Value Reporting Foundation
Attn: SASB Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

GUESS?, Inc.
1444 S Alameda Street
Los Angeles, CA 90021

Re: GUESS Comment on Exposure Draft Apparel, Accessories & Footwear Standard

September 1, 2021

Dear SASB Standards Board,

Thank you for the opportunity to comment on the proposed changes to the SASS disclosure on Raw Materials Sourcing for the Accessories and Footwear sector. We are proud to have inspired this discussion, and support SASB’s due diligence and industry collaboration on this important topic. Overall, we believe that the new draft is strong; however, we also encourage SASB to further develop the guidance for the accessories and footwear categories. As it the disclosure currently stands, we think it would lend itself to incomparable and inconsistent information for those categories. Please find our responses to all of the SASB Questions below.

Question 1: Does the proposed change to the “priority raw materials” definition in the qualitative metric (CG-AA-440a.1) improve (1) alignment with common industry practices and guidance, (2) cost of implementation for companies, and (3) usefulness of disclosures?

Yes, the proposed change to “priority raw materials” improves alignment with industry best practice, and enhances usefulness and efficiency of resources. The concept of “priority raw materials” helps companies to focus on risk-based reporting, while incentivizing completeness of disclosure since “priority” is not defined solely by volume.

However, the disclosure as currently written is best applied for apparel only. GUESS requests SASB to offer more guidance on the approach to take as it relates to accessories and footwear categories. For Accessories and Footwear, the nature of construction is more complex, with more components, and often times more variability and unknowns. More guidance will be important to further align brands as they report on these categories, or else the data may not sufficiently be comparable, accurate or complete.
Question 2: Do you agree with the rationale to structure metrics by priority raw material (e.g., cotton, leather, etc.) versus by another component such as sourcing region or environmental/social factor (e.g., water scarcity, animal welfare, etc.)?

Yes, we agree with the rationale to structure metrics by priority raw materials, and not by another factor such as sourcing region or environmental/social attribute, as this structure allows brands to analyze and manage risks based on their most direct influence and impact. Brands typically have more direct control over raw materials selection, while control on materials management is significantly less direct. Furthermore, with complex global supply chains, and so many overlapping social and environmental issues, any other approach would likely be more difficult to compare and therefore of less value to a reasonable investor.

Question 3: Do the proposed changes to the quantitative metric (CG-AA-440a.2) improve the comparability, completeness, and usefulness of disclosures?

Yes, for the apparel category, the proposed metrics will significantly improve comparability, completeness and usefulness. However, we advise SASB to require that companies disclose how they define "purchased" raw materials, to aid with transparency. For example, at GUESS, we use the metric "received items" as our purchased goods categories, as this is the most reliable and accurate metric for purchased goods. However, this may vary slightly by company, so it's important to know (for example, a company that more commonly directly purchases fabric might report on fabric purchases + final product purchases, depending on business model).

And similar to the aforementioned comments, this disclosure is too open-ended for the comparability and completeness desired as it relates to the accessories and footwear. More guidance is needed as there is no common standard on accessories and footwear as there is for apparel. Without additional parameters on this, disclosures on these categories will likely be inconsistent and lack usefulness.

Question 4: The Board considered two approaches to revise the list of certifications/standards included in metric CG-AA-440a.2. Do you have a preference between the two approaches, and if so, why? What principles would you consider when evaluating the credibility and/or selection of third-party certifications/standards?

GUESS would recommend to permit both approaches as in the current draft. Reporting companies should use the same list of standards and, if reporting a standard outside of the proposed list, they shall provide rationale to include it.

GUESS proposes that SASB evaluate the possibility to permit combined certification reporting based the certification/quality type – similar to Textile Exchange. For example, organic cotton could be disclosed as 1) Organic-GOTS; 2) Organics-OCS- and 3) Organic-COTS/OCS (combined option). The Textile Exchange's Corporate Fiber Benchmark takes a good approach on this that we recommend for SASB to consider for adoption. This option to categorize by "total" organic may ultimately be what the investor wants to know. The difference between certifications may not be pertinent to the reasonable investor, yet operationally and for assurance reasons, it may be beneficial to have this as an option. For example, most investors/stakeholders are interested in the percentage of organic cotton used by a brand, but is likely agnostic to whether a brand uses GOTS or OCS. Similarly, responsibly sourced manmade cellulosics such
as Lenzing or Birla are also comparable in impact. This will simplify and increase comparability of different companies’ reporting by removing such nuanced categories.

Question 5: Do you agree with the Board’s conclusion to not expand the scope of the Raw Materials Sourcing disclosure topic to include materials used for packaging?

Yes, GUESS agrees with the Board’s conclusion to not expand the scope of raw materials to include packaging- for the same reasons as detailed by SASB in the draft and, additionally, because data for packaging is usually managed separately from product-level data.

Question 6: Do the proposed changes improve the usefulness of disclosures for companies identified in the industry scope (companies involved in design, manufacturing, wholesaling, and retailing)?

While we believe our comments throughout are also applicable for design businesses, we are unable to fully comment on the applicability for manufacturing and wholesaling sectors since this is not our business. However, we can provide context based on our experience and understanding with such business partners. We do believe that it is crucial that all partners along the value chain are aligned on how to effectively procure and process sustainable materials. We also know that these players don’t typically have as much agency and influence over materials selection as the brands. Typically, brands and designers are the ones directing the materials selection process. We believe that manufacturers ought to be focused on clean production and power of their processes as we all pursue a low carbon economy.

Thank you for your consideration. We are available at your disposal for further discussion and clarification as needed.

Sincerely,

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