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Exposure Draft

IFRS[®] Sustainability Disclosure Standard

[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements

Volume B5—Household & Personal Products

Comments to be received by 29 July 2022



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Introduction

This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

Household & Personal Products

Industry Description

The Household & Personal Products industry comprises companies that manufacture a wide range of goods for personal and commercial consumption, including cosmetics, household and industrial cleaning supplies, soaps and detergents, sanitary paper products, household batteries, razors, and kitchen utensils. Household and personal products companies operate globally and typically sell their products to mass merchants, grocery stores, membership club stores, drug stores, high-frequency stores, distributors, and e-commerce retailers. Some companies sell products through independent representatives rather than third-party retail establishments.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m ³), Percentage (%)	CG-HP-140a.1
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	CG-HP-140a.2
Environmental & Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	Quantitative	Metric tons (t), Percentage (%)	CG-HP-430a.1

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Units of products sold, total weight of products sold	Quantitative	Number, Metric tons (t)	CG-HP-000.A
Number of manufacturing facilities	Quantitative	Number	CG-HP-000.B

Water Management

Topic Summary

Water is vital to the Household & Personal Products industry, both as a coolant in manufacturing processes and as a main input for many of the industry's products. Water is becoming a scarcer 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. Many firms in this industry have operations in regions of the world that are facing water scarcity. Without careful planning, companies could face increased costs or, worse, lose access to water in these regions, thereby presenting a risk to production. Having rigorous checks in place to ensure a steady supply of water to all 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 becomes a more pressing global issue.

Metrics

CG-HP-140a.1. (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

- 1 The entity shall disclose the amount of water, in thousands of cubic meters, that was withdrawn from all sources.
 - 1.1 Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities.
- 2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.
 - 2.1 Fresh water may be defined according to the local laws and regulations where the entity operates. Where there is no legal definition, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids ~~per the U.S. Geological Survey~~.
 - 2.2 Water obtained from a water utility in compliance with ~~U.S. National Primary Drinking Water Regulations~~ jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.
- 3 The entity shall disclose the amount of water, in thousands of cubic meters, that was consumed in its operations.
 - 3.1 Water consumption is defined as:
 - 3.1.1 Water that evaporates during withdrawal, usage, and discharge;
 - 3.1.2 Water that is directly or indirectly incorporated into the entity's product or service;
 - 3.1.3 Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.

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- 4 The entity shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80 percent) or Extremely High (>80 percent) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 5 The entity shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.
- 6 The entity shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

CG-HP-140a.2. Description of water management risks and discussion of strategies and practices to mitigate those risks

- 1 The entity shall describe its water management risks associated with water withdrawals, water consumption, and discharge of water and/or wastewater.
 - 1.1 Risks associated with water withdrawals and water consumption include risks to the availability of adequate, clean water resources, including, but not limited to:
 - 1.1.1 Environmental constraints—such as operating in water-stressed regions, drought, concerns of aquatic impingement or entrainment, interannual or seasonal variability, and risks due to the impact of climate change
 - 1.1.2 Regulatory and financial constraints—such as volatility in water costs, stakeholder perceptions and concerns related to water withdrawals (e.g., those from local communities, non-governmental organizations, and regulatory agencies), direct competition with and impact from the actions of other users (e.g., commercial and municipal users), restrictions to withdrawals due to regulations, and constraints on the entity's ability to obtain and retain water rights or permits
 - 1.2 Risks associated with the discharge of water and/or wastewater, include, but are not limited to, the ability to obtain rights or permits related to discharges, compliance with regulations related to discharges, restrictions to discharges, the ability to maintain control over the temperature of water discharges, liabilities and/or reputational risks, and increased operating costs due to regulation, stakeholder perceptions and concerns related to water discharges (e.g., those from local communities, non-governmental organizations, and regulatory agencies).
- 2 The entity may describe water management risks in the context of:
 - 2.1 How risks may vary by withdrawal source, including surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities; and
 - 2.2 How risks may vary by discharge destinations, including surface water, groundwater, or wastewater utilities.

