



**American
Forest & Paper
Association**

December 22, 2017

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

RE: AF&PA Comments on Resource Transformation Sector/Containers & Packaging Exposure Draft for Public Comment

To Whom It May Concern:

The American Forest & Paper Association (AF&PA) is pleased to provide comments on the Resource Transformation Sector / Containers & Packaging Exposure Draft Redline 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 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 Pulp and Paper 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. SASB should clarify its intent regarding the SEC and, as stated, its standard 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 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. SASB should revise its assurance requirements to recognize this flexibility. As an example, SASB 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 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 We note, however, that SASB is not using its accredited procedures to develop the Standard. Moreover, SASB’s descriptions of the ANSI process do not include “an appeals process,” and we are unaware of SASB having instituted an appeals process

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

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.

for its previous standards. It is also unclear how the SASB process complies with ANSI *Essential Requirements*, such as a “consensus vote.” We believe SASB should explicitly describe the process it is using to develop the Standard, and the extent to which the process is consistent with the ANSI Essential Requirements and OMB Circular A-119 (since there is the possibility that the SEC could adopt the Standard). If it is not using its ANSI-accredited procedures, SASB should make that clear in the Standard and on its website.

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 Containers and Packaging 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, the U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA) are cited under Hazardous Waste Management, yet each country defines and manages hazardous waste differently; compliance standards developed for the EU Packaging and Packaging Waste Directive are cited under Product Lifecycle Management & Innovation, yet are not applicable in the U.S.; air quality emissions, such as Particulate Matter (PM) or Volatile Organic Chemicals (VOC) are measured differently from country-to-country; water quality is measured by biochemical oxygen demand (BOD) in the U.S., Chemical Oxygen Demand(COD) elsewhere. 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.

Consistent Units Across Metrics

The Standard should be consistent and shouldn’t mix standard and metric units throughout the document. For example, the Standard specifies reporting the hazardous waste metric in “Tons,” while for the air quality metrics the Standard specifies to report in “Metric Tons.” It would be best to allow companies to consistently choose either standard or metric units based on the unit conventions used for other metrics in their other reports.

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.

Greenhouse Gas Emissions (RT0204-01) *Gross global scope 1 emissions, percent covered under a regulatory program*

1. Global Warming Potential Factors (.01): The Standard references the global warming potential factors from the IPCC’s Second Assessment Report (1995). However, companies should be allowed the flexibility to choose the set of global warming potentials they base their emission estimates on and disclose this as part of their calculation methodologies.

2. Biogenic Emissions (.02): On average, about two-thirds of AF&PA members’ energy demand is met by carbon-neutral biomass. The carbon-neutral renewable energy generated by member mills on-site avoids fossil fuel- based GHG emissions as well as GHG emissions that would occur if biomass residuals were disposed of rather than used for energy. The Standard should specifically not require reporting of biogenic emissions, but those emissions should be reported separately, as is the case with the WRI/WBCSD Greenhouse Gas Protocol, which is referenced in the Standard.

Mobile Sources (.02): The Standard requires the inclusion of mobile source emissions as part of scope 1 emissions reporting, and provides examples of “marine, road, or rail”. Typically, our members may quantify emissions from the operation of mobile sources at our facilities, including through the use of emission factors applied to total fuel consumption, but they do not quantify emissions from mobile sources that transport our products, for example marine vessels. We believe those latter emissions would be considered Scope 3 emissions for our members and considered scope 1 emissions for the transportation entity. The Standard should be revised to better make this distinction, and only require the former category in Scope 1 reporting. Further, the referenced protocols (e.g., CDP) provide some flexibility and allow companies not to report company-owned mobile emission sources in some circumstances (e.g., data are not available) with appropriate disclosure; the Standard should include the same flexibility).

Air Quality (TA07-21-01) *Air emissions for the following pollutants: NO_x (excluding N₂O), SO_x, Particulate Matter (PM), dioxins, and Volatile Organic Compounds (VOCs)*

1. **Value of Metrics:** Generally we do not see the value of these air metrics, as they do not provide stakeholders with useful information on which to compare the environmental performance of reporting companies. Many permit limits for these pollutants will depend on the location of the facility and whether it is in an attainment or non-attainment area, making them not comparable. Further, air emissions are a lagging indicator and since reporting companies are already highly regulated, there is little relevance to an investor having this information, so long as a company is in compliance. Accordingly, SASB should remove these metrics from the Standard.

