



SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION II SECTOR

BUILDING PRODUCTS & FURNISHINGS

Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0603

Prepared by the
Sustainability Accounting Standards Board®

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Exposure Draft Standard for Public Comment

BUILDING PRODUCTS & FURNISHINGS

Sustainability Accounting Standard

About SASB

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

About this Standard

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

The public comment period lasts for 90 days, beginning on Wednesday, April 8th, 2015, and ending on Tuesday, July 7th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

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INTRODUCTION

Purpose & Structure

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

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

SASB Standards identify sustainability topics at an industry level, which may constitute material information—depending on a company’s specific operating context—for a company within that industry. SASB Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and should therefore be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB Standards provide companies with standardized sustainability metrics designed to communicate performance on industry level sustainability topics. When making disclosure on sustainability topics, companies can use SASB Standards to help ensure that disclosure is standardized and therefore decision-useful, relevant, comparable, and complete.

SASB Standards are intended to constitute “suitable criteria” as defined by AT 101.23 - .32¹ and referenced in AT 701², as having the following attributes:

- *Objectivity*—Criteria should be free from bias.
- *Measurability*—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted.
- *Relevance*—Criteria should be relevant to the subject matter.

Industry Description

The Building Products & Furnishings industry includes companies involved in the design and manufacturing of various home and office furnishings and other products, including flooring, home and office furniture and fixtures, and office supplies. Globally, the largest segments by revenue are home furniture, windows, and doors, while for U.S.-listed companies, the largest segments are office furniture and flooring. Companies in this industry typically sell their products through distribution channels into retail stores or through independent or company-owned dealerships. A typical large company in this industry operates globally and sources revenue from multiple regions.

¹ http://pcaobus.org/Standards/Attestation/Pages/AT101.aspx#at_101_fn7

² <http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx>

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

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

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

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

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”^{3, 4}

SASB has attempted to identify those sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each SICs industry. SASB recognizes, however, that each company is ultimately responsible for determining what information should be disclosed within the context of Regulation S-K and other guidance.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to 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.”

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

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, based on probability and magnitude, 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.

³ TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

⁴ C.F.R. 229.303(item 303)(a)(3)(ii).

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

For purposes of comparability and usability, that companies should consider making disclosure on sustainability topics in the MD&A, in a sub-section titled "**Sustainability Accounting Standards Disclosures.**"⁵

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, it may be relevant for companies to disclose sustainability information in other sections of Form 10-K, including, but not limited to:

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

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

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

c. Rule 12b-20

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

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

⁵ [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."

Guidance on Accounting for Sustainability Topics

For each sustainability topic included in the Building Products & Furnishings industry Sustainability Accounting Standard, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein;

As appropriate—and consistent with Rule 12b-20⁶—when disclosing 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. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

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

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainable Industry Classification System \(SICSTM\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it also consider sustainability topics that SASB has identified for those industries and disclose the associated SASB accounting metrics.

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

Users of the SASB Standards

The SASB Standards are intended to provide guidance for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),⁷ for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

⁶ SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

⁷ Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities that are consolidated for financial reporting purposes as defined by accounting principles generally accepted in the United States for consistency with other accompanying information within SEC filings⁸
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand 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 the accounting principles generally accepted in the United States of America ("US GAAP") and be consistent with the corresponding financial data reported within 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 the SEC Regulation G.

Activity Metrics and Normalization

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

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

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

⁸ See US GAAP consolidation rules (Section 810).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for an investor relying on SASB accounting metrics in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.⁹

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

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Annual production ¹⁰	Quantitative	See note	CN0603-A
Area of manufacturing facilities ¹¹	Quantitative	Square meters (m ²)	CN0603-B

Units of Measure

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

Uncertainty

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

Estimates

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

Timing

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

⁹ Improving Business Reporting: Insights into Enhancing Voluntary Disclosures, FASB Business Reporting Research Project, January 29, 2001.

