



Summary of Consultation with Key Stakeholders

Consumer Goods Sector

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

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Introduction

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

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

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

SASB Consultation Period Overview

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

Codification Timeline

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

Objective & Approach

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

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

Recruiting

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

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

Consultation Classification

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

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

Apparel, Accessories & Footwear Industry

Feedback was received from 12 stakeholders during consultation for the Apparel, Accessories & Footwear industry, as shown in the table below categorized by stakeholder type. Overall, most stakeholder participants reacted positively to the standards and presented congruent recommendations regarding topics, metrics, and technical protocols. However, participants were not unanimous in their feedback, and presented contradictory viewpoints, as discussed below.

Consultation Feedback Received for the Apparel, Accessories & Footwear Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	8	2	n/a	10
# of Briefings Held	n/a	4	1	n/a	5
# of Feedback	7	3	1	1	12

Many stakeholders encouraged the SASB to align its standards with other widely accepted industry standards such as the Higg Index, guidelines created by the Zero Discharge of Hazardous Chemicals Programme, and standards established by the International Labour Organization. Inclusion of these standards was viewed as a way to improve cost-effectiveness and reduce the duplicative reporting efforts that issuers often encounter.

Feedback was provided by stakeholders on the specific topics below.

- Raw Material Sourcing & Innovation** – The SASB consulted with stakeholders on the appropriateness of the quantitative metric associated with the topic focused on the top five raw materials used. Both investors and issuers generally supported a revision to a qualitative discussion of environmental and social risks associated with sourcing critical raw materials. This view was generally based on challenges associated with the provisional, quantitative metric such as varying units of measurement, continuous changes in demand for raw materials based on consumer preference, and costs associated with developing systems to capture data. One issuer expressed concern that a shift to a qualitative metric may favor “storytelling” over performance. The other central piece of feedback, largely from investors, was the need for disclosure on regional risk and more discussion on how companies are increasing supply chain transparency. However, both investors and issuers noted that such disclosure could arm industry peers with competitive information.
- Labor Conditions in the Supply Chain** – Investors and issuers raised concern regarding the various approaches to audit methodology, codes of ethics, and definitions of “Tier 1 and 2” suppliers. Several issuers emphasized the importance of non-conformances as a proxy for transparency and supplier willingness to engage in corrective action with their supply chain. Therefore, stakeholders generally supported further standardization of the necessary additional context on supply-chain auditing and supplier non-conformance.

Appliance Manufacturers Industry

Feedback was received from an issuer and an industry association during consultation for the Appliance Manufacturing industry.

Consultation Feedback Received for the Appliance Manufacturers Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	6	1	n/a	7
# of Briefings Held	n/a	1	1	n/a	2
# of Feedback	0	1	1	n/a	2

The industry association communicated concerns with the standards development process used by the SASB. The concerns centered on a view that stakeholder input, with respect to the Appliance Manufacturers Industry Provisional Standard, has failed to be sufficiently robust. The industry association recommended that the SASB use an American National Standards Institute (ANSI) driven process, reconvene an industry working group, and seek greater input from issuers and industry associations.

Furthermore, the industry association, as well as the issuer, provided feedback on the specific topics below.

- Product Safety** – Both stakeholders expressed significant concerns with the concept of product recalls serving as a proxy for product safety. Instead, stakeholders noted that product recalls often indicate a robust post-market safety compliance program. Stakeholders providing feedback also emphasized the safety risks to the end user and recommended including company disclosure on measures taken to improve consumer knowledge on product use.

The SASB sought feedback on adding a qualitative metric for the registrant to discuss internal processes it has in place to ensure product safety. The industry association expressed concerns regarding the likelihood that such a metric would generate material, decision-useful, and cost-effective information. The industry association recommended an alternative metric discussing the development and implementation of a company-wide safety policy and program, including details such as regular product safety reviews, safety training programs, and compliance with a third-party safety standard.

- Product Lifecycle Environmental Impacts** – The industry association suggested an alternative set of primarily qualitative metrics detailing recycling programs, climate policies and programs, ENERGY STAR® participation, and certification to the Association of Home Appliance Manufacturers (AHAM) Sustainability Standards.

Household & Personal Products Industry

Consultation feedback was received from six stakeholders on the Household & Personal Products provisional industry standard, as shown in the table below categorized by stakeholder type. Feedback from different stakeholder groups was generally in alignment and supportive of the topics and metrics in the provisional standard, while citing specific concerns, which are discussed below.

Consultation Feedback Received for the Household & Personal Products Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	7	3	n/a	10
# of Briefings Held	n/a	3	2	n/a	5
# of Feedback	2	3	1	0	6

Common themes emerged in consultations with stakeholders, most of whom underscored the cost and challenges associated with gathering and analyzing data across complex supply chains spanning multiple countries with varying levels of regulation.

Several multinational issuers noted that aligning social and environmental reporting alongside financial reporting can be challenging and expensive to implement. Further, they commented that collecting data can become more complex when a firm is attempting to gather data from third parties who operate on various business cycles and maintain different processes for managing information. Feedback was provided by stakeholders on the specific topics below.

