



**SASB  
STANDARDS**

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CONSUMER GOODS SECTOR

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# MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS

## Sustainability Accounting Standard

Sustainable Industry Classification System® (SICS®) CG-MR

Prepared by the  
Sustainability Accounting Standards Board

October 2018

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**INDUSTRY STANDARD | VERSION 2018-10**

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# MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS

## Sustainability Accounting Standard

*As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to provide full support for and to use the SASB Standards until IFRS Sustainability Disclosure Standards replace SASB Standards.*

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### Historical Information About the SASB Foundation

These materials were developed under the auspices of the SASB Foundation. The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission was to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors. The SASB Foundation operated in a governance structure similar to the structure adopted by other internationally recognized bodies that set standards for disclosure to investors, including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure included a board of directors ("the Foundation Board") and a standards-setting board ("the Standards Board" or "the SASB"). The Standards Board developed, issued, and maintained the SASB Standards. The Foundation Board oversaw the strategy, finances, and operations of the entire organization, and appointed the members of the Standards Board. The Foundation Board was not involved in setting standards, but was responsible for overseeing the Standards Board's compliance with the organization's due process requirements. As set out in the SASB Rules of Procedure, the SASB's standards-setting activities were transparent and followed careful due process, including extensive consultation with companies, investors, and relevant experts. The SASB Foundation was funded by a range of sources, including contributions from philanthropies, companies, and individuals, as well as through the sale and licensing of publications, educational materials, and other products.

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## INTRODUCTION

### Purpose of SASB Standards

The SASB’s use of the term “sustainability” refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company’s environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as “ESG” (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB’s standards-setting activities.

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location. SASB standards are designed to enable communications on corporate performance on industry-level sustainability issues in a cost-effective and decision-useful manner using existing disclosure and reporting mechanisms.

Businesses can use the SASB standards to better identify, manage, and communicate to investors sustainability information that is financially material. Use of the standards can benefit businesses by improving transparency, risk management, and performance. SASB standards can help investors by encouraging reporting that is comparable, consistent, and financially material, thereby enabling investors to make better investment and voting decisions.

### Overview of SASB Standards

The SASB has developed a set of 77 industry-specific sustainability accounting standards (“SASB standards” or “industry standards”), categorized pursuant to SASB’s [Sustainable Industry Classification System® \(SICS®\)](#). Each SASB standard describes the industry that is the subject of the standard, including any assumptions about the predominant business model and industry segments that are included. SASB standards include:

1. **Disclosure topics** – A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.
2. **Accounting metrics** – A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.
3. **Technical protocols** – Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.
4. **Activity metrics** – A set of metrics that quantify the scale of a company’s business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

Furthermore, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all industry standards and is considered part of the standards. Unless otherwise specified in the technical protocols contained in the industry standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation, and presentation of the metrics in the industry standards.

The *SASB Conceptual Framework* sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board in its approach to setting standards for sustainability accounting. The *SASB Rules of Procedure* is focused on the governance processes and practices for standards setting.

## Use of the Standards

SASB standards are intended for use in communications to investors regarding sustainability issues that are likely to impact corporate ability to create value over the long term. Use of SASB standards is voluntary. A company determines which standard(s) is relevant to the company, which disclosure topics are financially material to its business, and which associated metrics to report, taking relevant legal requirements into account<sup>1</sup>. In general, a company would use the SASB standard specific to its primary industry as identified in *SICS*<sup>®</sup>. However, companies with substantial business in multiple *SICS*<sup>®</sup> industries can consider reporting on these additional SASB industry standards.

It is up to a company to determine the means by which it reports SASB information to investors. One benefit of using SASB standards may be achieving regulatory compliance in some markets. Other investor communications using SASB information could be sustainability reports, integrated reports, websites, or annual reports to shareholders. There is no guarantee that SASB standards address all financially material sustainability risks or opportunities unique to a company's business model.

