



**American
Forest & Paper
Association**

December 22, 2017

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

RE: AF&PA Comments on Consumer Goods Sector/Household & Personal Products Exposure Draft for Public Comment

To Whom It May Concern:

The American Forest & Paper Association (AF&PA) is pleased to provide comments on the Sustainability Accounting Standards Board (SASB) Consumer Goods Sector/Household & Personal Products Exposure Draft for Public Comment (the “Standard”).

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry’s sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures approximately \$210 billion in products annually, and employs nearly 900,000 men and women. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states.

AF&PA’s sustainability initiative - *Better Practices, Better Planet 2020* - is the latest example of our members’ proactive commitment to the long-term success of our industry, our communities and our environment. We have long been responsible stewards of our planet’s resources. Our member companies have collectively made significant progress in each of the following goals, which comprise one of the most extensive quantifiable sets of sustainability goals for a U.S. manufacturing industry: increasing paper recovery for recycling; improving energy efficiency; reducing greenhouse gas emissions; promoting sustainable forestry practices; improving workplace safety; and reducing water use.

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GENERAL COMMENTS

AF&PA Perspective on SASB Standards

AF&PA has been involved with the development of SASB standards from the beginning of SASB's process. We have commented on multiple standards that may affect our members during each public comment opportunity. In addition, we have met with SASB staff and have had numerous 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, 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 Comments document tailored to their specific comments.

We also recognize that many 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, AF&PA's comments should not be construed as endorsing any of the SASB standards, including the Household & Personal Care Products Standard. We also caution SASB that our comments below on the specific proposed metrics do not represent a consensus position of all AF&PA members.

Voluntary Standards

We appreciate SASB's statement that "[d]isclosure under SASB Standards is voluntary". AF&PA 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 standard, and we request that SASB maintain a position with the SEC that use of its standards should be voluntary.

Materiality, Topics, and Metrics

AF&PA 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 between reports using the SASB standard (including, potentially SEC reports) versus other reports, including a company’s own sustainability reports, 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; it also creates legal risk for reporting companies. Accordingly, to the extent that a metric is subject to multiple reporting requirements, the Standard should permit the reporting company to choose which requirement it is reporting under and indicate that choice in its reports.

Assurance

SASB indicates in the Household & Personal Care Products Standard 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 AF&PA 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. In the provisional Containers & Packaging Provisional Standard, the section on assurance was removed. We would encourage SASB to remove this section from the Household & Personal Care Products Standard, as well, to provide consistency in the SASB standards. 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.

American National Standards Institute (ANSI) Procedures

The material developed for the IWG stated that the “SASB Standards Development process is certified by: ANSI.” SASB’s Vision and Mission document also 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.”

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.”¹ 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

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

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.² 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.

We appreciate SASB’s direct acknowledgement that it is not using an ANSI-process and 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.

Private, Non-Consensus Standards

Generally, as required by ANSI, the Standard should avoid references to private tools or standards (e.g., Green-e, World Resources Institute (WRI) Water Risk Atlas tool, Aqueduct). 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 Household and Personal Care 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 development of the metrics are often nation-specific rather than internationally-recognized standards. For example, compliance standards developed for the EU Packaging and Packaging Waste Directive are cited under Packaging Lifecycle Management, yet are not applicable in the U.S.; the same is true of the REACH

² 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.

standards cited under Product Environmental, Health, and Safety Performance. 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 particular 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

AF&PA 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.

Water Management (CG0201-01) (1) *Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress*

Total Water Withdrawn (.01): AF&PA members are working to reduce water use in their mills by 12 percent -- an AF&PA Better *Practices, Better Planet 2020* sustainability goal -- and have achieved a 6% reduction in 2012 from the 2005 baseline. This demonstrates significant progress in reducing the water footprint of member mills. In addition, while the pulp and paper industry withdraws a significant amount of water for its manufacturing operations, it returns about 90% of the water withdrawn. The remainder is returned to the atmosphere or is in our products. Thus, the industry’s consumptive use of water is very low, which may be of more importance especially in water stressed areas, where removals of water from the watershed (i.e., water consumption), rather than merely water use, are of most concern. However, as discussed below, not all facilities have the ability to accurately measure the amount of water withdrawn--and it is even more challenging to measure consumptive use.

