



December 22, 2017

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

**RE: AF&PA Comments on Consumer Goods Sector/E-Commerce  
Exposure Draft Redline 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/E-commerce 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.

## **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 E-commerce 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.

AF&PA also wants to make clear that our participation in SASB’s comment process does not indicate an acceptance by AF&PA or our members companies that the metrics proposed by SASB are material according the Supreme Court definition of materiality.

### **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 E-Commerce 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 E-Commerce 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**

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

We appreciate SASB’s direct acknowledgement in the RPC Document that it is not using an ANSI-process 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.

Adherence to ANSI *Essential Requirements* provides stakeholders with assurances that needed procedural safeguards are present. This is especially important, if, as is the case here, there is the potential for a government agency--the Securities and Exchange Commission (SEC)--to mandate the use of a standard (although, as discussed above, we strongly believe the standard should be voluntary). Government standards typically are developed through a notice and comment process and are subject to numerous due process protections for stakeholders, including in many cases, judicial review. Private standards adopted for government use should be developed with the same level of due process protection.

Office of Management and Budget (OMB) OMB Circular A-119 requires, with limited exception, that federal agencies and departments use “voluntary consensus standards,” which are “standards developed or adopted by voluntary consensus standards bodies.”<sup>1</sup> The Circular also established guidelines for federal participation in the development and use of voluntary consensus standards. Specifically, the Circular provides the following attributes for a “voluntary consensus standards body”: (i) openness; (ii) balance of interest; (iii) due process; (iv) an appeals process; and (v) consensus. Section 12(d) of

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

the National Technology Transfer and Advancement Act of 1995 (Public Law 104-113) basically codified the OMB Circular and requires that “all Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies,” unless use of such a standard is “inconsistent with applicable law or otherwise impractical.”

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

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

Generally, as required by ANSI, the Standard should avoid references to private tools or standards (e.g., Green-e, 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 E-Commerce 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.”

### **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.

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

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jerry Schwartz", with a stylized flourish at the end.

Jerry Schwartz  
Senior Director  
Energy and Environmental Policy