## Industry Description

The Multiline and Specialty Retailers & Distributors industry encompasses a variety of retailing categories such as department stores, mass merchants, home products stores, and warehouse clubs, as well as a smaller segment of distributors like electronics wholesalers and automotive wholesalers. Common to these companies (except for the distribution segment) is that they manage global supply chains to anticipate consumer demands, keep costs low, and keep products stocked in their brick-and-mortar storefronts. This is a highly competitive industry, in which each company category generally has a small number of key players, characterized by generally low margins. The relatively substitutable nature of retail makes companies in this industry especially susceptible to reputational risks.

Note: SASB has separate standards for the Food Retailers & Distributors (FB-FR), Drug Retailers (HC-DR), E-Commerce (CG-EC), and Apparel, Accessories & Footwear (CG-AA) industries. Retail companies involved in food or drug retail, e-commerce, or apparel, accessories, and footwear manufacturing should also consider the disclosure topics and metrics outlined in these other standards.

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<sup>1</sup> **Legal Note:** SASB standards are not intended to, and indeed cannot, replace any legal or regulatory requirements that may be applicable to a reporting entity's operations.

## SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

**Table 1. Sustainability Disclosure Topics & Accounting Metrics**

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management in Retail & Distribution	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	CG-MR-130a.1
Data Security	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	CG-MR-230a.1
	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected <sup>2</sup>	Quantitative	Number, Percentage (%)	CG-MR-230a.2
Labor Practices	(1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region	Quantitative	Reporting currency, Percentage (%)	CG-MR-310a.1
	(1) Voluntary and (2) involuntary turnover rate for in-store employees	Quantitative	Rate	CG-MR-310a.2
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations <sup>3</sup>	Quantitative	Reporting currency	CG-MR-310a.3
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees <sup>4</sup>	Quantitative	Percentage (%)	CG-MR-330a.1
	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination <sup>5</sup>	Quantitative	Reporting currency	CG-MR-330a.2
Product Sourcing, Packaging & Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	Reporting currency	CG-MR-410a.1
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	CG-MR-410a.2
	Discussion of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	CG-MR-410a.3

<sup>2</sup> Note to **CG-MR-230a.2**– Disclosure shall include a description of corrective actions implemented in response to data breaches.

<sup>3</sup> Note to **CG-MR-310a.3**– The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

<sup>4</sup> Note to **CG-MR-330a.1**– The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.

<sup>5</sup> Note to **CG-MR-330a.2**– The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

**Table 2. Activity Metrics**

<b>ACTIVITY METRIC</b>	<b>CATEGORY</b>	<b>UNIT OF MEASURE</b>	<b>CODE</b>
Number of: (1) retail locations and (2) distribution centers	Quantitative	Number	CG-MR-000.A
Total area of: (1) retail space and (2) distribution centers	Quantitative	Square meters (m <sup>2</sup> )	CG-MR-000.B

# Energy Management in Retail & Distribution

## Topic Summary

Companies in this industry require significant amounts of energy for their retail facilities and warehouses. Sustainability factors—such as the increasing number of GHG-emissions regulations, incentives for energy efficiency and renewable energy—are leading to price increases in conventional electricity sources while making alternative sources more cost-competitive. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and pollution. Decisions regarding energy sourcing and type, as well as the use of alternative energy, can create trade-offs related to the energy supply's cost and reliability for operations. It is becoming increasingly important for companies to manage their overall energy efficiency, and their access to alternative energy sources. Efficiency in this area can have financial implications through direct cost savings, which are particularly beneficial in this low-margin industry.

## Accounting Metrics

### **CG-MR-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable**

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
  - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
  - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
  - 1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- 2 The entity shall disclose (2) the percentage of energy it consumed that was supplied from grid electricity.
  - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed that is renewable energy.

- 3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro, and biomass.
- 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.
- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
  - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
  - 3.4.1 Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;
  - 3.4.2 Energy from biomass sources is limited to materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered eligible sources of supply according to the [Green-e Framework for Renewable Energy Certification, Version 1.0](#) (2017) or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

# Data Security

## Topic Summary

Consumers trust retail companies with their financial and personal data every time they make a noncash transaction. Credit cards and debit cards have steadily eclipsed cash and checks as consumers' preferred payment methods. In these noncash transactions, retailers build up a relationship of trust with consumers, assuring them of the safety of their personal information. Data breaches can occur both through breaches of the physical payment technology, called point-of-sales breaches, as well as through cyber attacks. As consumers become more educated about the threats of cybercrime, particularly in the wake of continued high-profile attacks, having a reputation as a secure company is increasingly important to maintain or gain market share. Retailers that prevent major data breaches can also avoid harming brand value and reduce liabilities.

