

Retail Industry Alert

Akin Gump
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SASB to Update Sustainable Sourcing Metrics for Apparel Industry

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Key Points

- On February 25, 2020, SASB unanimously approved a standard-setting project that will clarify and improve metrics used to measure performance on sustainable raw materials sourcing in the apparel, accessories and footwear industry. Proposed revisions will aim to address concerns raised to SASB by industry stakeholders and provide more robust guidance on reporting standards to improve comparability.
- The project proposal cited news articles, public commitments and reported data to show that the industry is coalescing around a commitment to sustainable sourcing of raw materials.
- SASB staff also highlighted several issues being explored in the preliminary research phase that relate to climate, indicating that climate remains a “priority area” given the “evolving understanding of the issue, investor interests and corporate disclosure.”

On February 25, 2020, the Sustainability Accounting Standards Board (SASB) held its **Standards Board Meeting** at which SASB staff proposed new projects for the Board’s consideration. SASB unanimously approved a standard-setting project that will seek to improve the **current standards** related to sustainability in raw materials sourcing in the apparel, accessories and footwear industry. SASB staff also presented examples of issues in the project screening stage, which have the potential to advance to research or standard-setting proposals for future consideration by SASB, and highlighted that climate issues remain at the forefront of their priorities.

Industry Coalescence Around the Importance of Sustainable Sourcing

In its proposal, the SASB project team cited news articles, public commitments and data reported to SASB to support the proposition that the industry is coalescing around a commitment to sustainable sourcing of raw materials, highlighting global industry focus on this issue. For example, a variety of companies have already announced sustainable sourcing commitments, including Adidas, Gap, Kering, Nike, Target and Walmart, and some are already reporting on this topic, including Gap, Nike and PVH.

Contact Information

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In light of this industry focus, the overall goal of the newly approved standard-setting project is to clarify and improve metrics currently articulated in the SASB standards for measuring sustainable raw materials used in the apparel, accessories and footwear industry. The metrics under review are:

- A qualitative metric that involves describing “environmental and social risks associated with sourcing priority raw material” (CG-AA-440a.1).
- A quantitative metric that involves reporting the “[p]ercentage of raw materials [that are] third-party certified to an environmental and/or social sustainability standard” (CG-AA-440a.2).

Revised Metrics to Address Industry Concerns, Including Completeness and Comparability

Market input and internal SASB review suggested that the two existing metrics, together with their technical protocols, provide insufficient guidance to the industry and could benefit from further alignment with existing industry approaches. In the course of SASB’s research phase, industry stakeholders raised three key concerns with regard to the current SASB standards and protocol:

- Misalignment with commonly accepted definitions of key industry terms such as “priority raw materials.”
- Internally inconsistent guidance, e.g., third-party metrics that do not clearly relate to certifying raw materials.
- Incomplete guidance on calculating standard metrics, specifically with respect to integrating a waste factor and measuring the weight of finished products.

In developing proposed updates to the existing standards, SASB staff will seek to address these concerns and develop more complete, robust guidance aimed at optimizing consistency in calculations and comparability of disclosures related to raw materials sourcing.

SASB anticipates that this standard-setting project will take six to 12 months and include stakeholder consultations. These consultations involve a systematic outreach process aimed at soliciting input from a balanced, representative group of stakeholders, including interested companies, investors and small- and medium-sized enterprises. Per SASB [Rules of Procedure](#), the project team will prepare an Exposure Draft of proposed updates to the standards, which will then be subject to a 90-day public comment period to solicit market feedback. Public comment periods are advertised on the SASB website and invite any interested or affected party to comment. All public comments are published on SASB’s website together with SASB’s responses and are considered by SASB in voting to ratify proposed updates.

Climate Highlighted as a Priority Area as SASB Considers Future Projects

SASB staff also highlighted several issues that are in the preliminary research phase that relate to climate, which remains a “priority area” given the “evolving understanding of the issue, investor interests and corporate disclosure.” One such topic is greenhouse gas emissions in the multiline retail and e-commerce industries. Another is analyzing industry structure for both e-commerce and apparel and textile manufacturing to assess whether activities across those industries are appropriately represented in the current structure of the relevant SASB standards.

There is no stated timeline on when or if these issues will develop into research or standard-setting projects, but the stated priorities reinforce the importance of considering climate-related impacts of business in the consumer goods sector. They also highlight SASB's cognizance of the role of sustainability in the ever-evolving retail industry.

SASB has expressed that it is receptive to unsolicited input from the public on these priority issues or any other issues in the SASB standards.

Business Impacts to Consider Pending Updated Standards

Given the broad commitment to sustainable sourcing that is emerging among apparel, accessories and footwear companies, SASB's revised raw materials sourcing metrics could influence supply chains across the industry and require companies to evaluate corollary trade-related business impacts. For example, as the rules of origin for apparel products take into account the source of upstream inputs, shifting supply chains to meet SASB standards may impact a brand's duty liability when importing apparel. Similarly, as SASB continues to prioritize climate in its research, new projects may develop that cause industry to rethink sourcing from an environmental perspective.

Lawyers on Akin Gump's environmental, social and governance team, including in our regulatory international trade, environmental and public law and policy practices can help apparel, accessories and footwear brands evaluate trade impacts, such as any duty impacts related to new textile sourcing, and navigate the process of evaluating existing business practices against any revised climate-related standards.

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