



January 30, 2017

Sustainability Accounting Standards Board®
1045 Sansome Street
Suite 450
San Francisco, CA 94111

Dear Sustainability Accounting Standards Board,

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) *Proposed Changes to Provisional Standard*, exposure draft for the chemicals in the Resource Transformation Sector. Over the course of the SASB standard development process, ACC has provided detailed comments on specific metrics, in addition to comments concerning procedural issues or thematic implications in the standards construction. ACC's participation and engagement with SASB during standards development is not an endorsement, implicit, or otherwise, of SASB standards or the process outlined in the governance documents regarding stakeholder representation for standards development. In that regard, we incorporate by reference ACC's previous comments submitted to SASB through our engagement.

ACC values a strong working relationship with SASB and appreciates the efforts that have been made by staff to inform ACC and its members throughout the draft standard development process and to incorporate parts of our previous comments and recommendations for improvement.

General feedback regarding SASB's standards and the development process is as follows:

1. ACC recommends a formal, documented, robust process for maintenance of SASB standards post codification, which specifically describes SASB's procedures for receiving and soliciting stakeholder input for proposed updates.
2. ACC recommends modification throughout SASB's standard to alter all disclosure compliance verbs from "shall" to "may". This change will allow ultimate flexibility with the registrant for determining materiality of what to disclose, and protect from potential misinterpretations of SASB's disclosure language to mean otherwise, as well as the interpretation that SASB holds its own metrics of differential value based on the verb it has chosen to use for each. This is particularly important in cases where other disclosure frameworks or tools incorporate SASB metrics, where the "shall" language is likely to imply mandatory disclosure for a particular metric.
3. ACC requests that SASB formally acknowledge ACC and its members' expressed desire that participation in the standards development process is not characterized as promotion or support of the standards.

Our feedback on the *Proposed Changes to Provisional Standards: Exposure Drafts* is as follows below, in order of priority for improvement and related level of concern. ACC has provided "level of concern" indicators for comments on individual metrics to convey their level of interest and concern to our membership. We include these classifications to acknowledge concerns over insufficient response to industry comments on these core metrics and the fundamental approach to chemicals management they employ.

1. **Very high concern/highest priority RT0101-10: Percentage of products that contain Registration, Evaluation, Authorization, and Restriction of Chemical (REACH) substances of very high concern (SVHC) and RT0101-11: Percentage of products that contain Class I World Health Organization (WHO) ACUTE Toxicity Hazard Categories**

ACC recommends removal of these draft metrics

ACC has concerns over the technical workability and exclusion of proper scientific assessment within this draft metric. From a technical standpoint, for example, there are mismatches between the endpoints of focus in the two referenced lists and no reference criteria for PBTs/CMRs. Furthermore, there is no ability to apply the definition to mixtures, which become more prevalent the further one travels along the chemicals supply chain. ACC believes this draft metric is a misuse of the referenced regulatory lists and advises SASB leverage approaches to this impact area in other industry and SASB standards. In addition, the proposed metric proposal assumes that products reported here are relevant to investors as they are inherently disadvantaged in the marketplace. In fact, there are times when the reverse is true. Markets can be opened by products that contain REACH SVHC or WHO class I substances when sustainability challenges are addressed through use of these products when demonstrated as safe for their intended use. Taking this farther, at times, products containing REACH SVHC are authorized under REACH when others are not, opening up significant business opportunities to the companies that have authorized uses for these products.

- To improve the technical accuracy of the proposed metric and address the underlying issue more holistically, ACC recommends SASB utilize activity metric *RT0101-12: Discussion of strategy (a) to manage chemicals of concern and (b) develop alternatives with reduced human and/or environmental impact* with modifications that provide guidance which more adequately communicates the opportunities and risks associated with chemical company product portfolios. We have also provided additional comments to this metrics (see below) which we believe would make it a more robust and comparable metric for reporting on human health impacts of chemicals.