## Accounting Metrics

### CG-MR-230a.1. Description of approach to identifying and addressing data security risks

- 1 The entity shall describe its approach to identifying vulnerabilities in its information systems that pose a data security risk.
  - 1.1 Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, and/or implementation that could be exploited.
  - 1.2 Data security risk is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or nations through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.
- 2 The entity shall describe its approach to addressing data security risks and vulnerabilities it has identified, including, but not limited to, operational procedures, management processes, structure of products, selection of business partners, employee training, and use of technology.
- 3 The entity may discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.
- 4 The entity may describe the degree to which its approach is aligned with an external standard or framework and/or legal or regulatory framework for managing data security, such as:
  - 4.1 ISO/IEC 27001:2013—Information technology—Security techniques—Information security management systems—Requirements

- 4.2 [Framework for Improving Critical Infrastructure Cybersecurity, Version 1.1](#) , April 16, 2018, National Institute of Standards and Technology (NIST)
- 5 The U.S. SEC's [Commission Statement and Guidance on Public Company Cybersecurity Disclosures](#) may provide further guidance on disclosures on the entity's approach to addressing data security risks and vulnerabilities.
- 6 All disclosure shall be sufficient such that it is specific to the risks the entity faces but disclosure itself would not compromise the entity's ability to maintain data privacy and security.

### **CG-MR-230a.2. (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected**

- 1 The entity shall calculate and disclose (1) the total number of data breaches identified during the reporting period.
  - 1.1 Data breach is defined as the unauthorized movement or disclosure of sensitive information to a party, usually outside the organization, that is not authorized to have or see the information. This definition is derived from the U.S. [National Initiative for Cybersecurity Careers and Studies \(NICCS\) glossary](#).
  - 1.2 The scope of disclosure is limited to data breaches that resulted in a deviation from the entity's expected outcomes for confidentiality and/or integrity.
- 2 The entity shall disclose (2) the percentage of data breaches in which personally identifiable information (PII) was subject to the data breach.
  - 2.1 PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security Number (SSN), date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information. This definition is derived from the U.S. Government Accountability Office's Report to Congressional Requesters, [Alternatives Exist for Enhancing Protection of Personally Identifiable Information](#) .
  - 2.2 The scope of disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired, as well as if there is a reasonable belief that encrypted data could be readily converted to plaintext.
    - 2.2.1 Encryption is defined as the process of transforming plaintext into ciphertext. This definition is derived from the [NICCS glossary](#).
  - 2.3 The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by law or voluntarily by the entity.
- 3 The entity shall disclose (3) the total number of unique customers who were affected by data breaches, which includes all those whose personal data was compromised in a data breach.

- 3.1 Accounts that the entity cannot verify as belonging to the same customer shall be disclosed separately.
- 4 The entity may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation or until the law enforcement agency determines that such notification does not compromise the investigation.

Note to **CG-MR-230a.2**

- 1 The entity shall describe the corrective actions taken in response to data breaches, such as changes in operations, management, processes, products, business partners, training, or technology.
  - 1.1 The U.S. SEC's [Commission Statement and Guidance on Public Company Cybersecurity Disclosures](#) may provide further guidance on disclosures on the corrective actions taken in response to data breaches.
- 2 All disclosure shall be sufficient such that it is specific to the risks the entity faces, but disclosure itself will not compromise the entity's ability to maintain data privacy and security.
- 3 The entity may disclose its policy for disclosing data breaches to affected customers in a timely manner.

