



Standards Outcome Review

CONSUMPTION 2

SASB Standards Development Team
March 12, 2015

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Executive Summary

This report provides a reference and framework for the SASB Standards Council Consumption 2 sector standards outcome review on March 19, 2015.

In the fourth quarter of 2014, SASB's Standards Development Team identified sustainability disclosure topics and related accounting metrics (herein after referred to as "issue(s)" and "metric(s)") in the eight industries in the Consumption 2 sector:

- Multiline & Specialty Retailers & Distributors
- Food Retailers & Distributors
- Drug Retailers & Convenience Stores
- E-commerce
- Apparel, Accessories, and Footwear
- Building Products & Furnishings
- Appliance Manufacturing
- Toys & Sporting Goods

These issues and the associated metrics have subsequently been vetted by external stakeholders through the Industry Working Group (IWG). This process allowed for each issue and metric to be evaluated on the basis of materiality, investor interest, and cost-benefit analysis. Based on this feedback and additional research, SASB will open a 90-day public comment period (PCP) on accounting standards for the eight industries, starting on April 8, 2015.

This report provides the Standards Council with an update on SASB's evaluation of IWG feedback and an overview of additional evidence research, which form the basis for the revised set of issues and metrics for public comment.

- **Section I: Issues for Reconsideration**¹ focuses on issues where a majority of IWG participants agreed that the issue was likely material, but several had significant reservations about materiality. For such issues, SASB reconsidered evidence of materiality and/or specific aspects of the issue, based on IWG feedback and additional SASB research. SASB would like to draw the attention of the Standards Council to these issues in particular, considering the IWG feedback and SASB's response.
- **Section II: Strong Issues with Reservations** focuses on issues where a majority of participants also agreed about the likely materiality, but some had reservations. For such issues, SASB evaluated the specific IWG comments and the strength of the initial evidence of financial impact to determine whether any changes were required. Issues in this section received a relatively lower amount of negative feedback and fewer potential changes are recommended for these compared to issues in Section I.
- **Section III: Suggested Additional Issues** presents a summary of SASB's evidence research on and decision whether to include additional issues proposed by IWG participants.
- **Table I** (*next page*) shows the percent of IWG participants that agreed on the likely materiality of issues; ~87 percent of topics across all industries were deemed by over 75 percent of participants to likely be material for companies in the industry.
- **Table II** (*Section III*) shows a list of new issues proposed by IWG members.
- **Appendix I** shows the list of issues by industry that were presented to the IWG and SASB's initial assessment and process for revising each of those issues.
- **Appendix II** contains a draft list of issues that SASB will present for public comment on April 8, 2015.
- **Appendix III** provides sample draft accounting metrics for the Multiline & Specialty Retailers & Distributors Industry, for reference.

¹ For the Consumption 2 sector, there were no issues proposed to the IWG that were considered to have weak evidence of materiality, as some reports to the Standards Council have had in the past, where a majority of participants had significant reservations or did not think the issues were likely material.

In addition to this report, there is one supplemental report, which provides both a detailed materiality assessment of each disclosure topic by the IWG, as well as a list of all IWG comments on issues.

Table I: Summary of IWG Feedback on Issues

Industry	Completed surveys	Average approval	Lowest agreement
Food Retailers & Distributors	17	92%	77%
Drug Retailers & Convenience Stores	10	84%	60%
Multiline & Specialty Retailers & Distributors	10	90%	80%
E-Commerce	17	88%	65%
Apparel, Accessories, and Footwear	23	91%	65%
Building Products & Furnishings	21	76%	71%
Appliance Manufacturing	14	96%	93%
Toys & Sporting Goods	12	100%	100%

I. Issues for Reconsideration

This section focuses on issues where a majority of IWG participants agreed that the issue was likely material, but several had significant reservations about materiality (between 50 and 75 percent of participants typically agreed that the issues were likely material). For such issues, SASB reconsidered evidence of materiality and/or specific aspects of the issue, based on IWG feedback and SASB research. Issues are analyzed by industry, looking at (i) **evidence of interest** from SASB’s heat map and detailed IWG feedback and (ii) **evidence of financial impact** from existing research in industry briefs complemented by additional research. An **analysis** of all evidence is then provided, together with a final **recommendation** for inclusion or removal of the issue.

1. DRUG RETAILERS & CONVENIENCE STORES

a. Employee Diversity & Inclusion – Reframe

Evidence of Interest

Heat Map Tests

The issue received a heat map score of 40 out of 100, a top quartile issue.

IWG Feedback

Issue priority

The average ranking of the issue is 5th out of 5 issues.

Issue materiality

RESPONSES TO MATERIALITY OF EMPLOYEE DIVERSITY & INCLUSION IN DRUG RETAILERS AND CONVENIENCE STORES INDUSTRY*

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	-	3	3	6	60%
No	1	-	-	1	10%
Maybe	-	2	1	3	30%
Total	1	5	4	10	

*Note: This industry has a small sample size of participants

Comments from IWG respondents

IWG respondents had reservations about the materiality of the topic for the Drug Retailers & Convenience Stores industry due to the lack of direct connection with financial performance. One market participant commented that the issue was less unique to this industry and another mentioned that they had not encountered a case where diversity had a material impact on business results.

Stakeholder Type	Material?	Stakeholder Comment
Market Participant	Maybe	<i>I agree with in theory that employee diversity can have a material impact on the long-term sustainability of a business. However, in my experience, I have not encountered a case where this topic has had a material impact on business results.</i>
Public Interest Intermediary	Maybe	<i>While employee diversity is important for effective distribution of drugs and healthcare, this issue seems less unique to this industry and would therefore be material for many industries.</i>
Corporation	No	<i>How diverse we are and how inclusive we are is not critical to the operations of the business, from an investor's viewpoint. Yes, over the long run, diversity could strengthen the company and provide for greater prospects, but the investor does not need to know the details. Simply stating a percentage of groups represented indicates nothing to the investor about performance or sustainability. It only creates a datapoint for someone to include in some ranking on Diversity Inc.</i>

Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)²

In retail and consumer goods industries, research on the business effects of diversity shows that diverse employees understand cultural nuances, enable companies to understand their diverse customer base, and provide better consumer insights. Employee diversity that reflects the diversity of both the overall population and the specific communities served could enable the industry to establish a brand relationship with such customers, improving financial performance. According to a study on diversity in pharmacy education published in the American Journal of Pharmaceutical Education, diversity is a recognized benefit to the pharmacy profession. However, the demographic profile of the pharmacy profession fails to mirror the U.S. population. The study also discusses the potential benefits of a diverse workforce, such as better talent utilization,

² Note – Paragraphs presented here and in similar sub-sections for issues that follow in this document, are extracts from SASB industry briefs and are provided for reference. Please refer to briefs for complete evidence and citations.

increased marketplace understanding, and enhanced creativity and problem solving. Furthermore, diversity may reduce employee turnover, which can reduce turnover costs. For an hourly employee, these costs may be between \$5,000 and \$10,000.

A 2008 report by The Center for the Health Professions at the University of California, San Francisco, discusses the growing importance of diversity within the pharmacy professions in California due to the state's rapidly changing demographics. The report states that in 2006, the proportion of the population that was non-white was nearly 57 percent, while projections suggest that by the year 2030, approximately two-thirds of the state's population will be non-white. Pharmacists' role as healthcare providers requires them to accurately convey information to patients about medication use and adherence. Language is an important aspect of this communication, as are ethnic, cultural, and gender diversity. Multilingual and multicultural pharmacists and sales workers can more effectively communicate important and complex drug or healthcare information, as well as addressing diverse cultural beliefs surrounding medication use.

Failure to account for a patient's ethnicity or culture may lead to adverse health outcomes, and miscommunication due to linguistic differences could lead to faulty diagnoses, decreased drug adherence, unnecessary testing or procedures, or reduced efficacy of preventive measures. In contrast, improved patient satisfaction due to racial similarities between caregivers and patients is well documented. Patient satisfaction improvements may directly benefit the industry's growing retail health clinic segment, while increased drug adherence, which is the degree to which a patient follows their physician's medication consumption recommendations, could lead to higher drug revenues or reduced attrition of customers who regularly purchase drugs.

Drug retail companies recognize these factors as business drivers. In its 2013 Corporate Social Responsibility report, CVS states, "A diverse and inclusive workplace is vital for any company operating in today's marketplace," and, "CVS Caremark views diversity as an imperative to our business. Our ability to provide high-quality, innovative pharmacy services to a diverse set of customers and clients, and serve our communities and constituents, is absolutely contingent on our ability to be inclusive." Similarly, on its diversity website, Walgreens states, "As a retailer in diverse communities across the country and Puerto Rico, we want to reflect that diversity in many ways—in the products and services we offer ... in our everyday interactions with our customers, patients and each other." In order to address diversity issues, some companies have established internal diversity management oversight groups. CVS's Diversity Management Leadership Council manages strategic diversity goals for workforce representation and leveraging diversity management to obtain business objectives.

Analysis

- The issue did not reach an agreement level of 75 percent, although the IWG size was small. Of the 10 IWG respondents, 3 expressed that they had reservations about the materiality of the issue and 1 disagreed.
- Pharmacy clinics are experiencing strong growth.
 - CVS Pharmacy reported operating 800 MinuteClinic locations in FY2013, with another 150 opening in the following year.
 - Walgreens operated nearly 400 clinics in 2013.
- 2014 BLS data indicates that of the 293,000 pharmacists in the U.S., 56.3% are women, 8.1% are African American, 18.9% Asian, and 5.6% Hispanic.
- The argument is strengthened by the provision of basic health services at pharmacy locations. With the proliferation of large pharmacy chains introducing new healthcare clinics, diversity may become increasingly important in order to address the needs of patients (similar to healthcare).
- However, the most salient argument is providing quality health care and improving patient outcomes, particularly for minorities who tend to have poorer health outcomes.