2. **Very high concern/highest priority RT0101-12: Discussion of strategy to (a) manage chemicals of concern and (b) develop alternatives with reduced human and/or environmental impact**

ACC recommends modification of the draft metric to “Discussion of strategy to assess, manage and continuously improve impact of chemicals on human health and the environment”

ACC is supportive of a qualitative approach to discuss strategy for proper and effective chemicals management. However, despite the inclusion of RT0101-12 as a qualitative option for reporting, the supporting guidance language still maintains the faulty assumption that identifying chemicals from regulatory lists based on hazard characteristics are material indicators of registrant risk. ACC believes that the intent of RT0101-12 should be to communicate the overall management approach to chemicals and human health, allowing for differentiation in the sophistication of processes in place to implement supporting policies. This approach will be significantly more effective than attempting to determine, whether directly or indirectly, the hazard profile of chemicals within a specific registrant’s portfolio. There are numerous contextual factors that may characterize the risk of a particular chemical throughout its lifecycle, and the most relevant method for determining a registrant’s long-term value or risk, is the processes employed to continuously improve the overall management of the chemicals produced and processes used to determine and minimize effects on human health. The current supporting guidance language fails

to adequately promote a holistic approach to chemicals management and should be modified in the following ways identified below:

Specifically, SASB should include in its guidance document information to substantiate a more holistic view of the systems used by the registrant to manage chemicals, including:

- Accountability for these issues within the registrant organization
- Processes for gathering the relevant product safety and environmental impact data
- Systems to prioritize chemicals for further evaluation and improvement
- Processes used for characterizing chemical risks
- Management controls for chemicals requiring special handling, applications and other means to reduce risks
- Systems for assuring that chemical product design and improvement include sustainability metrics
- Communication processes used to share chemical information along the registrant's supply chain

Attempting to identify material risk through disclosure of a registrant's chemicals portfolio provides no context to assess a) the controls in place for the use phase of chemical compound, the sustainability impacts of the chemical, or the available/viable alternatives, and b) a registrant's ability to continuously assess and innovate its chemicals portfolio, with focus on enhancing sustainability impacts cooperatively with their downstream customers and value chain partners. Undue emphasis on the molecules themselves, either as a metric or in disclosure language, will effectively mislead investors. The best available qualifier of material risks and opportunities is a registrant's ability or inability to innovate.

- SASB should remove disclosure guidance .53, .54, .55, and .58. On the basis discussed above, the guidance described in these bullets implies an approach that does not adequately consider processes for holistic chemicals management that are material for assessing the long-term value or risk of a registrant.
- SASB should combine disclosure guidance .49, .51, .52, .56, and .57 into .50. The considerations of each of these disclosure points are elements of robust chemical management policies and should be combined to provide a holistic indication of a registrant's ability to manage and improve their operations through assessment of, and processes to manage hazard and risk traits of the chemicals they manufacture. The *Responsible Care® Product Safety Code* among other considerations can additionally offer examples of disclosures that may be used to provide additional context, and may include reference to the *12 Principles of Green Chemistry*, rather than having it as a standalone bullet.

3. High Concern/second priority RT0101-01: Gross global Scope 1 emissions, percentage covered under a regulatory program

ACC recommends modification of the draft metric

There are several existing protocols that the chemical industry, and Responsible Care® companies in particular, use to report carbon emissions. The proposed metric should be further aligned with these protocols, and adjusted for additional comparability and ease of reporting. Protocols with which the proposed metric should be further aligned include the ACC Responsible Care GHG emissions reporting guidance, and the Environmental Protection Agency's (EPA) Greenhouse Gas Reporting Program previously provided in ACC

comments. The second part of the proposed metric referencing regulatory coverage should be withdrawn.