# Labor Practices

## Topic Summary

Retail's significance to the U.S. economy as a major employer means that it is also often at the center of public labor-practice discussions. This can have serious reputational implications for companies in the industry whose performance on labor relations is poor. The low-average wages in the industry, which help companies maintain low prices on products, may increase these labor-related risks. Since customers regularly interact directly with employees, companies can face a decrease in market share and revenue from negative consumer sentiment due to public disagreement between companies and their workers. Companies can enhance labor productivity and employee engagement by taking a long-term approach to managing workers in areas such as compensation and workers' rights. In addition to mitigating risks, improvements in labor productivity can help strengthen a company's reputation and reduce its cost of capital.

## Accounting Metrics

### **CG-MR-310a.1. (1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region**

- 1 The entity shall disclose the average hourly wage paid to in-store and distribution center employees for each geographic region for which it conducts segment financial reporting.
  - 1.1 In-store employees include cashiers, customer service representatives, first-line supervisors/managers of retail sales workers, retail salespersons, and stock clerks and order fillers. These employees are generally classified in the U.S. Bureau of Labor Statistics (BLS) Standard Occupation Classification under the General Merchandise Stores subsector (NAICS 452).
  - 1.2 The entity shall calculate the average hourly wage as the total hourly wages, including commissions but excluding overtime pay, paid to in-store and distribution center employees for the reporting period divided by the number of regular hours worked, excluding overtime hours, by in-store and distribution center employees during the reporting period.
- 2 The entity shall disclose the percentage of in-store employees and distribution center employees that earn minimum wage for each geographic region for which it conducts segment financial reporting.
  - 2.1 Minimum wage is defined as the locally mandated minimum wage applicable for each worker.
  - 2.2 The entity shall calculate the percentage by dividing the number of in-store and distribution center employees that earn minimum wage by the total number of in-store and distribution center employees.
  - 2.3 For countries or regions with no minimum wage requirement, the 10th percentile hourly wage of all wage earners in that country or region shall be used.

- 3 The scope of disclosure excludes corporate employees.
- 4 The entity may discuss the sensitivity of its costs and profit margins to future adjustments in minimum wage, including:
  - 4.1 The likelihood of a minimum wage increase in the regions where the entity operates, and the regions in which this is more likely to occur
  - 4.2 The percentage of its current in-store and distribution center employees whose salaries are near the current minimum wage, and whose salaries may necessitate an increase given a change in minimum wage regulations
  - 4.3 The magnitude of the financial impact that a minimum wage increase would likely have on the entity

### **CG-MR-310a.2. (1) Voluntary and (2) involuntary turnover rate for in-store employees**

- 1 The entity shall disclose the rate of employee turnover of in-store and distribution center employees.
  - 1.1 Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
  - 1.2 The scope of disclosure excludes corporate staff and executives. All calculations are based on the number of in-store and distribution center employees (i.e., those employees who work on-site in retail facilities, warehouses, or distribution centers).
- 2 The entity shall calculate the voluntary turnover rate as the total number of employee-initiated voluntary separations (such as resignations or retirement) during the reporting period divided by the total number of employees during the reporting period.
- 3 The entity shall calculate the involuntary turnover rate as the total number of entity-initiated separations (such as dismissal, downsizing, redundancy, or non-renewal of contract) during the reporting period divided by the number of employees during the reporting period.

### **CG-MR-310a.3. Total amount of monetary losses as a result of legal proceedings associated with labor law violations**

- 1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with labor law violations such as those relating to wages, work hours, overtime, meal and rest breaks, as well as violations of the U.S. Fair Labor Standards Act.
- 2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

- 3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).
- 4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

Note to **CG-MR-310a.3**

- 1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, or non-prosecution agreement) and context (e.g., improper working conditions, or unfair compensation) of all monetary losses as a result of legal proceedings.
- 2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

# Workforce Diversity & Inclusion

## Topic Summary

The Multiline and Specialty Retailers & Distributors industry is consumer-facing and relies on the ability to communicate effectively with customers during the sales process and adapt to changing consumer demands for products. As the populations of many developed markets undergo a massive demographic shift, including increases in minority populations, companies in this industry can benefit from ensuring that their company culture and hiring and promotion practices embrace the building of a diverse workforce at management- and junior-level positions. Retailers that respond to this demographic shift and employ staff who will be able to recognize the needs of diverse populations may be better able to capture demand from segments that have traditionally been overlooked, which can provide companies a competitive advantage. Furthermore, such companies may benefit from decreased legal and regulatory risks, as well as improved reputational value.