Recommendation

- Do not include as a standalone diversity topic. **Reframe issue.**
- The issue received a high heat map score and only one IWG member disagreed that the issue would be material.
- The contribution of diversity to improved patient care in pharmacies, together with other aspects of improving health outcomes, can be captured through reframing the issue as a Social Capital one, focusing on the important angle of patient care.

2. E-COMMERCE

a. Employee Recruitment, Inclusion, and Performance – Keep

Evidence of Interest

Heat Map Tests

The issue received a heat map score of 27 out of 100, which is a high level of interest compared to other issues in the industry.

IWG Feedback

Issue priority

IWG respondents indicated that this issue is a low priority. It ranked 5th out of 5 issues.

Issue materiality

RESPONSES TO MATERIALITY OF EMPLOYEE RECRUITMENT, INCLUSION AND PERFORMANCE IN E-COMMERCE INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	3	4	4	11	64.7%
No	1	1	-	2	11.8%
Maybe	-	2	2	4	23.5%
Total	4	7	6	17	

Comments from IWG respondents

The table below highlights some of the key comments received from IWG participants. Only 2 IWG respondents disagreed, while 4 has reservations about the materiality of the issue ('Maybe'). As noted below, participants had reservations or disagreement about the materiality of this issue based on their opinion of the general availability of STEM candidates, and lack of interest from stakeholders regarding this issue. Others mentioned that there is both evidence of financial impact and interest supporting materiality of the topic.

Stakeholder Type	Material?	Stakeholder Comment
Corporation	No	<i>General stakeholder community in this industry has yet to make this a priority based on our experience to date.</i>
Market Participant	No	<i>E-commerce companies tend to have work forces that skew towards white and Asian males as well as foreign nationals. However, there is no evidence that these companies prefer this situation and all evidence points to this being the outcome of a qualified applicant pool population that reflects these demographics.</i>
Market Participant	Yes	<i>We see eg in germany bad working conditions at (a major E-Commerce company) leading to dissatisfaction and negative financial impact [sic]</i>

Corporation	Yes	<i>Matters around employee recruitment and treatment are important social factors which financial statement users and customers will care about.</i>
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Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)

A 2012 report by Forrester Research found that only 17 percent of E-Commerce executives say they felt that they currently had the proper staff in place, suggesting that firm's growth in this industry is being held back by a lack of skilled applicants.

Technical positions that often did not exist a decade ago, such as roles for data scientists to create algorithms that intelligently suggest goods to customers, are now critical to the success of E-Commerce firms. The adoption of this type of technology allows E-Commerce firms to compete more effectively with brick-and-mortar stores' ability to lure customers to buy goods through traditional marketing tactics like product displays. But this position, like so many in the E-Commerce space, has a severe labor shortage. There is currently a deficit of 190,000 qualified candidates, meaning that the current potential workforce would have to rise by 60 percent to meet demand. In the short to medium term, before the supply of qualified candidates can reach demand, the firms that are able to retain the best technical employees can gain significant competitive advantage. All five of the most representative companies in this industry (see Appendix I) list the ability to retain and scout top talent in the risk factors section of their 10-K or 20-F.

Companies in the industry are employing various measures to address the skills shortage, including recruiting foreign nationals. Computer occupations account for almost three-quarters of STEM requests and 50 percent of all requests for capped H-1B foreign worker visas, which are limited by annual quotas. Amazon was among the highest requestors of H-1B visas in 2014.

The difficulty for the industry of acquiring and retaining sufficient talent is further accentuated by relatively low levels of gender diversity and representation of minority groups in the workforce. While companies in this industry make efforts to recruit a more diverse talent pool, overall industry performance is poor. Amazon has been publicly criticized for not having enough women in management roles and has faced calls for the release of diversity data. Other firms, such as eBay, voluntarily disclose diversity data and have been publicly commended for having relatively better diversity numbers than tech industry peers. However, eBay admits that more work is needed, as its workforce does not mirror its consumer base. In part, this is due to the lack of qualified women and minority candidates. A recent study by the Computing Research Center determined that a typical computer and information science undergraduate class at U.S. universities was about 87 percent men, 66 percent white, 15 percent Asian, six percent Hispanic, and four percent African-American.

Pay differential among workers is considered both a factor and a symptom of the lack of development opportunities for women and minorities, illustrating the potential for implicit or explicit biases as well as the lack of opportunities to undertake core activities that drive value in the industry. U.S. Department of Labor data shows that in 2009, women earned around 76 percent of men's salaries in the Information sector. ,

A diverse and inclusive workforce is increasingly being recognized in Human Resources (HR) literature as contributing to company value. Recent research suggests that companies with effective management of gender diversity, especially at the leadership levels, outperform their peers. For example, companies with sustained high representation of women on their board of directors outperformed those with sustained low representation by 46 percent on return on equity. In a survey of 321 executives from global companies with annual revenues of more than \$500

million, 85 percent of respondents agreed that a diverse and inclusive workforce provides different perspectives and ideas that foster innovation.

In 2010, eBay started an internal program, the Women’s Initiative Network (WIN), to increase the number of women in leadership roles. While the company succeeded in doubling the number of women in leadership roles, it still acknowledges that the program has far from reached its goal, as men still held 72 percent of leadership roles as of June 30, 2014.

A 2014 report by Deloitte on trends in human capital found employee retention and engagement was one of the most urgent global trends that needed to be addressed in order to attract high quality employees. Similarly, a survey from The Society of Human Resource Management found employee engagement to be the most important concern in human resources. In order to attract employees, improve employee engagement, and therefore improve retention and productivity, E-Commerce firms offer significant monetary and non-monetary benefits. Additionally, flexible working arrangements are typical in the industry, which may, on the one hand, support and respect personal needs, leading to greater employee satisfaction and commitment. On the other hand, however, it may have the potential to affect work-life balance negatively. Employee engagement initiatives and flexibility in working conditions might influence the recruitment and retention of a more diverse workforce.

Analysis

- Despite some IWG concerns and low priority ranking for the issue, a review of the existing research indicated strong evidence in support of materiality.
- E-commerce industry is quite similar to other Technology and Communications industries, in that it relies on a STEM talent pool for value creation.

Recommendation

- **Keep issue** due to high level of interest indicated by heat map score and strong evidence of financial impact.

3. APPAREL, ACCESSORIES, AND FOOTWEAR

a. Energy Management in Retail – Remove

Evidence of Interest

Heat Map Tests

Energy Management in Retail received a heat map score of 85 out of 100, which is in the upper quartile.

IWG Feedback

Issue priority

IWG respondents indicated that this issue is low priority, 5th out of 5 issues.

Issue materiality

RESPONSES TO MATERIALITY OF ENERGY MANAGEMENT IN RETAIL IN APPAREL, ACCESSORIES, AND FOOTWEAR INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	3	5	7	15	65.2%
No	1	-	2	3	13.0%
Maybe	1	3	1	5	21.7%
Total	5	8	10	23	

Comments from IWG respondents

As indicated in the table above, several IWG members disagreed or had reservation about materiality of the topic. This was mainly due to the fact that while some large companies operate retail locations, many do not.

Stakeholder Type	Material?	Stakeholder Comment
Market Participant	Maybe	<i>I do believe this to be a material issue however, as noted in industry brief, not all retailers have control over their retail space. Additionally, online retailers should be managing data centers.</i>
Public Interest & Intermediary	Maybe	<i>I'm not convinced that the cost savings that can be generated through efficiencies in retail operations are large enough to make a significant difference for most companies. In addition, many retailers hold relatively short-term leases where they need to see very quick paybacks, and/or they are in malls in which their operations are not separately metered and energy use is included in the total rent.</i>
Public Interest & Intermediary	No	<i>The total impact of retail energy management is negligible compared to product impact. It is also very difficult to measure this across brands who distribute only through their own stores vs. through other retail outlets.</i>

Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)

As a whole, the U.S. retail sector (including stand-alone facilities, strip malls, and enclosed malls) consumes more than \$20 billion in energy every year. Assuming average energy saving targets of 15 percent, this represents a more than \$3 billion-a-year energy saving opportunity. Through improved energy efficiency in retail spaces, companies in the Apparel, Accessories, and Footwear industry have an opportunity to increase operational efficiency and, therefore, improve on low profit margins of around five percent.

This is particularly important in the face of rising electricity prices. In the U.S., the average retail price of electricity for the commercial end-use sector has gone from 7.9 cents per kilowatt-hour (kWh) in 2001 to 10.3 cents per kWh in 2013. The U.S. Energy Information Administration (EIA)'s long-term projections show that nominal electricity prices paid by the commercial end-use sector will increase to around 18 cents per kWh by 2040 in the Reference case.

Some large apparel retailers manage more than 3,200 large-format stores that utilize energy to power lights and large HVAC systems. Lighting and HVAC systems account for 90 percent of non-food retailers' energy demand. Large-format stores may have energy reduction potential of around 20 to 30 percent. Conversely, small retail stores like those in shopping centers and malls have limited opportunities to save energy, but may nonetheless see an energy reduction potential of around 3 to 10 percent. When multiplied across a large number of such stores, energy efficiency has the potential to provide significant cost reductions at the company level.

