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# Exposure Draft

IFRS<sup>®</sup> Sustainability Disclosure Standard

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

Volume B3—Building Products & Furnishings

Comments to be received by 29 July 2022



This industry from Appendix B Industry-based disclosure requirements accompanies the Exposure Draft ED/2022/S2 *Climate-related Disclosures* (published March 2022; see separate booklet). It is published by the International Sustainability Standards Board (ISSB) for comment only. Comments need to be received by 29 July 2022 and should be submitted by email to [commentletters@ifrs.org](mailto:commentletters@ifrs.org) or online at <https://www.ifrs.org/projects/open-for-comment/>.

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## Introduction

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*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.

## Building Products & Furnishings

### Industry Description

The Building Products & Furnishings industry comprises companies involved in the design and manufacturing of home improvement products, home and office furnishings, and structural wood building materials. The industry's products include flooring, ceiling tiles, home and office furniture and fixtures, wood trusses, plywood, paneling, and lumber. Companies typically sell their products through distribution channels to retail stores or through independent or company-owned dealerships.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management in Manufacturing	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	CG-BF-130a.1
Product Lifecycle	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	Discussion and Analysis	n/a	CG-BF-410a.1
Environmental Impacts	(1) Weight of end-of-life material recovered, (2) percentage of recovered materials recycled	Quantitative	Metric tons (t), Percentage (%) by weight	CG-BF-410a.2
Wood Supply Chain Management	(1) Total weight of wood fiber materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fiber standards, (5) percentage by standard <sup>3</sup>	Quantitative	Metric tons (t), Percentage (%) by weight	CG-BF-430a.1

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Annual production <sup>4</sup>	Quantitative	See note	CG-BF-000.A
Area of manufacturing facilities <sup>5</sup>	Quantitative	Square meters (m <sup>2</sup> )	CG-BF-000.B

<sup>3</sup> Note to CG-BF-430a.1 – The entity shall describe its practices for sourcing: (1) wood fiber materials from forestlands that are not certified to a third-party forest management standard, and (2) wood fiber materials not certified to other wood fiber certification standards.

<sup>4</sup> Note to CG-BF-000.A – Production shall be disclosed in typical units tracked by the entity such as number of units, weight, and/or square feet.

<sup>5</sup> Note to CG-BF-000.B – The scope shall be limited to total area under roof, including manufacturing and administrative functions.

## Energy Management in Manufacturing

### Topic Summary

The Building Products & Furnishings industry creates value through energy-intensive manufacturing processes. Purchased electricity represents the largest share of energy consumption across the industry, while companies may also utilize fossil fuel energy on site. The price of conventional grid electricity and volatility of fossil fuel prices may increase as a result of evolving climate change regulations and new incentives for energy efficiency and renewable energy, among other factors, while alternative energy sources become more cost-competitive. Decisions regarding energy sourcing and type, as well as the use of alternative energy, can create trade-offs related to the energy supply's cost and reliability for operations. As the industry operates on relatively narrow profit margins, reductions in energy consumption may have a significant influence on financial performance. The manner in which a company manages energy efficiency, its reliance on different types of energy and the associated sustainability risks, and its ability to access alternative energy sources is likely to impact financial performance.

### Metrics

*CG-BF-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable*

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
  - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
  - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
  - 1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), 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).
- 2 The entity shall disclose (2) the percentage of energy it consumed that was supplied from grid electricity.
  - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed that is renewable energy.
  - 3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro, and biomass.

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- 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.
- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
  - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to ~~the following~~:
  - 3.4.1 ~~Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;~~
  - 3.4.2 ~~Energy from biomass sources is limited to~~ materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered eligible sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0 (2017)* or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity 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 kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

## Product Lifecycle Environmental Impacts

### Topic Summary

Depending on the specific building product or furnishing, significant environmental impacts can arise during raw material sourcing, transportation, manufacturing, use-phase, or end-of-life. Rising consumer and regulatory preference for less-impactful products has spawned the development of more sustainable products, broadly termed “green building materials.” In addition, product lifecycle certification has arisen as a tool for companies and their customers to assess and improve a product’s lifecycle impact. Certification programs typically address specific sustainability characteristics of a product category and include the use of closed-loop materials that help minimize a product’s end-of-life environmental impacts and reduce the need for extracting or producing virgin materials. Through product innovation and design that facilitates end-of-life product recovery and the use of less-impactful materials, the adoption of product certification programs, and partnerships with customers, manufacturers of building products can achieve improvements in lifecycle impacts, reduce regulatory risk, meet growing customer demand, and realize cost savings.

