



SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

HOUSEHOLD & PERSONAL CARE PRODUCTS

Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0602

Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

HOUSEHOLD & PERSONAL CARE PRODUCTS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click [here](#).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

75 Broadway, Suite 202
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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Table of Contents

Introduction	1
Purpose & Structure	1
Industry Description	1
Guidance for Disclosure of Material Sustainability Topics in SEC filings	2
Guidance on Accounting of Material Sustainability Topics	4
Users of the SASB Standards	4
Scope of Disclosure	5
Reporting Format	5
Timing	6
Limitations	6
Forward Looking Statements	7
Assurance	7
Material Sustainability Topics & Accounting Metrics	8
Energy Management	9
Water Management	11
Packaging Lifecycle Management	12
Product Environmental, Health, and Safety Performance	14
Environmental & Social Impacts of Supply Chains	17

INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Household & Personal Care Products industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material—depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Household & Personal Care Products industry is comprised of companies that manufacture a wide range of goods for personal and commercial consumption, including household and industrial cleaning supplies, batteries, light bulbs, cosmetics, razors, and soap and other detergents. The biggest segments of this industry are cosmetics and personal products. Household and personal care products companies operate globally and serve both international and domestic customers. Companies in this industry typically sell their products to mass merchants, grocery stores, membership club stores, drug stores, high-frequency stores, distributors, and e-commerce retailers. Industry operators compete heavily on brand awareness, product quality, performance, pricing, and packaging.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Household & Personal Care Products industry, SASB has identified the following sustainability topics:

- Energy Management
- Water Management
- Packaging Lifecycle Management
- Product Environmental, Health, and Safety Performance
- Environmental & Social Impacts of Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”^{1, 2}

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”²

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”²

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

¹ TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

² C.F.R. 229.303(item 303)(a)(3)(ii)

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**³

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Household & Personal Care Products industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20³—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainable Industry Classification System \(SICS™\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),⁴ for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

³ SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

⁴ Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);⁵
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics”—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

⁵See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Units of products sold, total weight of products sold	Quantitative	Number, Metric tons (t)	CN0602-A
Number of employees	Quantitative	Number	CN0602-B

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation), for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0602-01
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m ³), Percentage (%)	CN0602-02
Packaging Lifecycle Management	Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable	Quantitative	Metric tons (t), Percentage (%)	CN0602-03
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0602-04
Product Environmental, Health, and Safety Performance	Percentage of products that contain REACH substances of very high concern (SVHC)	Quantitative	Percentage by revenue (%)	CN0602-05
	Revenue from California DTSC Priority Products	Quantitative	U.S. Dollars (\$)	CN0602-06
	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion & Analysis	n/a	CN0602-07
	Revenue from products designed with green chemistry principles	Quantitative	U.S. Dollars (\$)	CN0602-08
Environmental & Social Impacts of Supply Chains	Percentage of palm oil sourced that is certified to the Roundtable on Sustainable Palm Oil (RSPO) standard	Quantitative	Percentage (%)	CN0602-09
	Total wood fiber sourced, percentage from certified sources	Quantitative	Metric tons (t), Percentage (%)	CN0602-10

Energy Management

Description

Household and personal care products companies operate large production facilities, rely on energy as a key input for value creation, and purchase significant amounts of electricity from the grid. As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of increasing regulation. When companies have manufacturing plants located in multiple regions the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities

Accounting Metrics

CN0601-01. Total energy consumed, percentage grid electricity, percentage renewable

.01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), and which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

.03 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.04 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
- For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.
 - The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.⁶
- .05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.
 - Energy from biomass sources is limited to sources that are considered “eligible renewables” according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.
- .06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

⁶ SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

Water Management

Description

Water is vital to this industry, both as a coolant in the manufacturing process and as a main input for many of the industry's products. Water is becoming a scarce resource around the world due to increasing consumption as a result of population growth, rapid urbanization, and reduced supplies due to drought and climate change. Furthermore, water pollution in many emerging markets makes available water supplies unusable or expensive to treat. Many firms in this industry have operations in regions of the world that are facing water scarcity. Having rigorous checks in place to ensure a steady supply of water to all their factories, as well as investing in technology to increase the efficiency of water use will help firms in this industry keep a lower risk profile as water scarcity inevitably becomes a more pressing international issue.