Large retailers are recognizing the benefits of energy efficiency initiatives and gaining valuable cost savings. For example, TJX Companies, a large off-price apparel and footwear retailer, has implemented energy saving programs across a number of its large format stores, including installing new light fixtures and improving HVAC efficiency, saving the company more than \$5 million in 2013. In its CDP report, the company stated that "setting goals helps drive energy cost savings initiatives that are important to maintaining our competitive advantage of offering customers great fashions and brands at well below department and specialty store regular prices."

Gap Inc., a large apparel industry retailer, maintains a store base of more than 3,539 small to medium size retail locations, presenting large opportunities for energy savings through efficiency initiatives. In 2013, Gap undertook energy efficiency initiatives in around 10 percent of its store base, or around 344 stores. Through these initiatives, the company expects to save more than \$2.1 million every year, with an initial payback period of between 1 and 3 years.

Companies in the industry are also realizing the benefits of diversifying their energy portfolios to include alternative energy sources. Large companies in the industry may be able to utilize renewable energy projects for managing energy cost risks and building brand reputation, which can fuel top line growth.

Kohl's, which operates 1,163 large-format retail stores, has a goal of having more than 200 locations with solar panels and more than 800 Energy Star-certified stores by the end of 2015. Currently, the company has more than 156 locations with solar panels, making it the third largest commercial user of solar power in the U.S. These locations fulfill more than 20 to 50 percent of their energy needs from the solar panels, on average, providing substantial and stable long-term value for the company.

Analysis

- IWG participants had reservations about the materiality of this issue due to the nature of the industry where some companies sell their products to other retailers through wholesaling operations or directly to consumers through their own retail or e-commerce outlets.
- Most manufacturers are wholesalers who do not have retail outlets. This is true for the U.S. market where less than 8 percent of men's and women's clothing are sold through manufacturer-owned stores.
- The issue was initially included because many major manufacturers have a retail presence. However, while manufacturers with a large retail presence can see some savings through energy efficiency measures, wholesalers, who are a majority of the industry, do not.
- Additionally a review of the research revealed a weaker level evidence of financial impact.

Recommendation

- **Remove issue** due to weak financial impact and lack of applicability across industry.

4. BUILDING PRODUCTS & FURNISHINGS

a. Product Lifecycle Environmental Impacts – Keep

Evidence of Interest

Heat Map Tests

The issue received a heat map score of 40 out of 100, and was a top quartile issue.

IWG Feedback

Issue priority

IWG respondents indicated that this issue is 2nd in priority after Health Impacts of Chemicals in Products

Issue materiality

RESPONSES TO MATERIALITY OF COMMUNITY RELATIONS IN CRUISE LINES INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	4	6	5	15	71.4%
No	2	1	2	5	23.8%

Maybe	1	-	-	1	4.8%
Total	7	7	7	21	

Comments from IWG respondents

Almost all respondents agreed that the issue is either material or likely to be material in the long run. However, there were two main concerns about the topic – variability in LCA calculations that would make it difficult to compare performance between companies, and the perception that this issue will more likely to affect long term value, rather than short term.

Stakeholder Type	Material?	Stakeholder Comment
Corporation	Maybe	<i>The environmental impact throughout a product’s lifecycle is material to investors, but a lack of standard and consistent approaches to lifecycle analysis can distort the perception of risk.</i>
Market Participant	No	<i>This issue seems to impact companies longer-term and is not likely to have a material impact on sales and profits over most investors’ investment horizon.</i>
Corporation	No	<i>This may also become material at a some point in the future. Today data and methodologies to identify and measure life cycle impacts are still being developed and comparative measurements between companies are highly unreliable. [sic]</i>

Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)

The building construction sector, which utilizes a large amount of products in the Building Products & Furnishings industry, uses a large amount of natural resources. According to the EPA, this sector utilizes 60 percent of all raw materials, other than food and fuel, used in the U.S. economy. It also represents a large amount of solid waste. Many of these materials can be recycled, including kitchen countertops, tiles, and carpet. This highlights the large impact the industry has on the environment through materials usage. It also stresses the importance of addressing materials recyclability and end-of-life treatment.

Some companies are subject to regulation surrounding the recycling of their products that contribute to a large portion of landfill waste. Carpets alone account for over 4.7 billion pounds of landfill waste every year and represent nearly 2 percent of the total volume of landfill waste. In 2002, only around four percent of carpets were recycled within the U.S. In an effort to improve the recycling and reuse of carpets, the EPA established the Carpet America Recovery Effort (CARE), a third-party organization. In 2013, the recycle ratio for carpets reached 14 percent.

Part of these efforts to improve the recyclability and end-of-life treatment of products, such as carpet and mattresses, has led to disposal regulation. In some cases, manufacturers are financially responsible for end-of-life disposal through extended producer responsibility laws. For example, California introduced Law AB 2398 in order to increase diversion rates and recycling of carpets sold in the state of California. The bill places a tax of 5 cents per square yard on carpets, which helps fund end-of-life treatment for carpets while still incentivizing reclamation and recycling efforts in the market.

Besides ensuring proper disposal of old products in some categories in compliance with regulation, addressing end-of-life concerns through take-back programs and partnerships may facilitate new revenue opportunities. It may also strengthen partnerships with key customers. For example, Steelcase partnered with the Institutional Recycling Network (IRN) to help customers recycle, donate, or reuse old office furniture, which helps save customers money, including

savings of 10 to 30 percent on landfill fees. Interface, a carpet and tile manufacturer, offers customers a reclamation service called ReEntry, which will recycle, repurpose, or downcycle old flooring to ensure it does not end up in a landfill. This typically saves money for the customer, as it avoids landfill fees, while also allowing opportunities for the company to sell new products. Servicing initiatives like these can help foster relationships with key customers. They can also potentially facilitate the sale of new products while improving product lifecycle impacts by repurposing useful materials.

Additionally, to reduce the end-of-life impacts of company products, corporations are introducing innovative design techniques, such as Cradle-to-Cradle design, that limits a product's lifecycle impact on the environment and human health. Some design requirements for Cradle-to-Cradle certification include utilizing materials that are fully reusable or recyclable at the end of a product's life. For example, the Steelcase Think office chair is made with 99 percent recyclable materials and over 41 percent recycled material. It was the first office chair to be certified Cradle-to-Cradle.

Product certifications like Cradle-to-Cradle and BIFMA Level can also help satisfy customers' LEED building requirements. Additionally, flooring manufacturers can express leadership in addressing the environmental footprint of their products through independently audited certifications. Certifications like NSF 140, Carpet and Rug Institute Green Label, Cradle to Cradle, and ILFI Declare can help satisfy demand for green products, particularly those seeking LEED building certifications. This product alignment with customers' sustainability agendas can help drive demand for sustainably certified products. Shaw Industries, a large carpet manufacturer, with more than \$4 billion in annual sales, generates over 60 percent of its revenue from Cradle-to-Cradle certified products.

Companies are also investing in research and development for products that address environmental impacts. Mohawk Industries, a large flooring manufacturer, has invested over \$180 million in the development of a new proprietary process for polyester fiber that uses recycled plastic bottles. According to the company, the product is better for the environment and satisfies consumer preferences for environmentally friendly carpeting.

Companies recognize the influence that regulations, sustainability certifications, and standards have on industry operations. Specifically, in its 2013 Form 10-K, Armstrong World International stated that "we expect that there will be increased demand over time for products, systems and services that meet evolving regulatory and customer sustainability standards and preferences and decreased demand for products that produce significant greenhouse gas emissions. We also believe that our ability to continue to provide these products, systems and services to our customers will be necessary to maintain our competitive position in the marketplace."

Analysis

- The market for green building products is expanding and expected to reach \$254bn by 2020. Green building products include those made from recycled materials and are recyclable at the end-of-life. Both of these angles are covered in this topic.
- The metrics are being reviewed to ensure comparability across companies.
- The medium to long term benefits of managing this issue are highlighted in the brief. For example, product certifications like Cradle-to-Cradle and BIFMA Level can also help satisfy customers' LEED building requirements, thereby capturing growing demand from customers.
- Growing demand for green products strengthens the argument for likely materiality of this topic.

Recommendation

- **Keep.**

b. Wood Sourcing Risks – Keep, expand scope pending further analysis

Evidence of Interest

Heat Map Tests

Wood Sourcing Risks received a heat map score of 15 out of 100, a bottom quartile score.

IWG Feedback

Issue priority

IWG respondents indicated that this issue is low priority, 4th out of the 4 proposed issues.

Issue materiality

RESPONSES TO MATERIALITY OF COMMUNITY RELATIONS IN CRUISE LINES INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	4	7	4	15	71.4%
No	2	-	2	4	19.0%
Maybe	1	-	1	2	9.5%
Total	7	7	7	21	

Comments from IWG respondents

All market participants agreed that the issue is likely material for the industry. Only a couple of corporations and intermediaries disagreed. Main concerns were that many companies use raw materials other than wood.

Stakeholder Type	Material?	Comment
Corporation	No	<i>Illegal logging and importation are already highly regulated and is not likely to be a item that would materially impact our company or our industry. [sic]</i>
Corporation	Maybe	<i>While wood is good (and renewable), the office furniture industry doesn't use a lot of wood in its total materials mix (about 25% of shipments are "wood furniture" as opposed to metal, plastic, and other types of furniture) so I am not sure how valid of a disclosure topic it would be for the office furniture industry. There may be too many variables involved such the availability (or lack) of sustainably harvested woods in various locations of the world that would further skew the sourcing question. The great majority of the some 5,800 products that are level® certified to the ANSI/BIFMA e3 Furniture Sustainability Standard (http://products.levelcertified.org/?p=3), and that are using wood in their products, are achieving the available points in Section 5.6 for "Bio-based Renewable Materials - Sustainable Wood" through certification to the Forest Stewardship Council (FSC) program. I think customers care deeply about where their wood products come from but there doesn't seem to be enough differentiation from company to company to warrant a large focus on it.</i>

Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)

It is estimated that 70 percent of Indonesian timber exports are illegally logged, and that nearly 30 percent of all hardwood and plywood exchanged globally is of suspicious nature. This emphasizes the potential sourcing risk to industries that source large volumes of wood from

around the world. Some large furniture companies can use over 100 million pounds of wood a year.

