



## AMERICAN WOOD COUNCIL

January 31, 2018

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

### **RE: AWC Comments on Consumer Goods Sector/Building Products and Furnishings Exposure Draft Redline for Public Comment**

To Whom It May Concern:

The American Wood Council (AWC) is pleased to provide comments on the Consumer Goods Sector/Building Products and Furnishings Exposure Draft Redline for Public Comment (the "Standard").

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

### **GENERAL COMMENTS**

#### **AWC Perspective on SASB Standards**

AWC has been involved with the development of SASB standards from the beginning of SASB's process. We have commented on standards that may affect our members during each public comment opportunity. In addition, we have met with SASB staff and have had productive discussions with them.

We recognize that SASB has improved the transparency of its process over the years. For example, for this comment opportunity, SASB provided 90 days for comment and extended the deadline, it included a Basis for Conclusions document, and provided a redline version for review. In the previous round of comments, SASB also provided commenters with a Response to Comment document tailored to their specific comments.

We also recognize that some of our earlier comments have been incorporated into subsequent draft standards. However, we have made a number of the comments below several times and they have not yet been adopted, and we urge SASB to give them serious consideration. In any event, AWC's comments should not be construed as endorsing any of the SASB standards, including the Building Products & Furnishings Standard. We also caution SASB that our

comments below on the specific proposed metrics do not represent a consensus position of all AWC members.

### **Voluntary Standards**

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

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

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

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

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

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

## **Assurance**

We appreciate that SASB has not included the section on assurance in the Building Products and Furnishings standard that was in previously released standards. However, in the section on "Guidance on Accounting for Sustainability Topics," SASB indicates that "it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings." While AWC members have systems in place to ensure high quality data are publicly reported, we do not believe that some of the metrics in the Standard lend themselves to the same level of assurance as is provided in financial reporting. Metrics that are reported to government agencies are not a concern because they typically have their own assurance requirements. The methodologies for reporting other metrics, however, may allow for more flexibility in the calculation of the metric, and thus, there may be greater variation in reported information than one might typically encounter in financial documents. Further, the RPC Document implicitly acknowledges that sustainability data are not yet of the same quality as financial data, although SASB believes that sustainability data will achieve that level of quality over time. In the meantime, however, companies could face legal risk if they use the SASB standards for reporting, and sustainability data are held to the same quality requirements as financial data.

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

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

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

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

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

Adherence to ANSI *Essential Requirements* provides stakeholders with assurances that needed procedural safeguards are present. This is especially important, if, as is the case here, there is the potential for a government agency--the Securities and Exchange Commission (SEC)--to mandate the use of a standard (although, as discussed above, we strongly believe the standard should be voluntary). Government standards typically are developed through a notice and

comment process and are subject to numerous due process protections for stakeholders, including in many cases, judicial review. Private standards adopted for government use should be developed with the same level of due process protection.

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

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

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

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

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

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

Our understanding is that SASB expects sustainability reporting to include global data, not information specific to the U.S. alone. However, the standards and laws referenced for

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

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

development of the metrics are often nation-specific rather than internationally-recognized standards. Use of the SASB metrics by a global company will require significant duplicative reporting by country. SASB should permit companies to report data using applicable nation-specific definitions and reporting requirements, as long as the bases for the definitions and requirements are also reported.

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

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

### **SPECIFIC COMMENTS**

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

#### **Energy Management in Manufacturing (CG0203-01)** *Total energy consumed; percent grid electricity; percent renewable energy*

1. As discussed above, the Standard should not reference the privately-developed Green-e standard. Similarly, for the same reasons, the Low Impact Hydropower Institute standard should not be referenced—Federal Energy Regulatory Commission (FERC) licensing should be sufficient. Many companies already report (voluntarily or as required by governments) their renewable energy usage and do not use those standards in reporting. This could lead to confusion among stakeholders as to the discrepancies between the reports.
2. Purchased electricity should be on a net basis, as this is consistent with most reporting protocols, and appropriately recognizes facilities that self-generate energy. We recommend SASB use the net energy language from the Pulp & Paper Products Energy Management portion which states “the registrant may choose to disclose the amount of energy that it generates in excess of what it consumes and is net metered through an electric utility”. This more accurately illustrates the risk faced by industry and would ensure consistency between the different SASB standards.
3. As a drafting suggestion in (.06), we recommend that SASB change “and” to “or” in the sentence listing the scope of renewable energy for biomass certifications to make clear that there are three independent options for biomass renewable energy, and that biomass materials are not required to meet all of the three options to qualify as renewable.

#### **Management of Chemicals in Products (CNG0603-02)** *Description of processes to assess and manage risks and/or hazardous associated with chemicals in products*

Note .08 asks for the disclosure of chemicals “at certain levels” which is very unclear. We recommend using the Material Safety Data Sheets to provide guidance. These require companies to list all chemicals but not specific amounts so long as they are above *de minimus* levels. This should be sufficient to allay any concerns investors may have about the health and environmental impact of chemicals used in products.