¹⁰ Note to **CN0601-A**—Production shall be disclosed in typical units tracked by the registrant such as number of units, weight, square feet, etc.

¹¹ Note to **CN0601-B**—The scope shall be limited to total area under roof, including manufacturing and administrative functions.

Limitations

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

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

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

Forward-looking Statements

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

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

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

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management in Manufacturing	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	CN0603-01
Health Impacts of Chemicals in Products	Description of chemical hazard and risk management program	Discussion and Analysis	n/a	CN0603-02
	Percentage of applicable products meeting California Standard Section 01350 Specification for VOCs	Quantitative	Percentage (%) by revenue	CN0603-03
Product Lifecycle Environmental Impacts	Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products	Discussion and Analysis	n/a	CN0603-04
	Percentage of products sold that are recyclable or reusable	Quantitative	Percentage (%) by weight	CN0603-05
	Percentage of raw materials from recycled content	Quantitative	Percentage by weight (%)	CN0603-06
	Weight of end-of-life material recovered, percentage of recovered materials that are recycled	Quantitative	Metric tons (t), Percentage (%) by weight	CN0603-07
Wood Sourcing Risks	Total wood fiber purchased, percentage from third-party certified sources	Quantitative	Metric tons (t), Percentage (%) by weight	CN0603-08

Energy Management in Manufacturing

Description

The Building Products & Furnishings industry relies heavily on its use of energy, particularly electricity, for value creation in manufacturing processes. Due to the fact that the industry operates on relatively low margins, even small savings on energy costs may have a material influence on company profits. Various sustainability factors are leading to an increase in the cost of conventional energy sources. These factors include greenhouse gas (GHG) emissions pricing, incentives for energy efficiency and renewable energy, and risks associated with nuclear energy and its increasingly limited license to operate. Therefore, it is becoming increasingly material for companies in energy-intensive industries to manage their overall energy efficiency, their reliance on different types of energy and the associated risks, and their access to alternative energy sources. The industry also has some potential to utilize renewable forms of energy in production, which may help offset increases in energy prices.

Accounting Metrics

CN0603-01. 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.¹²
- 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 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).

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

Health Impacts of Chemicals in Products

Description

Management of chemicals relates to the presence of certain chemicals in products that have the potential to harm human health and the environment. While many of these chemicals are banned in other products, such as children's toys, they are still used widely in flooring and furniture products. This may present a potential risk for future regulation around products containing excessive levels of harmful chemicals. Customer preference for products that avoid harmful chemicals are driving industry efforts to eliminate such chemicals from products. New building certifications aim to address human health and wellness in living spaces through efforts such as requesting full disclosure of chemicals used in building products and furnishings used in indoor spaces and awarding certification points to products that reduce the use of such chemicals. This trend toward certification can drive demand for products that avoid harmful chemicals and assist customers in obtaining building certifications. Companies that address harmful chemicals in their products may enjoy a competitive advantage over the long term through increased customer demand and improved brand reputation.

Accounting Metrics

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

- .08 The registrant shall discuss its approach to managing the use of materials, chemicals, and substances that may be of human health and/or environmental concern to consumers, customers, regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.) but are not currently regulated.
- "Materials, chemicals, and substances" include individual compounds, classes of chemicals, and categories of chemicals.
- .09 At a minimum, the registrant shall:
- Discuss how it assesses materials and chemicals for hazardous characteristics and risk traits, including the operational processes it employs for these assessments and other actions it takes to manage hazards and risks.
 - Identify specific materials, chemicals, and substances that it considers to be of concern to its customers, regulators, and/or other stakeholders.
 - Describe any pertinent future plans and targets for the reduction and/or removal of certain chemicals of concern from its products.
- .10 Relevant operational processes may include, but are not limited to, product formulation and design, materials and chemicals procurement, product safety testing, product labeling, and product declarations (e.g., material safety data sheets).
- .11 Other relevant actions to discuss may include the exclusion of substances (e.g., use of banned substances lists such as the Clean Production Action (CPA) Healthy Building Network Red List of Lists, etc.), 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.