Accounting Metrics

CN0602-02. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.07 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
- Water obtained from a water utility can be assumed to meet the definition of fresh water.⁷

.08 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.09 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.10 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

⁷ <http://water.epa.gov/drink/contaminants/secondarystandards.cfm>

Packaging Lifecycle Management

Description

The industry uses a large amount of materials for product packaging, which creates added costs for companies. In addition, packaging design has a direct impact on transportation expenses, which can be significant. The industry is facing pressure from both consumers and large retail outlets to address the environmental characteristics of its packaging, as material extraction and waste contribute to environmental externalities. Trends in sustainable packaging involve the light-weighting of materials, the use of recycled content and recyclable materials, and the use of sustainably sourced materials. While the sustainability performance of packaging depends largely on the type, use, and ultimate disposal of materials, companies that effectively manage the sustainability characteristics of their product packaging may be better positioned to capture shifting consumer demand and avoid regulation, while also potentially reducing input and transportation costs.

Accounting Metrics

CN0602-03. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.11 The registrant shall disclose the total weight of packaging it sourced, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.
- The total weight shall be calculated as the amount of packaging purchased, adjusted for any changes in packaging inventory.

.12 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.
- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.13 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.14 For materials that contain a portion of recycled material as well as virgin material and/or that contain a combination of renewable and nonrenewable materials, the registrant shall use the percentage of the recycled or renewable material, by weight, in its calculation.

.15 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- “Recyclable” is defined as able to be reprocessed for the material’s original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.
- “Reusable” is defined as a durable packaging product that is able to be reused multiple times for the original purpose for which it was conceived.
- For the purposes of this disclosure, reusable shall be considered recyclable.
- “Compostable” is defined as the ability of a material to undergo degradation by biological processes to yield CO₂, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.16 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

CN0602-04. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.17 The registrant shall discuss its strategies to reduce the environmental impact of packaging through its lifecycle, such as reducing packaging weight and volume for a given application and using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.18 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the “Essential Requirements” in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.
- Performance on the Sustainable Packaging Coalition’s Material Use metrics, such as Material Use to Packaged Product Yield, or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.
- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization, and/or Assessment and Minimization of Substances Hazardous to the Environment.

.19 The registrant may choose to discuss results of lifecycle analyses (LCA) of its packaging that it has undertaken in the context of its management approach to optimizing the environmental impacts of its packaging.

- Packaging product efficiency and health should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Product Environmental, Health, and Safety Performance

Description

The Household & Personal Care Products industry is facing growing consumer and regulatory pressure over the use of chemicals of concern, which have been linked to negative environmental externalities and impacts on human health. Some of these chemicals include persistent, bioaccumulative, and toxic (PBT) substances and carcinogenic, mutagen, or teratogenic chemicals, all of which are under increased threat of legislation. Directives in the E.U. and legislation in the U.S. place restrictions on or suggest alternatives to the use of harmful chemicals within the industry. Separately, the FDA may secure greater regulatory power over chemicals used by the cosmetics industry, which would very likely result in higher costs for the industry. Large retailers have implemented programs to ban chemicals of concern in the products they sell, which is placing greater pressure on the industry. Early adopters of innovations in green chemistry and the reduction of chemicals of concern may generate a competitive advantage in the marketplace, as they will be better able to capture customer demand and avoid regulatory burdens.