A prominent example of regulatory risks related to wood sourcing and their financial impacts is that of Lumber Liquidators, a hardwood flooring manufacturer and retailer. In 2013, the company was raided by the Homeland Security Investigation Unit, along with the U.S. Fish and Wildlife Services and Justice Department. The company was under allegations that it had imported illegal wood from Russia, which would be in violation of the Lacey Act. The Lacey Act was amended in 2008 to include wood products imported in violation of state or foreign laws. The investigation followed a report released by the Environmental Investigation Agency that linked the company with sourcing wood that was illegally logged in the Russian Far East, an area that is home to endangered Siberian Tigers. ,

Upon the announcement of the investigation, Lumber Liquidators' stock price dropped over 9 percent, representing a decline in market value of over \$275 million based on the company's September 27, 2013 market cap of \$3.1 billion. Following the investigation, the company improved its quality assurance requirements for its suppliers. This included demanding more documentation from its wood mills. These increased compliance requirements led to production delays for suppliers, as they were unable to fill orders in time. This was partially responsible for the company's second quarter sales miss in 2014, which resulted in a loss of market share for the company. This evidence highlights the importance of sourcing materials in compliance with legislation. It also highlights the potential detrimental effects that violations can have on a company's supply chain and financial results.

Responsible sourcing is an important issue for not just compliance reasons, but for customer preferences as well. According to Haworth, ensuring that their wood is responsibly sourced and sustainably harvested is important to customers seeking environmentally friendly furniture. The company has set a goal of sourcing 100 percent of its wood from sustainably managed forests by 2015. It plans to utilize third-party certifications like the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). While certified wood costs more to purchase initially, the costs have been driven down through increased scale and demand. FSC certified forests in Indonesia have doubled between January 2011 and July 2013 from 833,000 hectares to 1,679,000 hectares, highlighting the growth of responsibly managed forests in the country.

These certifications can help ensure that materials are produced in a responsible manner. They provide customers assurance of the quality of the products they purchase. Various certifications exist for products in different industry segments. For example, the National Wood Flooring Association has developed a Responsible Procurement Program for wood flooring products.

Analysis

- Depending on the product line, the industry uses many types of raw materials including petroleum-based materials for carpets, clay for ceramics, steel, textiles, etc.
- Among the raw materials used wood has the highest impact in terms of negative externalities. Research is underway to determine if any other input materials are also widely used and are high impact, like wood. For example, the production of steel is highly-resource intensive.
- Many of the major segments (by revenue) of the industry use wood including furniture and flooring. So while the topic may not be applicable to all companies, it will be applicable to most.

Recommendation

- **Keep issue**, may broaden scope based on additional research

II. Strong Issues with Reservations

This section focuses on issues where a majority of participants also agreed about the likely materiality, but some had reservations (more to 75 percent of participants typically agreed that the issues were likely material or they agreed that issues were likely material but with some reservations). Feedback on issues in this section was generally more positive than those issues presented in Section I. For such issues, SASB evaluated the **specific IWG comments** and the strength of the initial evidence of financial impact to determine whether any changes were required. An **analysis** of all evidence is provided, together with a final **recommendation** for inclusion or removal of the issue.

1. FOOD RETAILERS & DISTRIBUTORS

a. Workforce Diversity & Inclusion – Merge with existing fair labor issue

Evidence of Interest

Heat Map Tests

The issue received a high score of 65 out 100, which is in the top quartile among the issues for this industry.

IWG Feedback

Issue priority

The average ranking of the issue by IWG respondents was 10th out of 10.

Issue materiality

RESPONSES TO MATERIALITY OF WORKFORCE DIVERSITY IN FOOD RETAILERS & DISTRIBUTORS INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	3	6	4	13	76.5%
No	-	-	1	1	5.9%
Maybe	1	1	1	3	17.6%
Total	4	7	6	17	

Comments from IWG respondents

The table below includes a couple of comments that highlight the reasons why IWG participant thought the issue is material and why they had reservations about its materiality. While some IWG respondents saw the value of diversity in general, others thought it might be difficult to capture the benefits.

Stakeholder Type	Material?	Stakeholder Comment
Public Interest & Intermediary	Yes	<i>Diversity and Inclusion is important especially in urban markets because it facilitates the communication with customers, image of the company and therefore sales.</i>
Public Interest & Intermediary	Maybe	<i>While workforce diversity & inclusion is an important issue for the society, investors do not seem to take into account such things when investing. ESG issues related to legislation, consumer boycott, and other risk factors, easily to consider for investors. However, ESG issues related to opportunities such as diversity are sometimes hard to consider.[sic]</i>

Evidence of Financial Impact

Initial SASB Research (Excerpts of Industry Brief for IWGs)

A 2014 study by researchers at the University of California Berkeley found that unionized and non-unionized food retail workers of color in California were, on average, paid approximately 14 to 17 percent less than non-Latino white workers, showing that the wage gap exists regardless of whether or not employees are covered by collective bargaining agreements. The frequency of employment law violations is also correlated to ethnicity: according to the study, Latino and mixed-race employees were more likely to be sent home early with no pay, work off the clock, not be offered a lunch break, and not be paid for all hours worked. Statewide, non-white employees represent about 62 percent of the food retail workforce, but despite constituting a majority of the workforce, minorities are underpaid and at greater risk for labor violations than their Caucasian counterparts. These statistics reflect the industry in California, but they may also be reflective of broader discrimination conditions in the U.S. Indeed, top companies in the industry have been sued by employees in multiple states for alleged discrimination based on gender or ethnicity.

In 2008, Kroger settled a discrimination class action brought by 12 African-American employees for \$16 million. The suit, filed in 2001, alleged that employees of the company systemically blocked the promotion of African-American employees and paid them less than their Caucasian counterparts. The plaintiffs claimed that the pay and promotion disparities existed at multiple Kroger locations examined between 1997 and 2006.

In 1997, Publix Supermarkets paid \$81.5 million to settle accusations brought by an employee class action that the company systematically denied promotions, raises, and preferred assignments to women. The case covered more than 100,000 women who worked at Publix stores in Florida, Georgia, South Carolina, and Alabama in the 1990s. The plaintiffs claimed that women were relegated to cashier positions, which have limited potential for advancement, and were denied fair training, pay, and full-time status. As part of the settlement, Publix agreed to have the plaintiff's lawyers and the Equal Employment Opportunity Commission monitor the company's pay and promotion practices for up to seven years following the settlement. The settlement came following a number of multi-million-dollar discrimination cases brought against other major food retailers, including Safeway and Albertsons. Although the companies stated that they would work to reduce discrimination in the workforce, more recent examples suggest that the issue persists.

In 2009, Albertsons settled three racial discrimination cases brought by the U.S. Equal Employment Opportunity Commission on behalf of 168 minority employees. The company agreed to pay \$8.9 million to settle the charge of creating a hostile working environment, which included allegations of racial slurs, racial graffiti, harassment, discriminatory treatment, and retaliation by white employees at a company distribution center in Colorado. In all of these cases, the reputational effect, as such cases may be published in the media, must be considered along with legal settlements and related costs.

Analysis

- The issue has strong evidence of interest and financial impact, however a review of the evidence indicated that the issue would need to be framed better.
- Diversity can be a value driver, however there was no strong evidence indicating the lack of diversity in the industry. In fact, additional research confirmed that gender and ethnic diversity appears well represented in the industry.
 - 2014 BLS data indicates that 49.3 and 48.2 percent of those employed in the Grocery and Specialty Food Store industries, respectively, are women.
 - Kroger reported that 50% of all Associates are female, 39% of exempt Associates are female and 19% of exempt Associates are people of color.

- Safeway reported that 50.3% of all employees are female.
- The evidence of financial impact came from a plethora of worker discrimination lawsuits filed against food retailers.

Recommendation

- **Merge with existing fair labor issue.** The industry workforce is characterized by low-wage hourly workers who are mostly female and/or minority. Industry players have face lawsuits from both female and minority workers alleging that they were denied promotions, raises, and faced other discriminatory practices.
- The fair labor issue is about good working conditions and fair wages and has a similar impact on brand value from mismanagement of the issue. Discriminatory practices against workers could result in increased unionization rates, work stoppages, etc.

2. APPAREL, ACCESSORIES, AND FOOTWEAR

a. Fiber Sourcing Risks & Materials Innovation – Keep, expand scope

Evidence of Interest

Heat Map Tests

The issue received a high score of 33 out 100, which indicates a moderately low level of interest among issues for this industry.

IWG Feedback

Issue priority

The average ranking of the issue by IWG respondents was 2nd out of 5, tied with Lifecycle Management & Safety of Apparel, Accessories, and Footwear.

Issue materiality

RESPONSES TO MATERIALITY OF FIBER SOURCING RISKS & MATERIALS INNOVATION IN APPAREL, ACCESSORIES, AND FOOTWEAR INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	4	8	10	22	95.7%
No	0	0	0	0	0.0%
Maybe	1	0	0	1	4.3%
Total	5	8	10	23	

Comments from industry experts

All 23 IWG members agreed that this issue is likely material for the industry, including one who had some reservations. We received valuable feedback about the expanding the scope of this issue, from a corporate stakeholder who did not submit an IWG survey.

