



AmericanCoatings

ASSOCIATIONSM

December 31, 2017
Sustainability Accounting Standards Board
75 Broadway, Suite 202
San Francisco, CA 94111

RE: ACA Comments on Resource Transformation Sector / Chemicals Exposure Draft For Public Comment

To Whom It May Concern:

The American Coatings Association (ACA) is pleased to provide comments on the Sustainability Accounting Standards Board (SASB) Resource Transformation Sector for Chemicals Exposure Draft for Public Comment (the “Standard”). ACA urges SASB to amend the exposure draft standard to address issues of applicability, relevance, technical definitions, and the financial burden associated with the proposed reporting.

The American Coatings Association (ACA) represents the \$30 billion paint and coatings industry in the United States, operating in all 50 states, and employing almost 290,000 people engaged in the manufacture and distribution of its products at over 46,000 establishments. ACA is a voluntary, non-profit trade association working to advance the needs of the paint and coatings industry and the professionals who work in it. The organization represents paint and coatings manufacturers, raw materials suppliers, distributors, and technical professionals. ACA serves as an advocate and ally for members on legislative, regulatory and judicial issues, and provides forums for the advancement and promotion of the industry through educational and professional development services.

While ACA appreciates the stated aims and the work that has gone into the development of the standards we have significant concerns with the lack of transparency in the decision-making process, as well as a lack of outreach to affected industries, including the paint and coatings industry. ACA would like to take this opportunity to outline several concerns surrounding the development of SASB’s draft chemical standard and identify specific changes to improve the workability standard...

The Paints and Coatings industry has engaged with various stakeholders to establish a robust framework of voluntary reporting standards. ACA supports voluntary mechanisms to share sustainability information with interested parties. Due to the complexity of the sectors, ACA believes that if the SEC adopts sustainability standards, those standards must be developed through a transparent open stakeholder process that fully accounts for materiality, relevance, decision-usefulness and cost-effectiveness. ACA does not believe that SASB has followed that process and therefore we cannot support these standards for adoption by the SEC. Further, ACA believes that classifying raw material suppliers, manufacturers, and processors under the broad ‘Chemicals

Industry Standard' is inappropriate and demonstrates a fundamental lack of understanding about the paint and coatings industry.

Additionally, there are several metrics within the exposure draft standard that are unsubstantiated, implicate disclosure of Confidential Business Information(CBI), create incomparable data points, and/or leverage a significant cost burden on industry. ACA appreciates SASB's consideration of the specific concerns that follow.

Specific Comments:

1. Air Quality

a. RT0101-03. Air Emissions for the following pollutants: NO_x(excluding N₂O), SO_x . and volatile organic compounds (VOCs), and hazardous air pollutants (HAPs)

ACA continues to have concerns with the technical definitions provided by SASB regarding VOCs, especially given the varying definitions of VOC's regionally, nationally, and globally. ACA feels that regional definitions are not appropriate and that EPA or other national regulatory definitions should be used for the definition of VOC's. Around the country, various regional definitions do not exempt compounds that have been designated by the United States Environmental Protection Agency (EPA) to have negligible photochemical reactivity. ACA suggests striking the "regional" from "Where regional and national definitions supersede EPA". Companies that sell into different regions of the country could have different formulations based off the solvents that are exempted in that region. ACA appreciates the ability to use international definitions to allow for global reporting.

ACA recommends modifications to the draft metric to increase materiality and comparability of the reported data.

b. RT0101-04. Number of production facilities in or near areas of dense populations

ACA appreciates SASB's removal of this reporting requirement.

2. Water Management

Although water usage in paint manufacturing facilities is generally not a material issue for the industry, but we would like clarification that water used as a raw material in a product is not covered by this section. Water used in paint products allows manufacturers to lower the volatile organic compounds or VOCs in paint and should not be a metric that is counted as a part of the water management section.

3. Community Relations

“.39 The registrant shall describe its processes, procedures, and practices to manage risks and opportunities associated with community rights and interests in communities in areas where it conducts business, where such rights and interests may include but are not limited to:

- *The right to clean air emissions and water, safe management and disposal of waste, and mitigating issues related to facility process safety and transport incidents.”*

This section seems subjective and lacks specificity required for a standard that may be adopted by the SEC. We suggest it be removed.