## Accounting Metrics

### **CG-MR-330a.1. Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees**

- 1 The entity shall disclose gender representation for all employees and racial/ethnic group representation for its U.S. employees by employee category.
  - 1.1 The following employee categories shall be used: (1) management and (2) all other employees.
- 2 Gender and racial/ethnic group representation shall be disclosed in percentages, where the percentage shall be calculated as the number of employees in each gender or racial/ethnic group in each employee category divided by the total number of employees in the respective employee category.
- 3 For U.S. employees, the entity shall categorize the employees in accordance with the Equal Employment Opportunity Commission's Employer Information EEO-1 report (EEO-1 Survey) [Instruction Booklet](#) where each employee category for disclosure is defined by corresponding job categories and descriptions in the Instruction Booklet:
  - 3.1 Management includes the following:
    - 3.1.1 Executive/Senior Level Officials and Managers: individuals who plan, direct and formulate policies, set strategy and provide the overall direction of enterprises/organizations for the development and delivery of products or services, within the parameters approved by boards of directors or other governing bodies. Residing in the highest levels of organizations, these executives plan, direct or coordinate activities with the support of subordinate executives and staff managers. They include, in larger organizations, those individuals within two reporting levels of the CEO, whose responsibilities require frequent interaction with the CEO. Examples of these kinds of managers are: chief executive officers,

chief operating officers, chief financial officers, line of business heads, presidents or executive vice presidents of functional areas or operating groups, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, management directors and managing partners.

3.1.2 Non-executive management includes First/Mid Level Officials and Managers: individuals who serve as managers, other than those who serve as Executive/Senior Level Officials and Managers, including those who oversee and direct the delivery of products, services or functions at group, regional or divisional levels of organizations. These managers receive directions from the Executive/Senior Level management and typically lead major business units. They implement policies, programs and directives of executive/senior management through subordinate managers and within the parameters set by Executive/Senior Level management. Examples of these kinds of managers are: vice presidents and directors, group, regional or divisional controllers; treasurers; human resources, information systems, marketing, and operations managers. The First/Mid Level Officials and Managers subcategory also includes those who report directly to middle managers. These individuals serve at functional, line of business segment or branch levels and are responsible for directing and executing the day-to-day operational objectives of enterprises/organizations, conveying the directions of higher level officials and managers to subordinate personnel and, in some instances, directly supervising the activities of exempt and non-exempt personnel. The [EEO-1 Job Classification Guide](#) provides examples of job titles in this category.

3.1.3 Management shall include both managers at the corporate level and store level.

3.2 All other employees includes those employees who are not classified as management.

- 4 For non-U.S. employees, the entity shall categorize the employees in a manner generally consistent with the definitions provided above, though in accordance with, and further facilitated by, any applicable local regulations, guidance, or generally accepted definitions.
- 5 The entity shall categorize the gender of its employees as female, male, or not disclosed/available.
- 6 The entity shall categorize the racial/ethnic group of its U.S. employees in accordance with the EEO-1 Survey Instruction Booklet and use the following categories: Asian, Black or African American, Hispanic or Latino, White, Other (which includes Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races" classifications), or not disclosed/available.
- 7 The entity may provide supplemental disclosures on gender and/or racial/ethnic group representation by country or region.
- 8 The entity may provide supplemental contextual disclosures on factors that significantly influence gender and/or racial/ethnic group representation, such as the country or region where employees are located.