- Packaging Lifecycle Management** – Investors highlighted the significant financial impact of reducing packaging and supported the metric’s inclusion in the standard. However, several issuers noted that a significant amount of time would be needed to gather the necessary data and complete calculations to report the metrics associated with this topic.
- Product Environmental, Health, and Safety Performance** – Issuers provided feedback that many of the metrics associated with this topic are commonly used; however, the product-specific metrics are less common and thus would be costly to report. One investor raised concern with a metric’s reference to the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) substances—an industry standard they were not familiar with. One issuer disagreed with the standard’s approach to evaluate products based on individual chemical ingredients and instead recommended analyzing the environmental impacts of finished goods.
- Environmental & Social Impacts of Palm Oil Supply Chain** – All stakeholders supported the inclusion of disclosure information on palm oil and highlighted the role that poor governmental regulation often plays in sourcing this ingredient. Many of the consulted stakeholders have

already established initiatives to track some of the metrics contained in the standard. One stakeholder expressed concern regarding the standard's lack of focus on social issues, such as human rights in the supply chain.

Building Products & Furnishings Industry

Feedback was received from four stakeholders during consultation for the Building Products & Furnishings industry, as shown in the table below categorized by stakeholder type. Overall, stakeholders provided consistent views on the likelihood of the topics in the provisional standard generating material information. However, contrasting views were expressed on specific metrics, as discussed below. Feedback from stakeholders was generally supportive of the provisional standards.

Consultation Feedback Received for the Building Products & Furnishings Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	4	1	n/a	5
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	1	2	1	0	4

Feedback was provided by stakeholders on the specific topics below. One overarching recommendation that emerged throughout consultation was to harmonize the standards with other widely used industry standards. However, the industry association strongly discouraged any reference in the SASB industry standard to “state regulations and private, non-consensus standards” due to concerns around consensus and due process. The industry association also provided detailed comments on the technical protocols associated with various metrics, often designed to improve the accuracy and/or increase the flexibility for issuers in implementing the standard.

- Energy Management in Manufacturing** – Issuers providing feedback stated that they currently track many of these metrics and shared that it is unlikely that public disclosure would be burdensome. An issuer highlighted the wide-ranging scope of companies in this industry (e.g., not all own their manufacturing facilities) and stressed the importance of identifying meaningful metrics that can be comparable across companies. The industry association expressed concern with the metric’s focus on total energy consumed, and instead recommended the metric ask for total purchased energy on a net basis. The association commented that disclosure on purchased energy would allow investors to assess the risk of exposure to increased energy costs, which may impact profitability.
- Management of Chemicals in Products** – Issuers encouraged the SASB to more clearly define language in the technical protocols, such as “certain levels” and “chemicals.” Additionally, one issuer expressed concern that the metrics associated with this topic run the risk of investor misuse and/or misinterpretation given their technical complexity. The industry association recommended a revision to the technical protocol to clarify which chemicals should be included in disclosure by including a threshold (e.g., “trace levels below .1% (w/w) for non-carcinogens should be considered exempt when performing risk assessments”). The industry

association suggested that clearer language would be more consistent with a similar provisional metric (CN0602-05) in the Household & Personal Products standard and reduce reporting fatigue among issuers. The industry association also provided feedback on the provisional standard's use of Clean Production Action Healthy Building Network Red List of Lists, commenting that lists should have a scientific component that provides the specific reasoning for listing—components the industry association views as lacking under the current Red List of Lists. Further, the industry association recommended including the National Research Council's Red Book and/or the EPA Risk Assessment Guidelines to provide issuers with more relevant and complete assessments and guidance.

- **Product Lifecycle Environmental Impacts** – Issuers noted that some companies work with third parties to repurpose materials, making it easier to collect data on recycled products. However, determining how much their customers are recycling would be significantly more difficult and less cost-effective. On the topic of waste, one issuer commented they have identified water and eco-efficiency as additional material factors.
- **Greenhouse Gas Reduction Programs** – An investor provided feedback, noting that when assessing companies, they evaluate GHG emissions reduction efforts in addition to the four disclosure topics contained in the provisional standard. Specifically, they are focused on manufacturers that decrease emissions.
- **Workplace Safety** – An investor provided feedback, stating that when assessing companies, they evaluate workplace safety in addition to the four disclosure topics contained in the provisional standard. Specifically, they are focused on manufacturers that decrease workplace fatalities.

Toys & Sporting Goods Industry

One investor provided feedback on the Toys & Sporting Goods provisional industry standard. The investor stated that the number of recalls is the key metric used to assess product safety because it has a direct link to financial performance. In addition, they evaluate the costs associated with remedying product recalls and corrective action plans. The investor also shared that quantitative metrics are preferred because they can be integrated into investment models. Finally, while the investor noted that they monitor chemicals in products, this information does not influence investment decisions.

Consultation Feedback Received for the Toys & Sporting Goods Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	2	1	n/a	3
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	1	0	0	0	1

Multiline and Specialty Retailers & Distributors Industry

Feedback was received from eight stakeholders during consultation for the Multiline and Specialty Retailers & Distributors industry, as shown in the table below categorized by stakeholder type.

