Public Comment period for Raw Materials Sourcing in Apparel project

Dear Taylor and SASB team,

Thank you for inviting me to comment on the revisions to the Apparel Standard. It is clear that a lot of thought has gone into refining the standard to increase its value to investors and clarity/ease for reporting companies. I believe these revisions represent a significant improvement in almost every way. Please find my feedback below. The one area that might benefit from additional reflection and further adjustments is the reporting of certifications, for which I have offered a few suggestions. I hope this feedback is valuable and wish you the best of luck in finalizing the revisions.

Sincerely,

Mia

• **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. From an investor perspective, a focus on specific materials and the use of the Textile Exchange definition works well. It offers a clear definition of which materials should be included, and the suggested table format lends itself in structure to a thorough description. The material-by-material format is aligned with how investors think about input related costs and other factors affecting a company’s production. This would not seem to impose a significant cost burden on companies as they have surely done this analysis already – and if not, they should. Finally, it makes the disclosures more useful as they are more specific and less likely to be overlooked from being overly bucketed together.

• **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. From an investor perspective, a focus on specific materials aligns more closely with how we think about input related costs and other factors affecting a company's production. This makes them more useful as they are more specific and less likely to be overlooked from being overly bucketed together.

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

They are an improvement from a quantitative standpoint but not an improvement from the standpoint of certifications/standards.

• **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?

The topic of certifications would benefit from further refinement. Choosing from a list of certifications is not ideal because certifications can vary so much in scope and rigor that it doesn’t enable much comparability across firms. A principles-based approach might be able to work better. However, the principles proposed:

• Managed by a third party, is active, and in use; • Explicitly intended to be used for one or more raw materials that the entity has determined are among its priority raw materials; • Explicitly relates to environmental or social factors that may threaten the entity’s sourcing of raw materials and/or supply chain, including, but not limited to, the availability or pricing of such materials; and/or • Used by the entity for the purposes of managing its business risks associated with sourcing raw materials, including, but not limited to, access to and availability of priority raw materials, price volatility, regulatory compliance, brand value, and reputation.

do not, frankly, seem like principles, but rather high-level descriptors. If this approach is taken, it would be useful to create a grid or table of criteria. Rather than the current principles proposed, the standard could ask for disclosures on each certification that might include the following:

• Objective
• Scope
• Approach to evaluate agricultural or business practices being certified,
• Level of rigor (this would need to be defined),
• % of raw material purchased that is covered by the standard
• etc.
This would benefit investors more than either of the approaches being proposed by enabling them to compare and contrast company’s use of standards.

- **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, I fully agree with this. The raw materials used for packaging are significantly less material in apparel than the raw materials used in the production of apparel items themselves since they are linked to much more salient risks and environmental impacts. In that regard, including packaging would seem to be distracting, while creating unnecessary work by firms to prepare disclosures.

- **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)?

It’s not clear to me how the proposed revisions significantly increase the usefulness to investors or the ease/guidance to companies in clarifying their exposure to raw material risks as it relates to their place in the value chain. The disclosures of raw material purchased would help distinguish companies in the design or retail segments from companies in the manufacturing and wholesaling segments, but it is still largely up to the company to provide a description of how their business is impacted by raw material risks.