to address the talent shortage and generally to improve the value of company offerings. Greater workforce diversity is important for innovation, and it helps companies understand the needs of their diverse and global customer base.

Accounting Metrics

~~CN0404~~CG0302-10. Employee engagement as a percentage

.48 The registrant shall disclose employee engagement as a percentage (i.e., the percentage of employees deemed "actively engaged" as opposed to "not engaged," "passive," or "actively disengaged"). If engagement is measured as an index (e.g., strength of employee agreement with a survey statement), it shall be converted into a percentage for this disclosure.

.49 The disclosure shall be calculated based on the results of an employee engagement survey or research study conducted by the registrant, an external entity contracted to perform such a study by the registrant, or an independent third party.

Note to **~~CN0404~~CG0302-10**

.50 The registrant shall briefly describe:

- The source of its survey (e.g., third-party survey or registrant's own);
- The methodology used to calculate the percentage (e.g., a simple average of individual employee survey responses, with a numerical value assigned to the strength of agreement or disagreement with a survey statement); and
- A summary of questions or statements included in the survey or study (e.g., those related to goal setting, support to achieve goals, training and development, work processes, and commitment to the organization).

.51 When the survey methodology has changed compared to previous reporting years, the registrant shall indicate results based on both the old and new methods for the year in which the change is made.

.52 If results are limited to a subset of employees, the registrant shall include the percentage of employees included in the study or survey and the representativeness of the sample.

.53 The registrant may choose to disclose results of other survey findings, such as the percentage of employees who are: proud of their work/where they work, inspired by their work/co-workers, aligned with corporate strategy and goals, etc.

~~CN0404~~CG0302-11. (1) Voluntary and (2) involuntary employee turnover rate

.54 The registrant shall disclose employee turnover as a percentage, where:

- Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.

.55 The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignations, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.

.56 The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, non-renewal of contract, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.

~~CN0404-12~~TA09-07-01. Percentage of gender and racial/ethnic group representation for (1) ~~executives~~management, (2) technical staff, and (3) all others

.57 The registrant shall disclose the percentage of gender representation for all global operations and the racial and ethnic group representations for U.S. operations for management, technical staff, and for all other employees.

.58 The registrant shall classify its employees according to Filing Procedures for the U.S. Equal Employment Opportunity Commission EEO-1 Survey into the following ~~two~~three categories: ~~Executives/Sr. Managers~~(1) management, (2) technical staff, and (3) all other employees~~ (i.e., other~~.

- Management is defined as employees classified in the following EEO-1 categories: Executive/Senior-Level Officials and Managers; and First/Mid-Level Officials and Managers.
  - Executive/Senior-Level Officials and Managers include individuals who plan, direct, and formulate policies, set strategy, and provide the overall direction of enterprises/organizations for the development and delivery of products or services, within the parameters approved by boards of directors or other governing bodies. Residing in the highest levels of organizations, these executives plan, direct, or coordinate activities with the support of subordinate executives and staff managers. In larger organizations, Executive/Senior-Level Officials and Managers include those individuals within two reporting levels of the Chief Executive Officer (CEO). Examples of these kinds of managers are CEOs, chief operating officers, chief financial officers, line of functional areas or operating groups, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, management directors, and managing partners.

- First/Mid-Level Officials and Managers are individuals who serve in management roles other than those of Executive/Senior-Level Officials and Managers, including ~~mid-~~those who oversee and direct the delivery of products, services, or functions at group, regional, or divisional levels of organizations. These managers receive directions from the Executive/Senior-Level management and typically lead major business units. They implement policies, programs, and directives of Executive/Senior-Level management through subordinate managers and within the parameters set by Executive/Senior-Level management. Examples of these kinds of managers are vice presidents and directors; group, regional, or divisional controllers; treasurers; human resources, information systems, marketing, and operations managers. The First/Mid-Level Officials and Managers subcategory also includes those who report directly to middle managers. These individuals serve at functional, line-of-business-segment, or branch levels and are responsible for directing and executing the day-to-day operational objectives of enterprises or organizations, conveying the directions of higher level ~~managers, professionals, technicians, sales, admin support, and~~ officials and managers to subordinate personnel and, in some instances, directly supervising the activities of exempt and nonexempt personnel. Examples of these kinds of managers are first-line managers, team managers, unit managers, operations and production managers, branch managers, administrative services managers, purchasing and transportation managers, storage and distribution managers, call center or customer service ~~workers).~~managers, technical support managers, and brand or product managers.