4. Safety & Environmental Stewardship of Chemicals

a. RT0101-10. Percentage of products that contain Registration, Evaluation, Authorization and Restriction of Chemical (REACH) substances of very high concern (SVHC)

ACA is concerned with the workability and the exclusion of proper scientific assessment within this draft metric. The disclosure requiring that the registrant “shall include all products and materials, regardless of whether such materials are subject to regulation under REACH” is unworkable. ACA believes this draft metric stems from a fundamental misunderstanding of the referenced regulatory list. The metric is not relevant to investors and the assumption that these products would have a disadvantage in the marketplace is flawed.

ACA recommends modification of the draft metric to increase materiality and comparability of the reported data.

b. RT0101-12 Discussion of strategy to (a) manage chemicals of concern and (b) develop alternatives with reduced human health and/or environmental impact

“.49 The registrant shall (a) discuss its strategy and approach to managing the productions of materials, chemicals, and substances that may be of human health and/or environmental concerns to consumers, customers (e.g., retails and commercial buyers), regulators, and/or others (non-governmental organizations, scientific researches, etc.).

- *“Materials, chemicals, and substances” includes individual compounds, classes of chemicals, and categories of chemicals.”*

ACA believes this metric is misguided and does not provide pertinent information to investors. The burden of reporting materials, chemicals, and substances that may be of human health and/or environmental concerns to the groups listed would be an insurmountable task. The paints and coatings industry, as a downstream user, does not have the information required by this metric. This is further proof why it is inappropriate to classify paint and coatings as a part of the broader chemicals industry.

ACA suggests the removal of this metric.

“.53 The registrant shall discuss its production and use of chemicals listed under REACH SVHC, EPA Toxic Substances Control Act Section 5(B)(4), WHO Categories of I(a) extremely hazardous or I(b) highly hazardous, the United Nations (UN) List of Chemicals of International Concern, and Global Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and Category 2. “

ACA believes that this metric should remove “REACH SVHC” as that report is already disclosed under RT0101-10 and this information is duplicative. Additionally, ACA feels that SASB should modify the metric to only include GHS Category 1 Chemicals. From a technical standpoint, the endpoints are mismatched between these various lists. The lack of definitions provided by SASB further complicates this issue, specifically the lack of a definition of “mixtures”. ACA believes this draft metric is a misuse of the referenced regulatory lists and advises SASB to leverage approaches to this impact area in other industry and SASB standards. The proposed metric assumes that the products here are relevant to investors because they have a market disadvantage. In fact, there are cases when the reverse is true. Markets may be opened by products that contain REACH SVHC or WHO class I substances when the products are demonstrated as safe for their intended use. GHS Category 1 and Category 2 are labeled appropriately and still used in the marketplace in a variety of industries, some of these chemicals are keystone chemicals in industry.

ACA recommends modification of this metric.

“.54 The registrant shall discuss its production and use of chemicals that appear on California’s Proposition 65 list or carcinogens and reproductive toxicants, Washington’s State List of Chemicals of High Concern to Children, and/or other equivalent state and country regulations on chemicals of concern”

ACA has concerns with this draft metric, namely, the endpoints of the two listed regulations are different. Additionally, chemicals placed on the Proposition 65 list do not have a market disadvantage but are remedied with the appropriate warning placed on the label. This information will present a significant challenge to international counterparts that do not sell into California. Furthermore, the Prop 65 statute is not a regulatory or chemical management regulation. Prop 65 is a “right-to-know” regulation. Chemicals are added to this list based on their hazard profile, the list does not consider risk, exposure, or product safety. Prop 65 listed chemicals meet California’s criteria for listing but a listing does not mean that the presence of a listed chemical in the product causes a health effect in humans.

ACA recommends removal of this metric.

“.55 The registrant shall discuss the production and use of chemicals of consumer concern including those listed in the “Safer Consumer Products DRAFT Priority Product Work Plan, September 2014” and other chemicals, for which the registrant has received pressure from consumer or advocacy groups”

ACA urges SASB to remove this metric. ACA feels that this metric, like metric .54, is duplicative and should be removed. Further, the metric includes vague language that does not define what constitutes “pressure from consumers or advocacy groups” would trigger disclosure.

ACA recommends removal of this metric.

Thank you for your consideration of ACA’s comments. Please feel free to contact ACA if you have any questions.

Respectfully submitted,

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