- 9 The entity may disclose gender and/or racial/ethnic group representation by employee category in the following table formats:

**Table 3. Gender Representation of Global Employees (%)**

	FEMALE	MALE	N/A *
Management			
All Other Employees			

\* N/A = not available or not disclosed

**Table 4. Racial/Ethnic Group Representation of U.S. Employees (%)**

	ASIAN	BLACK OR AFRICAN AMERICAN	HISPANIC OR LATINO	WHITE	OTHER ^	N/A *
Management						
All Other Employees						

^ Other includes the classifications: Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races"

\* N/A = not available or not disclosed

Note to **CG-MR-330a.1**

- 1 The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.
  - 1.1 Relevant policies may include maintaining transparency of hiring, promotion, and wage practices, ensuring equal employment opportunity, developing and disseminating diversity policies, and ensuring management accountability for equitable representation.
  - 1.2 Relevant programs may include trainings on diversity, mentorship and sponsorship programs, partnership with employee resource and advisory groups, and provision of flexible work schedules to accommodate the varying needs of employees.
  - 1.3 Relevant aspects of employee representation include, at a minimum, gender and race/ethnicity. The entity may disclose on other aspects of its workforce, such as, age, physical abilities/qualities, sexual orientation, and religious beliefs, as relevant to local jurisdiction.

## **CG-MR-330a.2. Total amount of monetary losses as a result of legal proceedings associated with employment discrimination**

- 1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with discrimination.
- 2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.
- 3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).
- 4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.
- 5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the following types of discrimination (as defined by the U.S. Equal Employment Opportunity Commission (EEOC)):
  - 5.1 Age discrimination, which involves treating someone (an applicant or employee) less favorably because of his or her age
  - 5.2 Disability discrimination, which occurs if the entity treats an individual with a disability who is an employee or applicant unfavorably because he or she has a disability
  - 5.3 Equal pay and compensation discrimination, which involves discrimination in compensation
  - 5.4 Genetic information discrimination, which involves employment discrimination on the basis of genetic information
  - 5.5 Harassment discrimination, which involves unwelcome conduct that is based on race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability, or genetic information
  - 5.6 National origin discrimination, which involves treating people (applicants or employees) unfavorably because they are from a particular country or part of the world, because of ethnicity or accent, or because they appear to be of a certain ethnic background (even if they are not)
  - 5.7 Pregnancy discrimination, which involves treating a woman (an applicant or employee) unfavorably because of pregnancy, childbirth, or a medical condition related to pregnancy or childbirth
  - 5.8 Race/color discrimination, which involves treating someone (an applicant or employee) unfavorably because he/she is of a certain race or because of personal characteristics associated with race

- 5.9 Religious discrimination, which involves treating a person (an applicant or employee) unfavorably because of his or her religious beliefs
- 5.10 Retaliation discrimination, which makes it illegal to fire, demote, harass, or otherwise “retaliate” against people (applicants or employees) because they filed a charge of discrimination, because they complained to their employer about discrimination on the job, or because they participated in an employment discrimination proceeding (such as an investigation or lawsuit)
- 5.11 Sex discrimination, which involves treating someone (an applicant or employee) unfavorably because of that person’s sex and includes sexual harassment

Note to **CG-MR-330a.2**

- 1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, non-prosecution agreement) and context (e.g., unfair hiring and/or promotion practices, biased compensation practices) of all monetary losses as a result of legal proceedings.
- 2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

# Product Sourcing, Packaging & Marketing

## Topic Summary

Companies in the Multiline and Specialty Retailers & Distributors industry sell a wide array of products including electronics, clothing, furnishings, and cosmetics, which all have varying environmental and social impacts throughout their lifecycles. The size and subsequent buying power of many companies in this industry allow them to work with their suppliers to source products and packaging with lower lifecycle environmental and social impacts. Companies that perform well in this regard may benefit from increased customer demand and improved margins. Taking a proactive approach to engaging suppliers, using certification standards, and reducing the environmental impacts of packaging are strategies commonly employed by companies in the industry.