Consultation Feedback Received for the Multiline and Specialty Retailers & Distributors Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	12	1	n/a	13
# of Briefings Held	n/a	8	0	n/a	8
# of Feedback	4	4	0	0	8

Feedback was provided by stakeholders on the specific topics below.

- Energy Management in Retail & Distribution** – Issuers already reporting to the Carbon Disclosure Project highlighted the alignment between CDP disclosures and the metrics associated with the topic, indicating the cost-effectiveness of the standard. Several stakeholders strongly emphasized the importance of incorporating individual context (e.g., some retailers do not own their buildings) to improve comparability among companies. Additionally, an issuer expressed concern with the metric focused on renewable-energy consumption, where the current technical protocol does not encompass all possible renewable-energy purchasing scenarios.
- Data Security** – Investors and issuers voiced differing opinions on the Data Security disclosure topic. One investor pointed out that investors already analyze company data breaches and are becoming increasingly interested in how companies are managing data security as retailers implement more loyalty and reward programs and acquire more customer information. However, issuers were strongly opposed to sharing this information, expressing concern that disclosing such information on data security could (1) arm hackers with information that would make it easier for them to hack systems, and/or (2) make them a target for hackers.
- Workforce Diversity & Inclusion** – Investors provided a wide variety of feedback on this disclosure topic. One investor questioned the financial materiality of the information generated from the metric associated with the disclosure topic, suggesting that the dollar amount spent on employment discrimination settlements is immaterial. Rather, this investor focused on employee turnover which they see as having a larger impact on financial performance. Finally, one investor raised the issue that the global nature of retailers and distributors makes collecting comparable workforce diversity data challenging. The investor instead recommended

measuring workforce diversity by disclosing racial/ethnic group representation at the store level and the corporate level.

- **Fair Labor Practices** – Investors and issuers provided feedback on several metrics within the Fair Labor Practices topic. First, investors and issuers differed in opinion on the decision-usefulness of the employee-turnover-rate metric (CN0301-07). Investors agreed with the importance of turnover rates and pointed to the significant costs associated with turnover. Issuers noted, however, that the seasonality that naturally occurs in the retail industry leads to higher rates of turnover and, as a result, turnover may not be the best metric to measure labor practices. Additionally, issuers voiced concerns that disclosing turnover information could compromise competitive information and lead to competitors poaching employees. They recommended a qualitative description of labor investments as an alternative option.
- On the topic of minimum wage, investors echoed the importance of disclosure, particularly given the national conversation on minimum wage. However, several issuers noted that wages are only one aspect of the benefits they provide to employees and that the SASB should consider broadening the metric to encompass other employee benefits offered, such as professional development and career planning.
- Investors also highlighted labor conditions across the supply chain (e.g., garment factories) as important information that should be considered for the standard.
- **Product Sourcing, Packaging, and Marketing** – Issuers expressed concern about calculating metrics in the Product Sourcing, Packaging, and Marketing topic because of current limitations of retailer data collection systems. Investors noted that packaging would drive investment decisions if initiatives result in cost-savings. Investors were also interested in disclosure of the country or region of origin for raw materials.

E-Commerce Industry

Feedback was received from four stakeholders during consultation on the E-Commerce industry provisional standard, as shown in the table below categorized by stakeholder type.

Consultation Feedback Received for the E-Commerce Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	3	0	n/a	3
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	2	2	0	0	4

Overall, issuers expressed hesitation on multiple disclosure topics and favored qualitative metrics. Investors stressed a need for quantitative metrics. Feedback was provided by stakeholders on the specific topics below.

- Energy & Water Footprint of Hardware Infrastructure** – The SASB sought feedback on removing the Green Grid’s performance indicator from the disclosure topic’s technical protocol. One issuer recommended evaluating other third-party methodologies for calculating power usage efficiency, but did not specify an alternative.
- Data Security** – Both investors and issuers cited this disclosure topic as likely to generate material information; however, issuers commented that they would be hesitant to report many of the metrics in the standards. Issuers viewed these metrics as confidential and business-critical information, and disclosing this information could potentially make them more vulnerable to system breaches. Alternatively, they recommended qualitative metrics to discuss the risks related to this topic and how companies are addressing those risks.
- Employee Recruitment, Inclusion, and Performance** – Investors highlighted their use of employee turnover in investment analysis, but expressed concerns on the comparability of the metric on engagement. One issuer was concerned that the metrics associated with the topic were focused too narrowly on data center operations and supported an approach that included more disclosure on fulfillment centers. The issuer also commented that the topic did not incorporate the seasonality of retail, which further varies by region. Seasonality impacts the number of employees hired and heavily impacts turnover rates. Investors supported the inclusion of H-1B visa disclosure, especially with the possibility of increased regulations on immigration.
- Logistics & Packaging Efficiency** – One issuer expressed a view that this topic generates the most significant financial impacts among all the topics within the standard. As a result, the issuer recommended the addition of metrics designed to better capture performance on the topic.