Accounting Metrics

CN0602-05. Percentage of products that contain REACH substances of very high concern (SVHC)

- .20 The registrant shall calculate the percentage as: the revenue, in U.S. dollars, from products that contain substances listed on the Candidate List of Substances of Very High Concern for Authorisation (hereafter “SVHC Candidate List”) promulgated by the European Chemicals Agency (ECHA) divided by total revenue from products.
- .21 A product shall be considered to contain a substance on the SVHC Candidate List if it has a concentration of the substance above 0.1% (w/w).
- The scope of disclosure includes products that contain these substances, regardless of whether the product is subject to E.U. regulation.
- .22 The SVHC Candidate List associated with Regulation (EC) No 1907/2006 - REACH may be accessed [here](#).

CN0602-06. Revenue from California DTSC Priority Products

- .23 The registrant shall disclose the amount of revenue from products regulated by the California Department of Toxic Substances Control (DTSC) under the Safer Consumer Products (SCP) regulations.
- The scope of disclosure includes products currently under regulation as well as those named to the Priority Products list, which are pending regulation.
- .24 The initial list of Priority Products may be accessed [here](#).
- .25 The scope of disclosure includes products identified as Priority Products regardless of whether the product is subject to California state regulation.
- .26 “Chemicals of concern” are defined as candidate chemicals that have been identified for priority products.
- .27 The registrant may choose to discuss whether it has conducted an “Alternatives Assessment” under DTSC regulation and, if so, its results.

CN0602-07. Discussion of process to identify and manage emerging materials and chemicals of concern

.28 The registrant shall discuss its approach to managing the use of materials, chemicals, and substances that may be of human health and/or environmental concern to consumers, customers (e.g., retailers and commercial buyers), regulators, and/or others (e.g., non-governmental organizations, scientific researchers, etc.).

- “Materials, chemicals, and substances” includes individual compounds, classes of chemicals, and categories of chemicals.

.29 At a minimum, the registrant shall discuss how it assesses materials and chemicals for hazard characteristics and risk traits, including the operational processes it employs for these assessments and other actions it takes to manage hazards and risks.

.30 Relevant operational processes may include, but are not limited to, product formulation and design, materials and chemicals procurement, product safety testing, product labeling, and product declarations (e.g., material safety data sheets).

.31 Relevant actions to discuss may include the exclusion of substances (e.g., use of banned substances lists), use of material substitution assessments, product labeling, use of tools and screening methods (e.g., GreenScreen® For Safer Chemicals or CleanGredients® Data Verification), or any other methods that consider the usage of materials, chemicals, and substances of concern.

.32 Emerging materials and chemicals of concern include, but are not limited to:

- Preservatives such as parabens (PHBA), benzophenones, and other phenols used as preservatives;
- Antimicrobials such as triclosan, triclocarban, and nanosilver;
- Colorants, dyes, and pigments such as azo dyes, coal tars, and lead acetate;
- Surfactants such as SLS/SLES, alkyl phenols, and ethoxylates;
- Emulsifiers and plasticizers such as phthalates and PBA;
- Aldehydes such as formaldehyde that are used as cross-linking agents, modifiers, and preservatives;
- Toluene;
- Brominated flame retardants;
- Polyvinyl chloride; and
- Polyethylene microbeads.

.33 The registrant should discuss its use of chemicals that appear on California’s Proposition 65 list of carcinogens and reproductive toxicants as well as products contained in the CDPH Safe Cosmetics Program database.

.34 The registrant should discuss the use of chemicals listed in the “Safer Consumer Products DRAFT Priority Product Work Plan, Three Year Work Plan, September 2014” as potential candidate chemicals in Beauty, Personal Care, and Hygiene Products:

- Aldehydes such as formaldehyde that are used as a cross-linking agents, modifiers, and preservatives;
- Alkyl phenols & ethoxylates (used as surfactants);
- Azo dyes, coal tars, lead, and lead acetate (used as colorants, dyes, and pigments);
- Phthalates (used as emulsifiers and plasticizers); and
- Triclosan (used as an antimicrobial).