- .12 The registrant should discuss its use of chemicals that appear on California's Proposition 65 list of carcinogens and reproductive toxicants, agents 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.

CN0603-03. Percentage of applicable products meeting California Standard Section 01350 Specification for VOCs

- .13 The registrant shall disclose the percentage of its products (by revenue), in U.S. dollars, that have been tested and modeled to the California Department of Public Health (CDPH) and Environmental Health Laboratory Branch (EHLB) *Standard Method for the Testing and Evaluation of Volatile Organic Chemical Emissions from Indoor Sources Using Environmental Chambers* (also referred to as CDPH/EHLB Standard Method V1.1, 2010 or California Standard Section 01350) and confirmed to meet the allowable limits for modeled indoor air concentrations at 14 days.

- .14 The percentage shall be calculated as the revenue from products tested to meet the allowable limits for modeled indoor air concentrations at 14 days specified in CDPH/EHLB Standard Method V1.1, 2010, divided by the revenue from all applicable products, where:

- A product is considered applicable if it considered within the scope of CDPH/EHLB Standard Method V1.1, 2010, including any 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.
- Through their inclusion in the scope of CDPH/EHLB Standard Method V1.1, 2010, freestanding furniture used in schools and offices and open-plan office furniture are also considered applicable products.

- .15 A product shall be considered to be in compliance with CDPH/EHLB Standard Method V1.1, 2010, if it has achieved certification to one of the many harmonized indoor air quality standards and certifications, including:

- Indoor Advantage Gold™ certification
- GREENGUARD Children & Schools certification
- Collaborative for High Performance Schools (CHPS) requirements
- LEED v4 Indoor Environmental Quality criteria (low-emitting materials)

Product Lifecycle Environmental Impacts

Description

The Building Products & Furnishing industry is characterized by high levels of demand for products that are designed and manufactured with the environment in mind. This demand is driven by customers, regulators, and new certifications that help address many of the sustainability challenges faced by the industry through its products' lifecycles. Challenges include product recyclability and end-of-life treatment, which have environmental impacts and are shaping the industry's sustainability commitments. These commitments include using closed-loop materials that help minimize a product's end-of-life environmental impacts and reduce the need for extracting or producing virgin materials. Additionally, there are disposal laws that affect some products' end-of-life treatment.

Accounting Metrics

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

- .16 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, reduction of packaging, design for consolidated shipping, design of low-energy-consumption products, design for product take-back, and labeling for recycling, among others.
- .17 The registrant shall discuss factors that drive demand for its sustainable building products, including green building certification programs, federal and state procurement criteria, demand from retailers, and/or retail consumer demand.
- .18 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 14040 and EPD should be based on [ISO 14025](#).
- .19 The registrant may choose to 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 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 SquaredSM: Tile and Installation Materials / ANSI A138.1-2011, ANSI/BIFMA e3 level[@]: Business Furniture, and the Cradle to Cradle CertifiedTM Products Standard.
- Single-attribute standards include ENERGYSTAR[@], WaterSense, and recycled content certifications.

CN0603-05. Percentage of products sold that are recyclable or reusable

.20 The registrant shall disclose the percentage of products, by weight (in metric tons), that are reusable or recyclable, where:

- “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)*.
- “Recyclable” is defined 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)*.

.21 For products or product materials that are partially made of recyclable or reusable materials, the registrant shall classify the portion of the material that is recyclable or reusable based on a calculation (or estimate, where appropriate) of the weight of each portion.

.22 A product or its components shall be considered recyclable or reusable if this claim is aligned with 16 CFR Part 260, Guides for the Use of Environmental Marketing Claims; Final Rule, (also known as the “FTC Green Guides”), including the following elements:

- A product or package shall not be marketed as recyclable unless it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item.
- When recycling facilities are available to a substantial majority (i.e., 60 percent) of consumers or communities where the item is sold, the registrant may consider the product (or product component) recyclable without a qualification.
- When recycling facilities are available to less than a substantial majority of customers or communities where the product is sold, the registrant shall only consider the product (or product components) recyclable if it makes the appropriate qualification to its customers.