## Accounting Metrics

### **CG-MR-410a.1. Revenue from products third-party certified to environmental and/or social sustainability standards**

- 1 The entity shall disclose its revenue from products that are third-party certified to an environmental or social sustainability standard.
  - 1.1 Third-party certification is defined as review by an independent organization that determines that the final product complies with specific standards.
  - 1.2 A product is considered to be certified to an environmental or social sustainability standard if:
    - 1.2.1 It has achieved certification through a government program, including, but not limited to, the U.S. Environmental Protection Agency (EPA) Star and Water Sense programs, U.S. Department of Agriculture (USDA) Certified Organic, or is listed in the EPA's Comprehensive Procurement Guidelines (CPG) directory.
    - 1.2.2 It has achieved certification to a third-party environmental or social sustainability standard or sustainability standards promulgated by organizations including, but not limited to, the American National Standards Institute (ANSI) or ASTM International, Fair Trade Certified, Forestry Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), Rainforest Alliance Certified, BPI Compostable, Cradle to Cradle, Green Seal, or Marine Stewardship Council.
  - 1.3 A product with third-party certification shall be considered certified regardless of what level or tier of certification it received.
  - 1.4 The scope of disclosure includes third-party certifications that are based on either environmental or social best practices or both environmental and social best practices.

## CG-MR-410a.2. Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products

- 1 The entity shall discuss the business and operational processes it employs to assess and manage potential risks and hazards associated with materials, chemicals, and substances (hereafter “chemicals”) in products it offers for sale.
  - 1.1 The scope of disclosure shall focus on third-party branded products and private-label products that are offered for sale by the entity.
  - 1.2 Private-label products include store-brand products packaged for sale under the entity’s brand name(s), whether manufactured by the entity or by another manufacturer.
  - 1.3 The entity may discuss its management of chemicals used during manufacturing and production of products or that are associated with the production of raw materials or components of products, but which are not present in finished products.
- 2 The entity shall describe whether its approach to chemicals management is characterized by a hazard-based, risk-based, or other approach, where:
  - 2.1 A hazard-based approach to chemicals management is defined as the process of identifying and managing the usage of chemicals based on the inherent human-health and environmental toxicological characteristics of chemical ingredients, including specific exposure routes (e.g., oral, dermal, or inhalation) and the dosages (amounts) of a substance it takes to cause an adverse effect.<sup>6</sup>
  - 2.2 A risk-based approach to chemicals management is defined as managing the usage of chemicals based on the integration of chemical hazard information with an assessment of chemical exposure (i.e., route, frequency, duration, and magnitude) to assess the probability and magnitude of harm to a given population(s) arising from exposure to a chemical, given attendant uncertainties.<sup>7</sup>
  - 2.3 Other approaches may include the use of hazard-based and risk-based approaches depending on the chemical in question, product category, business segment, operating region, and/or intended product user.
- 3 The entity shall discuss the operational processes it employs for chemicals management, where:
  - 3.1 Relevant operational processes that typify hazard-based approaches include limiting or restricting certain chemicals in products it chooses to sell because the chemicals may be prohibited by a regulation or because they have known toxicity at levels at or below amounts detectable in finished products (e.g., use of a restricted substances list (RSL) for chemicals that are banned where the entity operates and/or for chemicals that the entity has chosen to limit or eliminate).

<sup>6</sup> Definition adapted from “[Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation](http://chemicalsafetyfacts.org/understanding-risk/),” International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and “Understanding Risk and Hazard When it Comes to Chemicals,” American Chemistry Council, accessed August 21, 2015, <http://chemicalsafetyfacts.org/understanding-risk/>.

<sup>7</sup> Definition adapted from “[Environmental Health Criteria 222 | Biomarkers In Risk Assessment: Validity And Validation](http://chemicalsafetyfacts.org/understanding-risk/),” International Programme on Chemical Safety (IPCS), World Health Organization, 2001 and “Understanding Risk and Hazard When it Comes to Chemicals,” American Chemistry Council, accessed August 21, 2015, <http://chemicalsafetyfacts.org/understanding-risk/>.