Stakeholder Type	Material?	Stakeholder Comment
Corporation	n/a	<i>Using one of your example companies, Nike, while they do produce apparel, they are primarily a footwear company, and there are no reporting requirements for the majority of their products in the existing fiber sourcing risks and materials innovation metrics. You do not touch on the leather tanning process, chemical usage and/or substitution in innovation, water usage in the tanning process, innovation</i>

		<i>in materials used (i.e., such as by Nike in their trash talk or fly knit shoes, etc. No discussion of chemicals in the plating process for jewelry, etc.</i>
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Analysis

- Additional research indicated that among world apparel fibers, the amount of cotton has remained about the same since 1992, while synthetic (non-cellulosic) fiber consumption has grown to 50 percent of fiber consumed.
- The sourcing of down, wool, leather, and petroleum-based inputs also have inherent risks associated with them.

Recommendation

- Expand scope of the issue to be applicable to footwear and accessory producers

b. Working Conditions in the Supply Chain – Keep, but may reframe

Evidence of Interest

Heat Map Tests

The issue received a high score of 55 out 100, which indicates a moderate level of interest among issues for this industry.

IWG Feedback

Issue priority

The issue was ranked as a top priority by IWG respondents.

Issue materiality

RESPONSES TO MATERIALITY OF WORKING CONDITIONS IN THE SUPPLY CHAIN IN APPAREL, ACCESSORIES, AND FOOTWEAR INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	5	8	10	23	100.0%
No	0	0	0	0	0.0%
Maybe	0	0	0	0	0.0%
Total	5	8	10	23	

Comments from industry experts

All 23 IWG members agreed that this issue is likely material for the industry.

Analysis

- The issue mainly focused on labor and worker health & safety issues for contract factories and labor rights for cotton sourcing.
- Headline risks from mismanaging labor issues is significant for the industry.
- However, many supplier audits are comprehensive and look at both environmental and human capital issues.

Recommendation

- Research team is trying to determine if supply chain issues should be separated by environmental and social issues or by tiers.
- Decision pending further input from industry experts

c. Environmental Impacts in the Supply Chain – Keep, but may reframe

Evidence of Interest

Heat Map Tests

The issue received a high score of 57 out 100, which indicates a moderate level of interest among issues for this industry.

IWG Feedback

Issue priority

The average priority ranking for the issue is 4th out of 5 issues.

Issue materiality

RESPONSES TO MATERIALITY OF ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN IN APPAREL, ACCESSORIES, AND FOOTWEAR INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
Yes	5	8	10	23	100.0%
No	0	0	0	0	0.0%
Maybe	0	0	0	0	0.0%
Total	5	8	10	23	

Comments from industry experts

All 23 IWG members agreed that this issue is likely material for the industry.

Analysis

- Environmental issues in the supply chain include use of energy, water, and chemicals in production, and wastewater management.
- However, many supplier audits are comprehensive and look at both environmental and human capital issues.

Recommendation

- Research team is trying to determine if supply chain issues should be separated by environmental and social issues or by tiers.
- Decision pending further input from industry experts

III. Suggested Additional Issues

The following additional topics were suggested by industry working group members, and reviewed by SASB. This is followed by SASB’s decision on the issues, based on additional evidence research.

The standards development team is conducting further research, including analysis of Form 10-K disclosure, and discussion with industry experts to determine materiality of the issues suggested. In some cases, it may result in addition of an angle and relevant metrics to an existing issue or inclusion of a new issue.

TABLE II: NEW ISSUES PROPOSED BY IWG MEMBERS

Industry	Issues proposed by IWG
1. Multiline & Specialty Retailers & Distributors	a. Green Building* b. Transportation Emissions

	c. Product Safety* d. Product End-of-life Management
2. Food Retailers & Distributors	a. Packaging Efficiency b. Access to Food c. Corporate Governance
3. Drug Retailers & Convenience Stores	a. Drug Access & Affordability b. Product Labeling
4. E-commerce	a. Environmental & Social Sustainability of Suppliers
5. Apparel, Accessories, and Footwear	a. Energy Management in Supply Chain b. Data Security c. Diversity & Inclusion d. Fair Wages & Turnover in Retail e. Sustainable Packaging f. Climate Change Risks in the Supply Chain* g. Water Risks in the Supply Chain*
6. Building Products & Furnishings	a. Waste Management b. Water Management c. GHG Emissions* d. Labor Standards e. Indoor Environmental Quality*
7. Appliance Manufacturing	a. Labor Issues in Supply Chain b. Energy Management c. Product Safety* d. Resource Efficiency*
8. Toys & Sporting Goods	a. Responsible Material Sourcing b. Packaging Sourcing & Efficiency c. Violence in Video Games d. Lifecycle Impacts e. Product Labeling*

*Note: These topics are already incorporated into other issues/angles within the industry

1. MULTILINE & SPECIALTY RETAILERS & DISTRIBUTORS

a. Green Building – Do not add, already addressed

- **IWG Comment:** Retail leaves a big footprint, and both the construction of the building itself, and in particular its location and contribution to sprawl, are significant. – Corporation
- **Analysis:** The underlying issue of energy usage, which is one of the strongest angles and can have an ongoing impact on operating costs, is addressed in Energy Management in Retail & Distribution. We will be exploring the environmental and social impacts of construction and development in the Infrastructure sector.
- **Recommendation:** Already in the scope of existing issue. SASB to elaborate on green buildings as a means of conserving energy during update of industry brief.

b. Transportation Emissions – Add angle to existing issue

- **IWG Comment:** Transportation is a fairly large part of a retailer's footprint, and both the distance and the mode (e.g. rail vs. air) can significantly impact a retailer's costs, both financially and environmentally speaking. - Corporation
- **Analysis:** Major companies like Sears, Best Buy, and Wal-Mart own the largest private fleets. Additionally logistics are a major activity of distributors.
- **Recommendation:** Add to the scope of the existing Energy issue.

c. **Product Safety** – Pending further review

- **IWG Comment:** *Product recalls can significantly impact a retailer's reputation and financial position, regardless of whether the recalled product comes from the company's private brands or wholesale brands.* - Corporation
- **Analysis:** Product recalls are common particularly for children's products, food, and drugs – all of these aspects are addressed in the relevant industries. Major Multiline companies mention the risk of selling products that are not safe, disclosing that it could hurt their brand, negatively impact sales, and profitability. Further research is being conducted to determine the scale impact on consumers from sales of defective or unsafe products.
- **Recommendation:** Pending further review

d. **Product End-of-life Management** – Do not add

- **IWG Comment:** *Retailers are increasingly taking on either through regulation ie. bottle bills or voluntarily responsibly recycling products ie. electronics and packaging at the end of life. [sic]* - Corporation
- **Analysis:** Product end-of-life management issues have typically been addressed in industries that design and/or produce goods. There materiality stems from not only regulations, but also the need to recycle or take back products in order to generate a stream of post-consumer input materials for production. Additionally, designers and producers of goods have a greater ability to close the loop on resource use by (1) designing recyclable and reusable products and (2) creating a market for end-of-life materials by using post-consumer / recycled inputs.
- **Recommendation:** Do not add as SASB did not come across evidence to support materiality specifically for this industry.

2. **FOOD RETAILERS & DISTRIBUTORS**

a. **Packaging Waste** – Add to scope of current supplier management issue

- **IWG Comment:**
 - *In addition to food waste management, the impact of packaging materials (plastic and cardboard) is important - reducing this impact can help reduce costs and ultimately contribute to a zero waste strategy that food retailers need to pursue. Such a strategy is already part of policy frameworks of several cities and countries (Scotland, San Francisco etc.)* – Market Participant
 - *Addressing excessive use of packaging materials. This includes product retail packaging as well as packaging related to distribution and shipping, and plastic bags or other packaging for consumers after purchase.* – Public Interest & Intermediaries
- **Analysis:** Packaging waste is a good fit within the current issue: Product Selection & Supplier Management to Mitigate Environmental & Social Impacts.
- **Recommendation:** Add angle to the scope of current supply chain issue.

d. **Access to Food** – Pending further analysis

- **IWG Comment:** *Affordability of healthy and nutritious food products is a material issue in many communities, especially low-income communities* - Public Interest & Intermediary
- **Analysis:**
 - This issue builds on the topic of 'food deserts', which is about lack of easy access to fresh and healthy produce. The U.S. Department of Agriculture released a study that found that 23.5 million Americans do not have a supermarket within a mile of their home.
 - The scale of the issue is contested since some surveys define a food desert as lack of access to 'a supermarket or large grocery store', not counting smaller shops with fresh produce.