Note (.09) states that hazard-based approach includes effective dose information, however, traditionally this is not the case. It is also doubtful that a consumer would understand dose information. For example, the LD50, a standard method for attaining acute dose is inverse, meaning that a low LD50 is in fact more potent than a high LD50. In addition, it would not be valid to compare the dose of a chronic endpoint with an acute endpoint. If dose were to be used there needs to be clear guidance in what and how to present the information.

Note (.12) should not require the reduction/elimination/substitution of a chemical when used at *de minimis* levels. This process should only be required if the chemicals used exhibit unreasonable risk. Additionally, it calls for companies to disclose “product formulation and design” this could infringe upon confidential business information and require the disclosure of proprietary information to competitors, such as new chemical formulations created by the company. See recommendations for note .08 to address this issue. The examples of assessment tools and methods provided is unnecessary and these should only be used if relevant and needed.

Note (.15) references chemicals with “incomplete and/or insufficient availability of toxicity information”. This is highly subjective and does not state who makes the final determination. This should be a decision made by the manufacturer, if there is a data gap. The specific mention of the Clean Production Action Healthy Building Network Red List of Lists is unnecessary. We recommend SASB simply mention chemical lists developed by authoritative bodies. Additionally, if a risk assessment is conducted and a chemical is below a risk threshold for a specific use then additional scrutiny should not be necessary.

Note (.16) SASAB should add the phrase “which have an unreasonable risk for the use calculated”. Registrants should not simply substitute any chemical simply based on their hazard profile, this would lessen the ability to compete in the marketplace without justification.

Note (.17) We recommend SASB replace the word “should” with “can choose to”. We do not believe this should be a requirement.

**Management of Chemicals in Products (CG0203-03)** *Percentage of applicable products meeting volatile organic compound (VOC) emissions and content standards*

Note (.18): To the extent that SASB would like to include reporting regarding percentage of products meeting a VOC standard, SASB could cite to include reference to *ANSI/NSF 440 - Health-based Emissions*, when it becomes available.

If SASB chooses to list out certification programs, we recommend SASB include the “Other Pollutants” criteria from Green Globes (<http://greenglobe.com/standard/>).

Additionally, there is no reason to require or provide credit for low emitting material if the higher emitting material poses no risk.

**Product Lifecycle Environmental Impacts (CG0203-04)** *Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products*

As a general matter, we do not agree with the virtual exclusion of renewable resources and products made from renewable resources in the entire “Product Lifecycle Environmental Impacts” Disclosure Topic. We agree that recyclable resources and products, and reusable products are important attributes of the “industry’s sustainability commitments,” as discussed in the “Description” and the metrics. It should go without saying, however, that renewable resources and products made from renewable resources are widely recognized and equally important as well. While “renewable materials” is mentioned once in Note (.20), the Topic is dominated by a focus on recycled materials and content. Accordingly, we believe the Topic and its metrics need significant revision and should treat renewable resources and products equally with recyclable material and recycled and reused products.

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

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

AWC appreciates that SASB has recognized in Note (.23) the utility that Life Cycle Assessments (LCAs) and Environmental Product Declarations (EPDs) provide in describing the environmental efficiency of a product. AWC has already completed a number of EPDs for wood products that would be subject to the Standard such as particleboard (see AWC’s web site for a complete list of EPDs - <http://www.awc.org/greenbuilding/epd.php>).

**Weight of end-of-life material recovered, percentage of recovered materials that are recycled (CG0203-05)**

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

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

**Wood Sourcing (CG0203-06)** *Total wood fiber purchased, (1) percentage from third-party forestlands, by standard, and (2) percentage meeting other fiber sourcing standards, by standard*

The registrant shall disclose the percentage of its wood fiber ... (.30, .33,.34,.36):

As discussed above, the SASB standards should not be referencing private standards, as it is not up to SASB to determine which standards demonstrate responsible forest management practices. Nonetheless, since SASB is including forest management certification standards, it should include all of the credible forest management certification standards, including that of the American Tree Farm System, as SASB has done in the Containers and Packaging Standard currently out for comment.

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AWC appreciates the opportunity to comment on the Standard. Please contact Jerry Schwartz at (202-463-2581 or [Jerry\\_Schwartz@afandpa.org](mailto:Jerry_Schwartz@afandpa.org)) or Sundara Bhandaram (202-463-2479 or [Sundara\\_Bhandaram@afandpa.org](mailto:Sundara_Bhandaram@afandpa.org)) if you have any questions on our comments.

Sincerely yours,



Jerry Schwartz  
Senior Director  
Energy and Environmental Policy