- 3.2 Relevant operational processes that typify risk-based management include evaluating products' chemical hazard data, conducting an assessment of exposure pathways resulting from use of products, and identifying potential corresponding health risks from products through the use of screening methods and chemical risk framework tools, such as the World Health Organization (WHO) [Human Health Risk Assessment Toolkit: Chemical Hazards](#) and the International Council of Chemical Associations (ICCA) [Guidance on Chemical Risk Assessment](#).
  - 3.3 Additional frameworks for hazard- and risk-based chemical assessments include those compiled by the [Organisation for Economic Co-operation and Development \(OECD\)](#).
- 4 The entity shall describe how it prioritizes chemicals for reduction and/or elimination from products it offers for sale, how it communicates these priorities to suppliers and enforces compliance, and whether it encourages or requires suppliers to consider alternative chemicals in product formulations.
  - 4.1 Examples of assessment tools and methods include, but are not limited to, GreenScreen® For Safer Chemicals and U.S. EPA Design for the Environment (DfE) [Alternatives Assessments](#).
- 5 The entity shall describe its policies and practices for disclosing full chemical formulations for the products it offers for sale.
  - 5.1 The scope of disclosure includes the channels through which the entity provides the full chemical formulations of products, which include, but are not limited to: product labels, the entity's website, and the entity's online store.
  - 5.2 The scope of disclosure includes third-party branded products and the entity's private-label products.
- 6 The entity shall disclose if it pursues testing and/or third-party certification to verify the chemical content of its private-label products or if it selects third-party branded products based on whether they have obtained third-party certification that verifies their chemical content, including which certifications it holds and to which products the certifications apply.
- 7 The entity may identify chemicals found in its product portfolio for which it has a policy to reduce, eliminate, or assess, for reasons, as determined by the entity, such as:
  - 7.1 There is incomplete and/or insufficient availability of toxicity information such that the entity cannot determine if the chemical is safe for use
  - 7.2 Pending or anticipated regulations may limit or restrict the use of the chemical in the future
  - 7.3 There is potential for environmental harm, but not human health harm, that the entity wishes to limit
  - 7.4 In response to shifts in market demand or expectations relating to the usage of a specific chemical, class of chemicals, or category of chemicals that may not be regulated but are recognized by the entity as being "of

concern” to consumers, customers, regulators, and/or others (e.g., nongovernmental organizations, scientific researchers)

- 8 Where the entity has identified specific chemicals for elimination or substitution in its product portfolio, it may discuss the timeline to achieve its goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress toward achieving its goals.
- 9 The entity may discuss its policy for selecting products to sell that use chemicals classified as Group 1 carcinogens by the IARC Monographs on the Evaluation of Carcinogenic Risks to Humans, and substances listed in Annex XVII to REACH, including its policy for labeling such products.
- 10 Where applicable, the entity shall describe its approach to chemicals management in the context of each stage in its private-label products’ lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, and product labeling and marketing.
- 11 Where chemicals management policies and practices differ significantly by business unit, product category, or geography, the entity shall describe those differences.

### **CG-MR-410a.3. Discussion of strategies to reduce the environmental impact of packaging**

- 1 The entity shall discuss its strategies to reduce the environmental impacts of packaging, such as optimizing packaging weight and volume for a given application, or using alternative materials, including those that are renewable, recycled, recyclable, or compostable.
- 2 Relevant disclosure may include, but is not limited to, the following:
  - 2.1 Design innovations, including strategies to optimize the amount of material used; packaging weight, shape, and size; product-to-package ratio; cube utilization; and void fill
  - 2.2 Implementation of the “Essential Requirements” in Article 9, Annex II of the EU Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting
  - 2.3 Performance on the [Global Protocol on Packaging Sustainability 2.0](#) metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment
- 3 The entity may discuss its strategies as they relate to primary, secondary, and tertiary packaging of its private-label products as well as the packaging of products from its vendors.
  - 3.1 Primary packaging is defined as the packaging designed to come into direct contact with the product.

- 3.2 Secondary packaging is defined as the packaging designed to contain one or more primary packages together with any protective materials, where required.
  - 3.3 Tertiary packaging is designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling, and/or distribution. Tertiary packaging is also known as “distribution” or “transport” packaging.
  - 3.4 Private-label products include store-branded products packaged for sale with the retailer’s name, whether manufactured by the retailer or by another manufacturer.
- 4 The entity may discuss its use of Life Cycle Assessment (LCA) analysis in the context of its approach to environmental impact reduction and maximization of product efficiency, including weight reduction and transportation efficiency.
- 4.1 When discussing improvements to the environmental efficiency of packaging products, improvements may be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).



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