- Size of underserved market is \$8.7 billion (compared to Safeway revenue of \$36 billion and industry revenue of \$2.3 trillion). In addition, there are tax credits from government for serving these markets.
- **Recommendation:** Determine (1) whether the issue is likely material for Food Retailers, and (2) the exact sustainability impacts of improving performance in this area.

e. Corporate Governance – Do not add

- **IWG Comment:** *Board independence, diversity and risk management are all key to every disclosure topic and quite deficient in this sector.* – Market Participant
- **Analysis:** As applied to sustainability, governance involves the management of issues that are inherent to the business model or common practice in the industry and are in potential conflict with the interest of broader stakeholder groups (government, community, customers, and employees). They therefore create a potential liability, or worse, a limitation or removal of license to operate. This includes regulatory compliance, lobbying, and political contributions. It also includes risk management, safety management, supply chain and resource management, conflict of interest, anti-competitive behavior, and corruption and bribery.
- **Recommendation:** Do not add

3. DRUG RETAILERS & CONVENIENCE STORES

a. Drug Access & Affordability – Do not add

- **IWG Comment:** *This goes beyond drug retailers, but additional disclosure regarding the consumer pricing/reimbursement from PBMs/insurers, and partnerships affecting such pricing would be helpful.* – Market Participant
- **Analysis:** The topic is particularly relevant for the Biotechnology and Pharmaceutical industries (SASB standards for these industries include this issue). Patented or brand drugs can be cost-prohibitive for many patients. While Drug Retailers charge a markup over drug cost, the cost paid by the insured customer is determined by their plan.
- **Recommendation:** Do not add.

b. Product Labeling – Do not add

- **IWG Comment:**
 - *Clear and transparent labelling is critical to ensuring the fiduciary duty of the selling of drugs to consumers is met.* – Public Interest & Intermediary
 - *Drug retailers and convenience stores sell personal care products. While these sales are not nearly as large as the sale of drugs and prescription medicines, they are still significant in their social and environmental impacts.* - Public Interest & Intermediary
- **Analysis:**
 - The issues on management of controlled substances and counterfeit drugs to an extent address labeling.
 - The second comment relate to the labelling of personal care products which can contain ingredients that can have environmental or social externalities. A majority of the industry revenue is derived from the drug store and pharmacy segment (60%), additionally this topic is addressed in the Household Products industry, which manufactures and distributes these products.
- **Recommendation:** Do not add

4. E-COMMERCE

a. Environmental & Social Sustainability of Suppliers – Do not add

- **IWG Comment:**
 - *This includes labor controversies at companies like Amazon and supply chain impact of certain ecommerce companies with online apparel or related sales. Companies that simply facilitate transactions like ebay and Alibaba do not face this risk, but others do. I do not have a discrete study relating to this handy, but news coverage of individual company issues abounds. I do not believe it is as material as the other named issues at this point, but definitely bears watching. – Market Participant*
 - *E commerce companies, particularly Amazon, have very little information on how they gauge the ESG practices of suppliers/advertisers on their platforms. This is particularly important for an E commerce company that may sell goods from overseas that are not commonly sold in store. – Market Participant*
 - *More and more customers are asking for product transparency regarding origin and production. - Corporation*
- **Analysis:** The issue was researched prior to IWG. Since the E-Commerce industry consists of companies that sell both tangible and intangible goods over the Internet, like Netflix and e-Bay, the issue is not applicable across the industry. For companies that do sell products, there is no evidence that they are being affected by this issue. Additionally, the issue currently has low evidence of interest based on the heat map score.
- **Recommendation:** Do not add

5. APPAREL, ACCESSORIES, AND FOOTWEAR

a. Energy Management in Supply Chain - Do not add, already partly addressed

- **IWG Comment:**
 - *This would belong under Environmental Impacts in the Supply Chain, but I didn't see it as a sub-topic. Companies with more efficient supply chains or better linkages between producer and consumer locations would have a competitive advantage, so therefore this could be considered a material issue. – Corporation*
 - *As noted in the brief most apparel and footwear companies products are manufactured overseas and require global transportation to get to market. Transportation releases according the EPA where 28% in 2012 so this is a significant opportunity for the sector to reduce its impact. [sic] – Public Interest & Intermediary*
 - *The nexus of Energy, Energy Costs and GHG footprint is a more material disclosure topic and is consistent with the strategic focus of the other 4 topics. I think the carve out of energy management in retail is important but too narrow. And the discussion of Energy in Environmental Impacts in the Supply Chain is not thorough enough. As an example nowhere in the research brief I see mention of the costs of fuels in upstream and downstream transportation and distribution of goods and the material impact of these increasing costs let alone the associated GHG footprint. It might be in the heat map. The material concerns are energy consumption, energy production type and management across the value chain as it relates to energy type, energy costs and GHG footprint. For a given corporation and its value chain where does energy consumption and management (two different topics) relate to its overall energy costs? How does the GHG footprint of a company's retail match up to other portions of its overall WRI footprint? Energy management in Retail is related as a Scope 2 GHG Emission and most companies know that via utility bills. However, the Scope 3 energy, costs and attendant GHG emissions will tell a bigger story.*

If a company within the sector plots its energy consumption, energy costs and GHG footprint referencing the WRI methodology this holistic approach will show materiality, cost and impact. This would be applicable to any company in the sector and will make for a robust SASB standard. Most companies have this or are working on it as it is used in CDP and GRI reporting. - Corporation

- **Analysis:** There are a couple of different angles in this issue: (1) energy use in manufacturing, and (2) carbon emissions associated with sourcing input materials and products from all around the world. Energy use in manufacturing is addressed generally within the issue on environmental sustainability of supply chain since most production is contracted out. For the second aspect, analysis of product cost data indicates that transportation costs are a very small fraction of overall cost of manufacturing apparels and footwear. Transportation emissions are more directly targeted in the Transportation sector.
- **Recommendation:** Do not add, partly addressed in existing issues

b. Data Security – Do not add, addressed in another industry

- **IWG Comment:** *Partially due to the increased use of online shopping, credit card tied to the retail store accounts, the risks of privacy breach, represented by some major cases such as Home Depot and Target. A series of hacking incidents also increased concerns among consumers. This issues should include both quantitative indicator of multi-year data of how many incidents and the number of customers information possibly leaked. Also, qualitative data regarding specific efforts to address/improve the information security need to be reported. – Market Participant*
- **Analysis:** Companies that generate significant revenues from online sales should also refer to the E-commerce industry issues, which includes data security. We will issue a technical bulletin providing more guidance on this.
- **Recommendation:** Do not add.

c. Diversity & Inclusion – Do not add, addressed in another industry

- **IWG Comment:** *Historically, there have been recurring issues of discrimination and harassment based on race, gender, sexual orientation and disabilities in retail stores both against their customers as well as against their own employees in the industry in the domestic retail as well as foreign retail stores. Many cases gets good media coverage, some of which have had disastrous impacts on reputation/brand names while also results in litigation with monetary compensation as well as punitive damages. At the same time, discrimination against certain customers based on race, class, gender and religions are becoming major concerns, also resulted in legal actions and criticisms by the media. Discrimination is also relates to the next issue I'm suggesting below, which is sensitivity in marketing and product design as many cases of cultural or religious insensitivity have been broadly reported. The reporting should include the number of legal cases, number of complaints, and qualitative reports on efforts to address such concerns. – Market Participant*
- **Analysis:** This topic is addressed in the Multiline & Specialty Retailers & Distributors industry. Most apparel manufacturers are wholesalers and do not have a retail presence. This was also one of the factors for removing the retail energy issue. Manufacturers with a strong retail presence can refer to the Multiline industry brief and standard to report on this issue.
- **Recommendation:** Do not add.

d. Fair Wages & Turnover in Retail – Do not add, addressed in another industry

- **IWG Comment:** *Attracting and retaining workers to the high turnover retail environment has costs. Depressed wage rates contributes to income disparity and failure to provide a living wage could affect company reputation and its ability to hang on to workers. – Public Interest & Intermediary*
- **Analysis:** This topic is addressed in the Multiline & Specialty Retailers & Distributors industry. Most apparel manufacturers are wholesalers and do not have a retail presence. Similar to above, Manufacturers with a strong retail presence can refer to the Multiline industry brief and standard to report on this issue.
- **Recommendation:** Do not add.

e. **Sustainable Packaging** – Do not add

- **IWG Comment:** *This might already be included under another category, but if it isn't should be included due to env impacts of packaging and opportunities to innovate around reduction. [sic] - Corporation*
- **Analysis:** Most apparel is not sold pre-packaged, as such the issue will not be applicable for the Apparel, Accessories, and Footwear industry.
- **Recommendation:** Do not add.

f. **Climate Change Risks in the Supply Chain** - Do not add, already addressed

- **IWG Comment:**
 - *Climate change impacts the physical sites of retail firms, transportation systems, supply chain issues in terms of environment (sourcing) and workers (community impacts). Including energy use is not enough and a number of apparel companies disclose climate risk in their financial filings – Public Interest & Intermediary*
 - *Climate change relates to and can impact many of the other topics, including raw material (cotton, leather) sourcing risks, the importance of environmental impacts in the supply chain, such as water use; energy management; and will increasingly be an unavoidable social issue for workers in places like Bangladesh, which is likely to be one of the countries hardest hit by climate change. - Public Interest & Intermediary*
- **Analysis:** Climate change risks, especially with respect to sourcing raw materials, is already covered under a raw material sourcing issue.
- **Recommendation:** Do not add, already addressed.

g. **Water Risks in the Supply Chain** - Do not add, already addressed

- **IWG Comment:**
 - *Water is a very important input for apparel manufacturing, and many regions with apparel production, including China and Bangladesh, face the risk of water scarcity. Companies should assess the water-related risks to their manufacturing supply chains. – Public Interest & Intermediary*
- **Analysis:** This angle is captured under existing supply chain issues.
- **Recommendation:** Do not add, already addressed.