- SASB should expand reporting to include Scope 2 emissions, consistent with EPA's GHGRP. SASB's inclusion of only Scope 1 emissions limits comparability between companies by failing to distinguish between a company who may purchase most of its energy and another who generates energy on site. Additionally, by including only Scope 1 emissions certain companies in this sector, such as compressed gas companies, would be divulging CBI. Inclusion of Scope 2 emissions would alleviate this issue, while allowing for greater comparability between reporting companies.
 - SASB should exclude emission data from mobile sources from this draft metric, as it is not included in the scope of Responsible Care or EPA's GHGRP (Subpart C). Currently, most ACC member companies are not required to track GHG emissions from mobile sources. In addition, these sources are generally minor in terms of scope given this industry's stationary operations. The inclusion of mobile sources in this reporting will add extraordinary financial burden with little to no actionable data produced.
 - SASB should include a definition for the facilities expected to be covered by this reporting. Currently, the draft metric references production facilities, offices and mobile sources, but does not address R&D centers, distribution centers, laboratories, etc. Clarity should be provided at a minimum, and ACC recommends establishing *deminimis* reporting levels to exclude very small operations and office buildings. ACC recommends the *deminimis* levels included in its Responsible Care reporting guidelines of 5,000 tons total equivalent net CO₂ emission per individual greenhouse gas, or the equivalent of a typical package boiler used in the manufacturing setting.
 - Requiring disclosure of percentage of Scope 1 emissions covered under a regulatory program is immaterial and ACC recommends its removal from this metric.
4. **High Concern/second priority RT0101-03: Air missions for the following pollutants: NO_x (excluding N₂O), SO_x, volatile organic compounds (VOCs), and Hazardous Air Pollutants (HAPs)**

ACC recommends modification of the draft metric

SASB should align with Responsible Care industry reporting standards that define reportable emissions as those tracked under regional operating permits, such as US EPA Title V permit reporting under the Clean Air Act. It should also allow for reporting of VOCs as defined by local authorities globally. ACC appreciates SASB's addition of Hazardous Air Pollutants (HAPs) to the draft metric in alignment with previous ACC comments.

- Many companies track SO_x, NO_x, HAPs and VOC emissions only under permit requirements within specific production units. The draft metric implies that all emissions must be calculated and reported. The installation of additional monitoring devices to provide information for emission calculations across all sources would require significant capital expenditures and in some cases, is technologically infeasible. Likewise, the labor burden associated with additional data collection and calculations to generate emission estimates across all sources is significant and not warranted. This investment would generate small scale data that is not decision-useful to investors. To make reporting manageable and financially viable, Responsible Care reporting guidelines for air emissions specify that companies report on substances consistent with their local permit requirements, such that no new

reporting is triggered. SASB should align this draft metric with these reporting requirements allowing companies to report for those operations required to track emissions under local permitting requirements to reduce additional financial burden brought on by this draft metric.

- ACC urges SASB to adopt the following language to clarify that SO_x and NO_x reporting be limited to emissions required to be tracked/reported under local permitting obligations: “Reporting of VOCs, NO_x and SO_x, and HAPs shall be limited to those sources within facilities that would otherwise be required to prepare and submit annual emissions inventory as per their respective permitting / regulatory requirements. Although state reporting requirements for emissions vary in terms of scope (e.g. some regions require SO_x reporting while others require only SO₂), reporting defers to the regional reporting requirement.”

5. **High Concern/second priority TA07-03-01: Total energy consumed, total self-generated energy, percentage grid electricity, percentage renewable**

ACC recommends modification of the draft metric

There are several existing protocols that the chemical industry, and Responsible Care[®] companies in particular, use to report energy consumption. ACC appreciates the inclusion of “self-generated energy” into TA07-03-01 in alignment with ACC’s previous comments, which succeeds in providing a better depiction of material factors regarding registrant energy use. However, the draft metric should be further aligned with Responsible Care[®] protocols and adjusted for additional comparability and ease of reporting. SASB should be further aligned to include the ACC Responsible Care energy consumption reporting guidance.

- As with the GHG emissions metric, ACC recommends establishing a *deminimis* value for reporting in line with industry standards of 100 billion Btu for total energy use, or the equivalent of a typical package boiler used in the manufacturing setting.
- SASB should exclude emission data from mobile sources from this draft metric. These sources are generally minor in terms of scope given this industry’s stationary operations. The inclusion of mobile sources in this reporting will add extraordinary financial burden to reporting with little to no actionable data produced.
- Inclusion of renewable energy sources may falsely depict a sense of “greenness” by failing to account for full lifecycle impacts. Lifecycle assessments have shown that manufacturing from renewable resources can be done in both environmentally advantaged and disadvantaged ways. This metric shows bias that renewables are superior without consideration of sustainability impacts. We also question whether a mainstream investor is interested in this data, and if so, would not the investor also be interested in any associated cost premium paid for the renewable energy. ACC notes that SASB should particularly exclude the use of renewable certificates, where the certificate – as opposed to actual renewable energy - is used as an offset.