The industry’s water profile and the measurement challenges discussed above illustrate some of the complications in choosing a water metric for sustainability reporting. This complexity becomes even more apparent when one considers that companies will be aggregating their individual mill water data and reporting on a global basis, while water

sustainability issues clearly are very site-specific. Accordingly, we recommend that the Standard allow companies to choose appropriate water metrics for disclosure and require discussion of why the metric was chosen and other relevant information needed to explain the water sustainability performance of the company. This is another case where simply comparing metrics does not result in increasing an investor's understanding of the performance of different companies, and where the Standard should encourage Standard users to consider all of the information on an issue provided by a company, as we noted in our General Comments above.

No matter which metric is chosen, we appreciate SASB's recognition that not all facilities have the measurement capability to accurately measure the amount of water withdrawn. AF&PA uses effluent discharge volume as a surrogate for water use. We believe that is a good surrogate as it is required to be reported to government agencies and we discharge most of what we withdraw. We believe the following statement in .10 allows our members to use the same surrogate, as long as they disclose it, and request that SASB confirm this is the case and maintain the use of estimates in the Provisional Containers and Packaging Standard: "For registrant's operations that are not submetered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such."

Water Stressed Areas (.04) For the reasons discussed above, AF&PA does not support the use of private, non-consensus standards such as the World Resources Institute (WRI) Water Risk Atlas tool, Aqueduct. In addition, as discussed in more detail in the NCASI comments, the tool is designed to reflect water stress at a large regional level and it is simply incapable of accurately indicating water stress at a facility level. SASB should allow companies to describe the methods or tools they have used to determine whether their facilities are operating in water stressed areas.

Packaging Lifecycle Management (CG0202-03) *(1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable or compostable*

We have an overall concern with the ability of registrants to perform the calculations that seem to be required by this metric. It would be cumbersome to calculate the weight of each packaging type, and it would be especially difficult to obtain recycled content or compostability numbers from packaging suppliers from each level of packaging. Below are additional comments on specific aspects of the Packaging Lifecycle Management metric.

The registrant shall disclose the total weight of packaging, in metric tons (.15): We do not believe that total weight of packaging is a particularly informative metric, as there are a wide variety of products included within the scope of this standard, all with differing requirements regarding safety, product protection, integrity etc.,. Further, as noted below, we appreciate that SASB removed the language about "minimizing" weight and volume of packaging (see discussion below under Packaging Lifecycle

Management), and therefore, it seems inconsistent for SASB to include a metric on total weight. Among other concerns, stakeholders likely will always assume a lighter weight package is preferable to a heavier one, which may not always be the case.

The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials (.16): This portion of this metric pertaining to recycled materials is of more importance to procurement managers within a company and consumers than it is to investors, and should be removed. The assumption that more recycled content is better is not always true. The choice of fiber used in a packaging product – whether virgin or recovered fiber – must strike a balance among quality, cost, functionality, and production performance for each grade and each facility. The amount of recycled material within a given product is highly dependent upon the functional requirements of a packaging product.

The percentage is calculated as the total weight of packaging made from recycled and/or renewable materials divided by the total weight of all packaging used by the registrant (.17). For paper-based packaging products, the reference in the Standard to calculate percent recycled content is inconsistent with industry standards. Currently the industry calculates percent recycle content on a total product “fiber weight” basis rather than a total “product weight” basis (i.e., lbs. recycled fiber/total lbs. fiber in product vs. lbs. recycled fiber/lbs. total product weight including fiber, filler and coating).