6. BUILDING PRODUCTS & FURNISHINGS

a. **Waste Management** – Do not add

- **IWG Comment:** *Unwanted materials generated by a manufacturing facility that is sent to landfill or incineration facility as a means of final disposal. Reducing waste has many positive environmental impacts beyond resource conservation. For example, reducing waste means less reducing energy and greenhouse gases associated with the original production of the wasted raw materials. - Corporation*
- **Analysis:** The issue was researched prior to IWG. Companies in the industry are involved in superfund sites and have environmental liabilities on their balance sheets, however most of the waste management issues seem to be legacy issues, rather than on going. Pollution abatement operating costs were among the lowest for this industry (NAICS 337) according to the U.S. Census Bureau Annual Survey of Manufacturers – only \$84 billion out of \$5 trillion for all manufacturing industries. We did not find evidence indicating that the industry is a significant generator of waste.
- **Recommendation:** Do not add.

b. **Water Management** – Do not add

- **IWG Comment:**

- *Just as I think about green house gas emissions, I think that water usage is a universal issue. It may be arguably more important because it is the single most essential chemical compound for all forms of life. Considering this fact, it seems that all businesses should be considering water usage. While it is not sector-specific, it is material. I would draw an analogy to the idea of "competition," which is a universal risk that all companies are exposed to and have to manage. – Market Participant*
- *This is another important topic for shareholders since resource heavy companies may use large amounts of water during production, as well as discharge water back into local watersheds. Several companies are reporting this data in Sustainability Reports. – Market Participant*
- **Analysis:** The comments were not industry-specific. The issue was researched prior to IWG. The industry is not a huge consumer of water and so the sustainability impacts as well as financial impacts are low.
- **Recommendation:** Do not add

c. GHG Emissions– Do not add, already addressed indirectly

- **IWG Comment:** *Although emissions is related to energy usage, several companies report their direct and indirect emissions (resource heavy companies anyway). Stakeholders and shareholders are providing pressure for companies to show decreases in annual emissions. However, I think measuring emissions may be difficult and costly. – Market Participant*
- **Analysis:** Companies in the industry use a combination of purchased electricity and fuel to satisfy their energy needs. This is already covered in the Energy Management in Manufacturing issue. However, GHG emissions are not called out specifically since the industry is not a large contributor of GHG emissions, and so not likely to be explicitly targeted by regulators to reduce or limit their emissions. The comment does not appear to be industry-specific.
- **Recommendation:** Do not add, already addressed under energy management.

d. Labor Standards – Do not add

- **IWG Comment:** *Labor practices in factory work has been a massive issue in the apparel industry since the 80s... it's only something that is growing in importance in other manufacturing settings. – Public Interest & Intermediary*
- **Analysis:** A key differentiation from the apparel industry is that many building products and furnishings companies are vertically integrating in that they produce their own products. The issue was researched prior to IWG. The non-fatal injury rate for “Furniture and Related Products (NAICS 337) was 4.9 per 100 workers, which is greater than the average 3.5, however this could be driven by smaller non-listed companies. Major listed companies disclose low injury rates. Evidence of financial impact was difficult to find – there are not many known cases of worker lawsuits. We did not find evidence to suggest this is likely an issue in this industry.
- **Recommendation:** Do not add

e. Indoor Environmental Quality – Do not add, already partly addressed

- **IWG Comment:** *Indoor Environmental Quality - Was any thought given to the impact of building material on the indoor environmental quality. For example, what about products that make life better for occupants - increase light reflectance, improve thermal value (reduce energy consumption in the building), improve acoustics; improve performance (students learn better, because of better acoustics or more exposure to daylight). Just a thought. - Corporation*
- **Analysis:** Aspects of this issue are covered under the chemical use issue.
- **Recommendation:** Do not add, already partly addressed

7. APPLIANCE MANUFACTURING

a. Labor Issues in Supply Chain - Do not add

- **IWG Comment:**
 - *Does the company utilize third party suppliers for manufacturing? If so, worker EHS considerations must be made.* – Market Participant
 - *As we know, many of these products are made overseas - I think investors want to know this. For example, if 70% of a product is made in Russia or China, international relations could significantly impact this company* – Public Interest & Intermediary
 - *As we know much of the production is overseas, I think we should know where and what labor laws they are following/agreeing too. Manufacturing overseas and any challenges with those facilities have significant brand damage and consequences.* – Public Interest & Intermediary
- **Analysis:** Large appliance companies appear to own a significant portion of their product manufacturing operations, including those located overseas. Research did not reveal any high profile “headline” cases of poor working conditions in the appliance supply chain or any other financial impact. Electrolux was the only major company to provide color on their supply chain and manufacturing operations overseas. They mentioned that they are moving their manufacturing to low cost regions and that an audit of their supply chain revealed a handful of cases of labor child.
- **Recommendation:** Do not add

b. Energy Management - Do not add

- **IWG Comment:**
 - *I appreciate that a key strength of the SASB program is the focus on materiality by sector. However, a case could be made that climate change is a universal issue that affects all sectors. Manufacturing plants' Scope 2 emissions may be considered a material issue to manage in a resource-constrained market.* - Market Participant
- **Analysis:** This issue was researched prior to IWG. The cost of purchased fuel and electricity as a percentage of total cost of materials is low for the Appliance Manufacturing industry and no other evidence was found to suggest this is a likely material factor for the results of operations. Of higher impact is the energy consumption of appliances in use, addressed in the issue of Product Lifecycle Environmental Impacts.
- **Recommendation:** Do not add.

c. Product Safety - Do not add, already addressed

- **IWG Comment:**
 - *An indication of potential risk posed by a product based on its chemical composition, the human and ecological hazard properties of the ingredients, and the exposure potential of the ingredients during its life cycle.* – Market Participant
 - *product quality mean product value. Product quality affect the economic and social aspects. The higher the quality of the product, increases community members benefit, and increases community welfare. Product quality increase confidence between customers and businesses. This increases the value of companies, and improves the economic side.* - Corporation
- **Analysis:** The current issue, Product Safety Hazards, addresses safety hazards from appliances.
- **Recommendation:** Do not add, already addressed.

d. **Resource Efficiency** -- Do not add, already addressed

- **IWG Comment:** *resources affect the economic and environmental aspects, [sic]- Corporation*
- **Analysis:** The current issue, Product Lifecycle Environmental Impacts, takes into account end-of-life and use of non-virgin raw materials in manufacturing.
- **Recommendation:** Do not add, already addressed.

8. TOYS & SPORTING GOODS

a. **Responsible Material Sourcing** – Do not add

- **IWG Comment:**
 - *For electronic toys in particular, conflict minerals would be worth considering - if not as a material issue, then at least for the "watchlist." The social and environmental harm caused by the mining process for rare earth minerals that are inputs to many electronics devices are increasingly entering the public consciousness. This is certainly more of an issue for companies that are exclusively in the electronics industry (e.g. computer manufacturers) but is relevant to the toy/gaming industry as well. – Corporation*
 - *Many products sold within the Toys & Sporting Industry include 3TG or "conflict minerals". Responsible sourcing can also include more than just conflict minerals, but for many companies, it seems to be a significant undertaking. – Public Interest & Intermediary*
- **Analysis:** Though there is an increasing trend towards electronics, it is still a small portion of the industry. Additionally, toy manufacturers are likely to source electronic components from third-parties and so are further removed from the issue.
- **Recommendation:** Do not add

b. **Packaging Sourcing & Efficiency** – Do not add

- **IWG Comment:** *Packaging is part of the product when it comes to toys. Making sure that the wood and paper is either recycled, certified or sustainably sourced is important for the protection of forestry resources - Corporation*
- **Analysis:** According to CSR reports of major toy companies, they are already sourcing recycled, sustainable, or FSC certified paper for most of the packaging. The issue was flagged for other consumption industries where the products are staples (food, beverages, household products, etc.) and product turnover rates are high. The Toys & Sporting Goods industry is unlikely to have as large of an impact since it is more of a luxury good. Additionally, packaging is sourced from containers and packaging industry, where this issue is highlighted.
- **Recommendation:** Do not add

c. **Violence in Video Games** – Do not add

- **IWG Comment:** *This is one for the watchlist: in a similar vein as gender-typing, violence in video games is a controversial issue. Hot-topic issues like bullying in schools draw increased attention to the areas where violence enters childrens' lives, and in this regard, the content of games can come under scrutiny. - Corporation*
- **Analysis:** Outside the scope of this industry. The BICS definition of the Toys & Games segment, upon which SICS is based, specifically mentions that "It does not include metal bicycles or video game consoles or software." Video game software is covered in Software & IT Services industry, although there is no specific issue related to this as it is one of many software products offered by the industry and not all software companies make video games.
- **Recommendation:** Do not add.

d. **Lifecycle Impacts** – Do not add

- **IWG Comment:**
 - *Most Plastics are not bio-degradable and end up in landfill. Plastics are also made using petroleum; therefore fossil fuels contributing to climate change. Collecting baseline data and beginning to set targets for renewable resource use and alternative and advance materials should begin as a key discussion in standards entities. How to work with regulators on recycling is also critical so that ultimately doing the right thing does not become cost prohibitive.* – Corporation
 - *How a company disposes of any chemical waste and products that haven't sold. Basically, Waste management. Do they recycle the materials for products that haven't sold if so what are the issues they confront. If they dispose of chemical by products and unused inventory, how does that happen* - Market Participant
- **Analysis:**
 - Pollution abatement operating costs for NAICS 339920 & 33993 – “Sporting & athletic goods manufacturing” and “Doll, toy, & game manufacturing” were \$10.5 million combined out of a total of over \$20 billion for all manufacturing industries. Waste from toy and sporting goods manufacturing is likely not a significant contributor of overall waste.
 - According to the EPA, plastics (including toys, containers, furniture) make up almost 13 percent of the municipal solid waste stream. However, evidence of interest and financial impact is low. The heat map score put lifecycle impacts in the bottom quartile, and research did not reveal significant financial impact from managing this issue. Extended Producer Responsibility laws, when do exist, do not apply to this industry.
- **Recommendation:** Do not add

e. **Product Labeling** – Add angle to existing topic

- **IWG Comment:** *As consumers become more aware of the materials that constitute the products they purchase, particularly in the Toys & Sporting Goods industry, product labeling and other consumer disclosures will be increasingly important, and a material topic to manage by companies operating in the sector* – Public Interest & Intermediary
- **Analysis:** Product labeling would be a good fit under the existing issue: Chemicals Usage & Safety Hazards of Products. SASB to add more discussion around labelling requirements in future updates of the industry brief and review whether to add metrics around this.
- **Recommendation:** Add angle to existing topic