6. **Medium Concern/third priority RT0101-07: (1) Total water withdrawn, percentage in regions with High or Extremely High Baseline Water Stress and (2) percentage recycled water usage**

ACC recommends modification of the draft metric

This draft metric requires companies to report both water withdrawn and water recycled rather than allowing for companies to report 'net water consumption' which ACC asserts is a better measure of performance. 'Net' water consumption is more environmentally relevant and consistent with ACC's Responsible Care Net Water Consumption metric, which allows companies to take credit for water returned to its original source. The first and second reporting terms should therefore be combined. The reporting term of percentage of water in high water stress regions may have the effect of establishing a single tool (WRI Aqueduct) and its underlying database as the standard for defining water stress, though no consensus on this point currently exists, and doing so may invalidate other useful third-party tools that companies currently use. Experience shows that the Aqueduct tool, like other global tools, is a useful risk tool for management but a potentially misleading performance metric for shareholders, as it may provide a far different result from actual site conditions obtained in a more granular local water analysis. Moreover, results can depend sensitively on boundary definitions, and may not be comparable across industries (different results may be obtained for different industry-specific weighting schemes). A reporting metric in this area will be burdensome for some organizations and does not take into account whether or not the organization is taking water from the stressed source.

- SASB should adopt a 'net water consumption' metric, to align fully with reporting required under Responsible Care.
- Reporting 'percentage in regions with High or Extremely High Baseline Water Stress' makes use of the World Resources Institute's Aqueduct tool, but the definitions of 'water stressed' are not standardized. In addition, the Aqueduct tool uses complex indicators which may not take into account that companies could be located in a high stress environment, yet draw water from a non-stressed location. ACC also notes that a number of smaller and medium-sized companies currently do not use the Aqueduct Tool and mandated use may place extraordinary financial burden on these companies. Therefore, ACC urges SASB to include in this metric, an allowance that companies be permitted to analyze water stress using the tool of their choice as an advanced reporting option.

7. **Medium Concern/third priority TA07-05-01: Number of incidents of non-compliance with water quality permits, standards, and regulations**

ACC recommends removal of the draft metric

Non-compliance in this area seems out of balance with other impact areas, as it is the only metric of its type in the SASB draft. As such, it is unclear why SASB chose to apply this type of metric only in the water area. As an indirect measure of performance, ACC believes it does not provide investors decision-useful information as the metric fails to capture the capability of current operations, but placing undue influence on historical data. A reasonable investor may view this metric in isolation and be misled in their overall evaluation or a registrant.

- SASB should withdraw this draft metric as it is an indirect measure, leading to information that will not be decision-useful to investors. Of particular concern is that since violations in one region could be compliance in another region, reported figures could be disproportionate based on geography making the data incomparable. Additionally, since there is no global compliance standard by which companies are held to account, comparisons company to company will be nearly impossible.

8. Medium Concern/third priority TA07-06-01: Amount of hazardous waste, percentage recycled

ACC recommends modification of the draft metric

In the US, there are strict regulatory requirements that in most cases do not allow the “recycling” of hazardous waste. Further, the SASB guide uses the terms “waste” and “material” interchangeably, which is technically inaccurate and impossible for would-be reporters to interpret. Therefore, the “percentage recycled” portion of the metric is irrelevant as written and should be re-cast as a separate measure, to include a more expansive look at hazardous materials recycling, which seems more consistent with the impact category identified by SASB.

- SASB should adjust thesecond metric of “Percent of materials recycled” which is more fully aligned with the impact area and allows more meaningful reporting to investors. While reporting of materials reuse and recycling may be important, this cannot be tied to hazardous waste, which in many cases, cannot be recycled according to US law. A good definition of “hazardous material” and “recycled” would be needed for reporters to be able to give appropriate data on this metric.
- SASB should remove language within the second sub-bullet under disclosure guidance .37, suggesting registrants report the regarding their “percentage of total hazardous waste” for their “five largest source jurisdictions of hazardous waste generation,” on the basis that the metric attempts to predict regulatory action. Such predictive metrics should be considered out of scope for SASB standards and only be included at such time when disclosure is commonly considered material.
- SASB should alter disclosure language to more adequately align with Global Reporting Initiative (GRI) Effluents and Waste 2016 Disclosure 306-2. The inclusion of additional disclosure guidance that exceeds what is proposed by GRI’s disclosure guidance undermines the alignment SASB is seeking within this metric.