CN0602-08. Revenue from products designed with green chemistry principles

.35 The registrant shall disclose the amount of revenue from products designed with one or more green chemistry principles, where “green chemistry principles” are defined by [12 Principles of Green Chemistry](#) as:

- Prevent waste
- Atom efficiency
- Less hazardous chemical syntheses
- Design benign chemicals
- Benign solvents and auxiliaries
- Design for energy efficiency
- Use of renewable feedstocks
- Reduce chemical derivatives
- Use catalysts, not stoichiometric reagents
- Design for degradation
- Real-time analysis for pollution prevention
- Inherently benign chemistry for accident prevention

.36 A product shall be considered to have been designed with green chemistry principles if documentation shows that tools, frameworks, standards, and/or certifications were used to incorporate one or more green chemistry principle into the design, materials selection, manufacturing processes, use-phase, and/or end-of-life disposal of the product.

.37 Specific green chemistry efforts may include products that are designed according to the American Chemistry Society (ACS) Green Chemistry Initiative (GCI) Formulator’s Roundtable [guidance](#), the EPA Design for Environment Program, and/or third-party certification such as Cradle-to-Cradle certification.

Environmental & Social Impacts of Supply Chains

Description

Household and personal product companies utilize large amounts of palm oil and wood fiber, which is used in both products and packaging. If not sourced responsibly these materials contribute to environmental and social externalities that can present reputational and regulatory risks. Palm oil has rapidly risen in popularity over the last two decades as a cheap input for a wide range of goods in this industry, including cleaning products, candles, and cosmetics. Palm oil harvesting in specific regions of the world can contribute to deforestation, GHG emissions, and other environmental and social problems. Additionally, if wood fiber used in packaging is not properly sourced it can lead to deforestation resulting in negative publicity for industry participants. Household and personal product companies also face issues associated with working conditions and fair labor practices in their supply chain that can lead to regulatory investigations and spark consumer protest. Companies in this industry are exposed to risk of supply chain disruptions, input price increases, regulatory compliance costs, and reputational damage associated with environmental and social externalities from raw material sourcing.

Accounting Metrics

CN0602-09. Percentage of palm oil sourced that is certified to the Roundtable on Sustainable Palm Oil (RSPO) standard

.38 The registrant shall disclose the percentage, on a weight basis, of palm oil it sourced that has been certified to Roundtable on Sustainable Palm Oil (RSPO standard, where:

- The percentage shall be calculated as the weight, in metric tons, of RSPO-certified palm oil sourced by the registrant divided by the total weight, in metric tons, of palm oil sourced by the registrant.
- The amount of palm oil sourced shall be calculated as that which was purchased by the registrant during the fiscal year, adjusted for any changes in inventory of palm oil.

.39 The scope includes the amount of palm oil consumed by the registrant that has been third-party certified to bear an RSPO claim under the “Identify Preserved (IP),” “Segregated (SG),” or “Mass Balance (MB)” supply chain mechanism.

.40 The scope excludes the amount of “Book and Claim (BC)” palm oil certificates purchased through the GreenPalm certificate-trading program.

CN0602-10. Total wood fiber sourced, percentage from certified sources

.41 The registrant shall disclose the total amount, in metric tons, of wood fiber-based materials sourced during the fiscal year, where:

- The scope of materials includes raw materials, packaging materials, and finished goods that contain wood fiber (in full or in part).
- The amount of wood fiber sourced shall be calculated as that which was purchased by the registrant during the fiscal year, adjusted for any changes in inventory of wood fiber.

.42 The registrant shall disclose the percentage of its wood fiber-based materials that were sourced from certified sources, where:

- Certified sources include:
 - Forest Stewardship Council (FSC) (i.e., FSC 100% label, and FSC Mixed Sources and FSC Recycled labels),
 - Sustainable Forest Initiative (SFI),
 - Programme for the Endorsement of Forest Certification (PEFC).
- The percentage is calculated as the total amount, in metric tons, of wood fiber-based materials from certified sources divided by the total amount of wood fiber purchased by the registrant.

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