- 3 The entity may discuss the potential impacts that water management risks may have on its operations and the timeline over which such risks are expected to manifest.
 - 3.1 Impacts may include, but are not limited to, those associated with costs, revenues, liabilities, continuity of operations, and reputation.
- 4 The entity shall discuss its short-term and long-term strategies or plan to mitigate water management risks, including, but not limited to:
 - 4.1 The scope of its strategy, plans, goals and/or targets, such as how they relate to different business units, geographies, or water-consuming operational processes.
 - 4.2 Any water management goals and/or targets it has prioritized, and an analysis of performance against those goals and/or targets.
 - 4.2.1 Goals and targets may include, but are not limited to, those associated with reducing water withdrawals, reducing water consumption, reducing water discharges, reducing aquatic impingements, improving the quality of water discharges, and regulatory compliance.
 - 4.3 The activities and investments required to achieve the plans, goals and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.
 - 4.4 Disclosure of strategies, plans, goals, and/or targets shall be limited to activities that were ongoing (active) or reached completion during the reporting period.
- 5 For water management targets, the entity shall additionally disclose:
 - 5.1 Whether the target is absolute or intensity-based, and the metric denominator if it is an intensity-based target.
 - 5.2 The timelines for the water management plans, including the start year, the target year, and the base year.
 - 5.3 The mechanism(s) for achieving the target, including:
 - 5.3.1 Efficiency efforts, such as the use of water recycling and/or closed-loop systems;
 - 5.3.2 Product innovations such as redesigning products or services to require less water;
 - 5.3.3 Process and equipment innovations, such as those that enable the reduction of aquatic impingements or entrainments;
 - 5.3.4 Use of tools and technologies (e.g., the World Wildlife Fund Water Risk Filter, The Global Water Tool, and Water Footprint Network Footprint Assessment Tool) to analyze water use, risk, and opportunities; and
 - 5.3.5 Collaborations or programs in place with the community or other organizations.

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- 5.4 The percentage reduction or improvement from the base year, where the base year is the first year against which water management targets are evaluated toward the achievement of the target.
- 6 The entity shall discuss whether its water management practices result in any additional lifecycle impacts or tradeoffs in its organization, including tradeoffs in land use, energy production, and greenhouse gas (GHG) emissions, and why the entity chose these practices despite lifecycle tradeoffs.

Environmental & Social Impacts of Palm Oil Supply Chain

Topic Summary

Palm oil has rapidly risen in popularity as a cheap input for a wide range of goods in the Household & Personal Products 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. If not sourced responsibly, palm oil materials contribute to environmental and social externalities that can present reputational and regulatory risks for companies. Further, companies in this industry are exposed to the risk of supply chain disruptions, input price increases, and reputational damage associated with environmental and social externalities from palm oil sourcing. Thus, companies face pressure to track and responsibly source palm oil. Additionally, they face pressure to ensure minimum standards for working conditions in the supply chain, as the production of palm oil is often associated with labor issues. Implementing sourcing standards can contribute to reducing risks, as can innovations at the product-design phase to reduce dependence on controversial materials such as palm oil.

Metrics

CG-HP-430a.1. Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim

- 1 The entity shall disclose the amount, in metric tons, of palm oil that it sourced during the reporting period.
 - 1.1 The scope of palm oil includes palm kernel oil and palm kernel expeller.
- 2 The entity shall disclose the percentage, on a weight basis, of palm oil it sourced that has been third-party certified to bear a Roundtable on Sustainable Palm Oil (RSPO) claim for each of the RSPO supply chain models: (a) Identity Preserved (IP), (b) Segregated (SG), (c) Mass Balance (MB), or (d) Book & Claim (B&C).
 - 2.1 B&C transactions are represented by “RSPO Credits” purchased in the RSPO PalmTrace platform.
 - 2.2 The percentage shall be calculated as the weight in each respective RSPO supply chain model (IP, SG, MB, or B&C) of RSPO-certified palm oil sourced by the entity divided by the total weight, in metric tons, of palm oil sourced by the entity.
- 3 The entity may discuss other strategies, approaches, and mechanisms used to manage risks and opportunities associated with the environmental and social impacts of palm oil sourcing.