9. Medium Concern/third priority RT0101-02: Description of long and short-term strategy or plan to manage Scope 1 emissions, emission-reduction targets and an analysis of performance against those targets.

ACC recommends modification of the draft metric

ACC has concerns over comparability of information submitted under this draft metric, as well as possible disclosure of CBI. Greater alignment with the Responsible Care management systems and reporting in assessing and managing risks as well as driving continuous performance improvements would leverage activities and reporting under an existing standard.

- Responsible Care requires participating companies to assess and managing environmental, health, safety and security risks. ACC suggests that this metric should be modified as “Description of systems to assess and manage risks and opportunities associated with carbon emissions.”
- Additionally, SASB’s metric should focus on emissions reduction over time and over the lifecycle of products rather than the analysis of performance against targets. Normalization in reporting to account for acquisitions and divestitures would be

particularly important in this area. ACC suggests that SASB modify this part of the metric to read “emissions reductions achieved over a rolling 5-year timeframe.”

10. Medium Concern/third priority TA07-09-01: Discussion of positions on the regulatory and political environment related to environmental and social factors and description of efforts to manage risks and opportunities presented

ACC recommends modification of the draft metric

ACC agrees with SASB’s assessment that the new disclosure topic provides a more comprehensive perspective of company preparedness for addressing regulatory policy development than what previously existed under the “Political Spending” disclosure topic. However, the current disclosure language still appears to imply that a majority of chemical company advocacy actions are designed to inhibit the regulatory environment and mitigate the risk of “harmful” operations. It is also important to note that this activity metric seems to only appear in selective industries where that assumption is commonly applied. Therefore, ACC recommends the language be broadened to prevent presumed connotations of any advocacy as negative actions, and to allow companies the flexibility in interpreting what may be relevant disclosure for their individual circumstances.

- SASB should modify the draft metric and supporting disclosure language should refer only to “Processes and mechanisms in place to respond to the regulatory and/or policy environment through advocacy that is consistent with the principles and interests of the organization.”

11. Medium Concern/third priority TA07-06-01: Discussion of approach to managing risks and opportunities associated with community rights and interests

ACC recommends modification of the draft metric

ACC supports the inclusion of community engagement and relations, however is concerned by the framing of the metric through its description, community “rights” and interests. Use of the term “rights” implies an infringement on the communities in which chemical operations are located and may obfuscate the numerous benefits that they can have on those localities. Additionally, considering that risks are identified within the draft metric as air emissions, water, waste, etc., it appears to be a redundant disclosure to other activity metrics in the standard that address these operational elements in greater detail.

ACC recommends that SASB maintain the disclosure topic as qualitative due to the abundance of variables that extend from the nature of company operations, comparability and relevant geographical context that makes it difficult to ascertain decision-useful information from quantitative disclosure on the disclosure topic.

- SASB should remove all reference to community “rights” to be replaced by “relations” which more adequately suggests the efforts and desired cooperation between companies and the localities in which they operate.
- SASB should remove all disclosure guidance and language referencing issues areas already by other draft metrics within the standard. Considering the level of disclosures for those specific metrics, their inclusion in TA07-06-01 is redundant.

ACC comments to draft SASB Chemicals Standard
December, XX, 2017

- SASB should expand disclosure guidance .43 to more adequately credit the efforts required under Responsible Care® and additionally acknowledge the efforts of chemical companies through Community Advisory Panels (CAP) that represent direct cooperation between local populations and chemical facilities.
- SASB should expand disclosure guidance to include great detail surrounding economic and labor benefits provided by chemical operations, including increased capital generation and labor opportunities. Inclusion of these considerations is necessary to depict a holistic perspective of the benefits that chemical operations can provide for a community.

Thank you for taking time to consider our concerns. We appreciate the efforts of SASB staff to inform and engage with ACC throughout this process. Please feel free to contact me at 202.249.6185 with any questions you may have.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Bryan Kuppe', is positioned above the typed name.

Bryan Kuppe
Manager, Responsible Care® and Value Chain Outreach
American Chemistry Council