For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable based on an estimate of the weight of each portion (.17). While not explicit, the phrase “recycled **or** renewable” implies that a registrant must choose between counting its materials as one or the other, but not both. Recycled fiber also is renewable and should be allowed to be counted as both recycled material and as renewable material. Forcing a registrant to choose between one attribute or the other is inconsistent with the goal of the SASB standards development process, which is to increase transparency and disclosure of material information for stakeholders, including investors. We believe that those stakeholders would want to know if materials have both recycled and renewable attributes. SASB should revise this metric to be consistent with that included in the Containers and Packaging Standard currently out for comment.

The registrant shall disclose the percentage of packaging (by weight) that is recyclable, reusable, and/or compostable, where (.18):

1. While not explicit, the phrase “recycled **or** compostable” implies that a registrant must choose between counting its materials as one or the other, but not both. Recycled fiber also can be compostable and should be allowed to be counted as both recycled material and compostable, as applicable. Forcing a registrant to choose between one attribute or another is inconsistent with the goal of the SASB standards development process, which is to increase transparency and disclosure of material information for

stakeholders, including investors. We believe that those stakeholders would want to know if materials have both recycled and compostable attributes. SASB should revise this metric to be consistent with that included in the Containers and Packaging Standard currently out for comment.

2. We do not support treating all reusable packaging as if it also is recyclable. First, not all reusable packaging actually is recyclable. For example, reusable plastic crates are reusable, but are not meant to be recyclable. Second, there are a number of different requirements for classifying packaging as either “reusable” or “recyclable” and adopting this proposed provision would confuse stakeholders as to the meaning of these terms. This aspect of the SASB standards differs from all definitions of “recyclability” in both domestic U.S. and international standards.

Packaging Lifecycle Management (CN0602-04) *Description of Strategies to Reduce the Environmental Impact of Packaging Throughout its Lifecycle*

Overall there is too much emphasis in the notes for this metric on reducing weight and volume. The metric should be framed in terms of optimization of the various characteristics and impacts of the packaging.

Product Environmental, Health, and Safety Performance (CG0202-05 06) *Revenue from products that contain REACH substances of very high concern (SVHC) & **Product Environmental, Health, and Safety Performance (CG0202-06)** Revenue from products that contain substances on the California DTSC Candidate Chemicals List*

We strongly object to these metrics. Requiring registrants to adhere to international regulatory requirements or the requirements of a particular U.S. state is tantamount to turning the SASB standard into a regulatory regime for products that are subject to the standard. Some of the lists issued under these regulations contain hundreds, if not thousands, of substances that are of concern. Compliance with these requirements would impose a significant and costly administrative burden. Similarly, we object to the requirement that products not even subject to E.U. regulation must be included within the scope of reporting. Further, the requirement that the registrant calculate and disclose percentages of products meeting the regulatory thresholds based on revenue raises business confidentiality concerns for the reporting company and for its suppliers of additives with confidential formulations.

Finally, while we acknowledge that Note .28 includes what could be considered a *de minimis* threshold for reporting, it still may not be possible for a registrant to know all of the chemicals of concern in its products, as suppliers of additives, for example, may claim that information is confidential and not provide it purchasers. An explicit *de minimis* threshold should be included.

Product Environmental, Health, and Safety Performance (CG0202-07) *Discussion of process to identify and manage emerging materials and chemicals of concern*

To the extent that SASB retains a metric under the category, we prefer a qualitative metric such as this one. SASB should realize, however, that many of the substances listed in note .38 are not material to the paper and paper-based packaging industry, as to a large extent the industry's products covered by this standard are packaging, tissue or other paper-based personal or household products, and not products such as soaps, shampoo etc. Therefore the industry registrants likely would find material only those situations in which a listed "chemical of concern" presents unique exposures leading to unacceptable risks, and we do not expect that situation to arise frequently.

AF&PA appreciates the opportunity to comment on the Standard. Please contact Jerry Schwartz at (202-463-2581 or Jerry_Schwartz@afandpa.org) or Sundara Bhandaram (202-463-2479 or Sundara_Bhandaram@afandpa.org) if you have any questions on our comments.

Sincerely yours,



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