Appendix I: Summary of IWG Feedback on Issues

	Food Retailers & Distributors	Drug Retailers & Convenience Stores	Multiline & Specialty Retailers & Distributors	E-Commerce	Apparel, Accessories, and Footwear	Building Products & Furnishings	Appliance Manufacturing	Toys & Sporting Goods
Environment	<ul style="list-style-type: none"> Air Emissions from Refrigeration Energy Management in Retail & Distribution Food Waste Management Packaging Waste 	<ul style="list-style-type: none"> Energy Management in Retail 	<ul style="list-style-type: none"> Energy Management in Retail & Distribution 	<ul style="list-style-type: none"> Energy & Water Footprint of Hardware Infrastructure Logistics & Packaging Efficiency 	<ul style="list-style-type: none"> Energy Management in Retail 	<ul style="list-style-type: none"> Energy Management in Manufacturing Water Management Waste Management 	<ul style="list-style-type: none"> Energy Management 	
Social Capital	<ul style="list-style-type: none"> Data Security Food Quality & Safety Product Health & Nutrition Product Labeling & Marketing Access to Food 	<ul style="list-style-type: none"> Data Security & Privacy Management of Controlled Substances Drug Access & Affordability Product Labeling 	<ul style="list-style-type: none"> Data Security Product Safety 	<ul style="list-style-type: none"> Data Security & Fraud Protection Data Privacy 	<ul style="list-style-type: none"> Data Security Diversity & Inclusion 	<ul style="list-style-type: none"> Health Impacts of Chemicals in Products 	<ul style="list-style-type: none"> Product Safety Hazards 	<ul style="list-style-type: none"> Chemicals Usage & Safety Hazards of Products Violence in Video Games
Human Capital	<ul style="list-style-type: none"> Workforce Diversity & Inclusion Labor Relations & Fair Wages 	<ul style="list-style-type: none"> Employee Diversity & Inclusion 	<ul style="list-style-type: none"> Workforce Diversity & Inclusion Labor Relations & Fair Wages 	<ul style="list-style-type: none"> Employee Recruitment, Inclusion, and Performance 	<ul style="list-style-type: none"> Fair Wages & Turnover 	<ul style="list-style-type: none"> Labor Standards 		
B. Model & Innovation			<ul style="list-style-type: none"> Product End-of-life Management 		<ul style="list-style-type: none"> Lifecycle Management & Safety of AA&F Fiber Sourcing Risks & Materials Innovation Sustainable Packaging 	<ul style="list-style-type: none"> Product Lifecycle Environmental Impacts 	<ul style="list-style-type: none"> Product Lifecycle Environmental Impacts 	<ul style="list-style-type: none"> Lifecycle Impacts Packaging Sourcing & Efficiency
Leadership & Governance	<ul style="list-style-type: none"> Product Selection & Supplier Management to Mitigate Env & Social Impacts Corporate Governance 	<ul style="list-style-type: none"> Counterfeit & Compromised Drugs in the Supply Chain 	<ul style="list-style-type: none"> Product Sourcing, Packaging, and Marketing 	<ul style="list-style-type: none"> Environmental & Social Sustainability of Suppliers 	<ul style="list-style-type: none"> Working Conditions in the Supply Chain Environmental Impacts in the Supply Chain 	<ul style="list-style-type: none"> Wood Sourcing Risks 	<ul style="list-style-type: none"> Labor Issues in the Supply Chain 	<ul style="list-style-type: none"> Working Conditions in the Supply Chain Responsible Material Sourcing
Emerging			<ul style="list-style-type: none"> Data Privacy 				<ul style="list-style-type: none"> Critical Materials for Electronics in Smart Appliances 	<ul style="list-style-type: none"> Influence of Marketing & Stereotyping Practices

Issue with weak evidence of interest – no issues
 Strong issues with reservations – Section II

Significant concerns, seeking additional evidence & inputs – Section I
 New issue proposed by IWG members – Section III

Appendix II: Draft List of Disclosure Topics for Public Comment

The following table comprises issues that are likely to be presented for Public Comment on April 8, 2015, based on SASB's review of IWG comments and additional research. Note these issues are not final and are subject to change.

	Food Retailers & Distributors	Drug Retailers & Convenience Stores	Multiline & Specialty Retailers & Distributors	E-Commerce	Apparel, Accessories & Footwear	Building Products & Furnishings	Appliance Manufacturing	Toys & Sporting Goods
Environment	<ul style="list-style-type: none"> Air Emissions from Refrigeration Energy Management in Retail & Distribution Food Waste Management 	<ul style="list-style-type: none"> Energy Management in Retail 	<ul style="list-style-type: none"> Energy Management in Retail & Distribution 	<ul style="list-style-type: none"> Energy & Water Footprint of Hardware Infrastructure Logistics & Packaging Efficiency 		<ul style="list-style-type: none"> Energy Management in Manufacturing 		
Social Capital	<ul style="list-style-type: none"> Data Security Food Quality & Safety Product Health & Nutrition Product Labeling & Marketing 	<ul style="list-style-type: none"> Data Security & Privacy Management of Controlled Substances Pharmacy Patient Care 	<ul style="list-style-type: none"> Data Security 	<ul style="list-style-type: none"> Data Security & Fraud Protection Data Privacy 		<ul style="list-style-type: none"> Health Impacts of Chemicals in Products 	<ul style="list-style-type: none"> Product Safety Hazards 	<ul style="list-style-type: none"> Chemicals Usage & Safety Hazards of Products
Human Capital	<ul style="list-style-type: none"> Labor Relations & Fair Wages 		<ul style="list-style-type: none"> Workforce Diversity & Inclusion Labor Relations & Fair Wages 	<ul style="list-style-type: none"> Employee Recruitment, Inclusion, and Performance 				
B. Model & Innovation					<ul style="list-style-type: none"> Lifecycle Management & Safety of AA&F Fiber Sourcing Risks & Materials Innovation 	<ul style="list-style-type: none"> Product Lifecycle Environmental Impacts 	<ul style="list-style-type: none"> Product Lifecycle Environmental Impacts 	
Leadership & Governance	<ul style="list-style-type: none"> Product Selection & Supplier Management to Mitigate Env. & Social Impacts 	<ul style="list-style-type: none"> Counterfeit & Compromised Drugs in the Supply Chain 	<ul style="list-style-type: none"> Product Sourcing, Packaging, and Marketing 		<ul style="list-style-type: none"> Working Conditions in the Supply Chain Environmental Impacts in the Supply Chain 	<ul style="list-style-type: none"> Wood Sourcing Risks 		<ul style="list-style-type: none"> Working Conditions in the Supply Chain
Emerging			<ul style="list-style-type: none"> Data Privacy 				<ul style="list-style-type: none"> Critical Materials for Electronics in Smart Appliances 	<ul style="list-style-type: none"> Influence of Marketing & Stereotyping Practices

Appendix III: Sample Accounting Metrics

The following table lists the disclosure items (metrics), as they stand currently, for the sustainability topics determined by SASB to likely be material for the Multiline & Specialty Retailers & Distributors industry following IWG feedback. This table provides sample metrics for reference only. The accounting metrics are currently being revised, and final metrics put forward for public comment may be different from the ones outlined below.

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy Management in Retail & Distribution	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	CN0403-01
Data Security	Number of data security breaches, percentage involving customers' personally identifiable information, number of customers affected	Quantitative	Number, Percentage (%)	CN0403-02
	Amount of legal and regulatory fines and settlements associated with data security	Quantitative	U.S. Dollars (\$)	CN0403-03
	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	n/a	CN0403-04
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for: (1) in-store employees (2) in-store management (3) corporate employees	Quantitative	Percentage (%)	CN0403-05
	Amount of legal and regulatory fines and settlements associated with employment discrimination	Quantitative	U.S. Dollars (\$)	CN0403-06
Labor Relations & Fair Wages	Average hourly wage and percentage of store employees earning minimum wage, by region	Quantitative	U.S. Dollars (\$), Percentage (%)	CN0403-07
	(1) Voluntary and (2) involuntary employee turnover rate for store employees	Quantitative	Rate	CN0403-08
	Amount of legal and regulatory fines and settlements associated with labor law violations	Quantitative	U.S. Dollars (\$)	CN0403-09
	Percentage of active workforce covered under collective- bargaining agreements, broken down by U.S. and foreign employees	Quantitative	Percentage (%)	CN0403-10
	Number and total duration of work stoppages	Quantitative	Number, Days	CN0403-11
Product Sourcing, Packaging, and Marketing	Revenue from products meeting environmental or social sustainability criteria	Quantitative	U.S. Dollars (\$)	CN0403-12
	Product to package ratio	Quantitative	Ratio	CN0403-13
	Percentage of household, personal care, and home products with public disclosure of chemicals ingredients	Quantitative	Percentage (%)	CN0403-14



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