2. **Mobile Sources and Office Buildings (.14):** As discussed above regarding greenhouse gas emissions, our members may quantify emissions from the operation of mobile sources at our facilities, including through the use of emission factors applied to total fuel consumption. They do not, however, quantify emissions from mobile sources that transport our products, and only the former should be required to be reported, with the flexibility not to report, with appropriate disclosure.

In addition, the reporting of all emissions from office buildings is required. This subsection should be modified to state “office buildings where manufacturing is carried out.” The amount of air emissions from non-manufacturing office buildings likely is de minimis compared to emissions from buildings used in manufacturing.

Energy Management (TA07-22-01) *Total energy consumed; total self-generated energy, percent grid electricity; percent renewable*

1. **General:** AF&PA members are very focused on reducing energy costs and the better metric of financial exposure is one centered on purchased energy—not total energy. That is one of the reasons why AF&PA’s *Better Practices, Better Planet 2020* energy efficiency goal is based on *purchased* energy, not *total* energy. In making this choice, we were consistent with the EPA Energy Star program and the U.S. Department of

Energy predecessor program to its current Better Buildings, Better Plants program. SASB should be consistent with these programs as well, to provide the most investment-relevant information for investors. A SASB metric of purchased energy would be consistent with how government agencies and companies within this industry already report energy usage.

2. Notes 24 and 25. As discussed above, the Standard should not reference the 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.

Water Management (RT0204-05) *Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress and (2) percentage recycled water usage*

1. Total Water Withdrawn (.27): 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 .28 allows our members to use the same surrogate, as long as they disclose it, and request that SASB confirm this is the case: "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."

2. Water Stressed Areas (.28): 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.

3. Percentage recycled (.29): This is another metric that may be calculated in more than one way, and where estimation should be allowed.

In addition, this metric has some complex tradeoffs that raise questions about its utility for sustainability reporting purposes. Importantly, there is potential for increased consumptive loss of water from the local watershed as a facility increases the amount of water recycled. There also could be energy tradeoffs as well, and simply calculating the percentage recycled can be a very resource intensive effort. We suggest that reporting on water recycling should be voluntary. Under this approach, companies that have expended the resources to document the percentage recycled can report the results, and the methodology they used.

Product Safety (RT0204-08) *Number of recalls and total units recalled*

This metric should be removed from the Standard because if the recall was of such significance that it was deemed material by the company, it is already required to be reported to the SEC.

Product Lifecycle Management & Innovation (TA07-25-01) *Percentage of raw materials from (1) recycled content, (2) renewable resources and (3) renewable and recycled content.*

The registrant shall disclose the percentage of raw materials (by weight) for containers and packaging products from recycled content (.47): This metric 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 amount of recycled material within a given product is highly dependent upon the functional requirements of a packaging product.

For paper-based packaging products, the reference in the Standard to calculate percent recycled content is inconsistent with industry stands. 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).

Product Lifecycle Management & Innovation (RT0204-12) *Description of strategies to reduce the environmental impact of packaging throughout its lifecycle.*

1. The focus of the package design should be optimization of performance, which may, but just as easily may not, lead to minimization of weight and volume. Product damage, and the resulting environmental impacts associated with replacing damaged goods, has a larger overall life cycle negative impact than the impact of additional package weight.
2. The accounting metric currently focuses on weight and volume of packaging “used,” but if the standard is intended for companies that produce packaging and containers, the metric should focus on weight and volume of packaging “produced.”

Materials Sourcing (TA07-26-01) *Total wood fiber purchased, percentage from certified sources*

Responsible sourcing standards for wood-based materials include the following, or equivalent (.64): 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, we appreciate that SASB has included all credible forest management certification standards.

Materials Sourcing (RT0204-14) *Total aluminum purchased, percentage from certified sources*

There is a significant difference between the sophistication and rigor of the sourcing standards for wood fiber versus non-wood fiber. Accordingly, it would be inappropriate for SASB to require quantitative reporting for non-wood raw materials because it implies equivalence with quantitative reporting for sourcing of wood fiber. For example, a stakeholder might interpret the fact that 25% of a company’s wood fiber is certified and 25% of another company’s non-wood raw material is sourced in a manner consistent with a responsible sourcing program as demonstrating that both companies sustainability sourcing performance is equivalent, when this is simply not the case. SASB should make this a qualitative metric.

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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,

A handwritten signature in black ink, appearing to read "Jerry Schwartz". The signature is fluid and cursive, with a prominent flourish at the end.

Jerry Schwartz
Senior Director
Energy and Environmental Policy