~~.57 The registrant shall further classify other employees as (2) technical staff and (3) all others, where:~~

- Technical staff includes employees categorized in the 15-0000 group (Computer and Mathematical Occupations) or 17-0000 group (Architecture and Engineering Occupations) of the Standard Occupation Classification (SOC) system from U.S. Bureau of Labor Statistics (BLS).

- All others include all remaining employees not classified as Executives/Sr. Managers or technical staff.

~~.58~~.59 The registrant shall categorize the gender of its employees as~~:~~ male, female, or not disclosed/available.

~~.59~~.60 The registrant shall classify employees in the U.S. by the racial/ethnic group ~~of its employees~~ in the following categories, using the same definitions ~~employed~~noted in the Filing Procedures for the ~~registrant's :~~EEO-1 Survey: White, Black or African American, Hispanic or Latino, Asian, and Other (which includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "~~two~~Two or ~~more races~~More Races" classifications), or not disclosed/available.

.61 Where relevant, the registrant may provide supplemental breakdown of racial/ethnic group representation by country or region as well as gender and racial/ethnic group representation by country or region.

~~.60~~.62 Where racial/ethnic group and/or gender representation percentages are significantly influenced by the country or region where the workforce is located, the registrant ~~shall provide~~may report data with contextual disclosure to ensure proper interpretation of results.

~~.61 Where relevant, the registrant may provide supplemental breakdown of gender and racial/ethnic group representation by country or region.~~

~~.62~~.63 The registrant should summarize and disclose employee representation by employee category in the following table format:

EMPLOYEE CATEGORY	GENDER			RACE AND ETHNICITY FOR U.S. OPERATIONS (%)					
	Male	**Female**	**NA***	**White**	**Black or African American**	**Hispanic or Latino**	**Asian**	**Other~~∆~~** **	**NA***
Executives									
Technical ~~staff~~Staff									
All ~~others~~Other Employees									

*NA = not available~~/~~ or not disclosed

~~∆~~** Other includes American Indian or Alaska Native, Native Hawaiian or ~~O~~other Pacific Islander, and "~~t~~Two or ~~m~~More ~~r~~Races" classifications.

~~CN0404~~Note to **TA09-07-01**

.64 The registrant shall describe its policies and programs for fostering equitable employee representation across its global operations.

- Relevant policies may include maintaining transparency of hiring, promotion, and wage practices, ensuring equal employment opportunity, developing and disseminating diversity policies, and ensuring management accountability for ensuring equitable representation.
- Relevant programs may include trainings on diversity, mentorship and sponsorship programs, partnership with employee resource and advisory groups, and provision of flexible work schedules to accommodate employees' varying needs.
- Relevant aspects of employee representation include, at a minimum, gender and race/ethnicity. Registrant may disclose other aspects of workforce, such as, age, physical abilities/qualities, sexual orientation, and religious beliefs, as relevant to local jurisdiction.

CG0302-13. Percentage of technical employees who are H-1B visa holders

~~.63~~.65 The registrant shall disclose the percentage of its technical workforce that held valid H-1B visas as of the close of the fiscal year, where:

- Technical staff includes employees categorized in the 15-0000 group (Computer and Mathematical Occupations) or 17-0000 group (Architecture and Engineering Occupations) of the Standard Occupation Classification (SOC) system from U.S. Bureau of Labor Statistics (BLS).

~~.64~~.66 The percentage shall be calculated as the number of computer and mathematical employees with valid H-1B visas divided by the total number of computer and mathematical employees.

~~.65~~.67 The scope of employees includes those directly employed by the registrant and excludes contractors and outsourced employees.

~~.66~~.68 The scope of employees includes both full- and part-time employees.

~~CN0404~~CG0302-14. Percentage of successful H-1B visa applications

~~.67~~.69 The registrant shall disclose the percentage of H-1B visa petitions (Form 1-129) and Labor Condition Applications (LCA) that the registrant filed on behalf of its workforce that were approved by the U.S. Citizenship and Immigration Services (USCIS).

~~.68~~.70 The percentage shall be calculated as the number of H-1B petitions and LCAs approved by USCIS divided by the total number of H-1B petitions filed on behalf of employees.

~~.69~~.71 The scope includes new and renewal visa petitions and LCAs, as well as petitions to transfer an LCA.