- For items that are partially made of recyclable components, the registrant shall only consider those components recyclable if (a) it clearly and prominently qualifies the recyclable claim to avoid deception about which portions are recyclable, and (b) no components significantly limit the ability to disassemble and recycle the product or components of the product (e.g., the size, shape, or assembly method).

CN0603-06. Percentage of raw materials from recycled content

- .23 The registrant shall disclose the percentage of raw materials consumed, by weight (in metric tons), that are derived from recycled content.
- .24 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 (also referred to as “post-industrial 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 is generated in a process and is capable of being reclaimed within the same process that generated it.
 - 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.
- .25 The percentage shall be calculated as the total weight (in metric tons) of raw materials from recycled content divided by the total weight, in metric tons, of all raw materials for products, where:
- The scope of raw materials in the denominator of the percentage calculation includes all inputs that are processed to be sold as a finished good, including recycled raw materials and virgin raw materials.
 - The weight of raw materials should be calculated as the amount of materials in inventory at the beginning of the reporting period, plus any purchase of materials made during the reporting period, less any materials in raw materials inventory on hand at the end of the reporting period.

.26 For products or product materials that contain both recycled and virgin parts, the registrant shall classify the portion of the material as recycled, based on a calculation (or estimate, where appropriate) of the weight of each portion.

CN0603-07. Weight of end-of-life material recovered, percentage of recovered materials that are recycled

.27 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 expressed purpose of reuse, recycling, or refurbishment.
- The scope of disclosure excludes products and parts that are in-warranty and have been collected for repairs.

.28 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.

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Wood Sourcing Risks

Description

Wood sourcing risks encompass the risks inherent in the harvesting and sourcing of timber materials used in the Building Products & Furnishings industry. The industry utilizes large amounts of wood for various product lines. The harvesting and sourcing of these materials can involve poor practices, such as illegal logging, which destroys animal habitats and contributes to deforestation and may be in violation of international law. Wood is a key material for manufacturers of hardwood flooring, furniture, and home improvement products. Companies in the industry source wood from all over the world, including areas that are susceptible to illegal logging practices. This presents potential regulatory and reputational risks for the industry. Meanwhile, new certifications for responsible sourcing present incentives for the industry to comply with regulation and appeal to customer demand.

Accounting Metrics

CN0603-08. Total wood fiber purchased, percentage from third-party certified sources

.29 The registrant shall disclose the total weight, in metric tons, of wood-fiber-based raw materials purchased during the fiscal year.

- The scope of 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.

.30 The percentage shall be calculated as the total weight (in metric tons) of its wood-fiber-based raw materials that are certified to a responsible sourcing standard divided by the total weight (in metric tons) of wood-fiber-based raw materials, where responsible sourcing certifications include those promulgated by the following organizations (or the equivalent):

- Forest Stewardship Council (FSC) (i.e., FSC 100% label and FSC Mixed Sources and FSC Recycled labels);
- Sustainable Forest Initiative (SFI) (i.e., SFI Chain of Custody and SFI Certified Sourcing labels);
- Programme for the Endorsement of Forest Certification (PEFC) (i.e., PEFC Certified and PEFC Recycled labels); and
- American Tree Farm System (ATFS).

.31 The registrant may disclose separately the percent of fiber that is certified to each relevant responsible sourcing standard (e.g., FSC, SFI, PEFC, and ATFS) and relevant standards (e.g., FSC 100% label, FSC Mixed Sources and FSC Recycled labels, SFI Chain of Custody and SFI Certified Sourcing labels, and PEFC Certified and PEFC Recycled labels).

.32 For products that are certified to multiple schemes, the registrant shall not account for the product's weight more than once.

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