### Metrics

#### *CG-BF-410a.1. Description of efforts to manage product lifecycle impacts and meet demand for sustainable products*

- 1 The entity shall discuss its strategies to assess and manage the environmental impact of products throughout their lifecycle.
  - 1.1 Relevant strategies and efforts to assess product lifecycle impacts include the use of environmentally focused design principles, the use of sustainability performance standards, and the use of screening tools and sampling methods, among others, including the operational processes it employs for these assessments.
  - 1.2 Relevant strategies and efforts to manage product lifecycle impacts include changes in materials selection, assessment of upstream environmental impacts, changes in manufacturing (resource intensity), use of recycled materials, use of renewable materials, optimization of packaging, design for consolidated shipping, design of low-energy-consumption products, design for product take-back, and labeling for recycling, among others.
- 2 The entity shall discuss factors that drive demand for its sustainable building and furnishings products, including green building certification programs, federal and state procurement criteria, demand from retailers, and/or retail consumer demand.
- 3 The entity shall describe the scope of its efforts including to which product categories, business segments, and/or operating regions they relate.
- 4 The entity may discuss its use of Life Cycle Assessment (LCA) and Environmental Product Declarations (EPD) in the context of its approach to reducing environmental impact and maximizing product resource efficiency.

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- 4.1 Improvements to the environmental efficiency of products should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).
- 4.2 LCA should be based on ISO 14040 and ISO 14044; EPD should be based on ISO 14025 and ISO 21930:2017 for construction products.
- 5 The entity may disclose the percentage of its products that are certified to third-party multi-attribute or single-attribute sustainability standards.
  - 5.1 ~~Multi-attribute sustainability standards include, but are not limited to, NSF/ANSI 140: Carpet, NSF/ANSI 332: Resilient Floor Coverings, NSF/ANSI 336: Commercial Furnishings Fabric, NSF/ANSI 342: Wallcoverings, NSF/ANSI 347: Single Ply Roofing Membranes, ANSI/NSC 373: Sustainable Stone, NSF P391: Services and Service Providers, Green Squared<sup>SM</sup>: Tile and Installation Materials / ANSI A138.1-2011, ANSI/BIFMA e3 level<sup>®</sup>: Business Furniture, and the Cradle to Cradle Certified<sup>TM</sup> Products Standard.~~
  - 5.2 ~~Single-attribute standards include, but are not limited to, ENERGYSTAR<sup>®</sup>, WaterSense, and recycled content certifications.~~
- 6 The entity may describe its extended producer responsibility (EPR) efforts, including the following aspects:
  - 6.1 How end-of-life considerations are incorporated into the design of products, including using materials that are easily and commonly recyclable in existing recycling infrastructure, designing products for disassembly (i.e., designing products so they can be easily, rapidly, and cost-effectively disassembled with commonly available tools), and properly labeling products and their component materials to facilitate disassembly and recycling.

*CG-BF-410a.2. (1) Weight of end-of-life material recovered, (2) percentage of recovered materials recycled*

- 1 The entity shall disclose the weight, in metric tons, of materials recovered, including those recovered through recycling services, product take-back programs, and refurbishment services.
  - 1.1 The scope of disclosure shall include products, materials, and parts at the end of their useful life that would have otherwise been disposed of as waste or used for energy recovery, but have instead been collected.
  - 1.2 The scope of disclosure shall include both materials physically handled by the entity and materials of which the entity does not take physical possession, but for which it has contracted with a third party the task of collection for the express purpose of reuse, recycling, or refurbishment.
  - 1.3 The scope of disclosure excludes products and parts that are in-warranty and have been collected for repairs.
- 2 The entity shall disclose the percentage of end-of-life materials recovered that were recycled or remanufactured.

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- 2.1 Recycled and remanufactured materials are defined as waste materials that have been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.
- 2.2 The scope of recycled materials includes materials that are used, reused, or reclaimed.
  - 2.2.1 Reused materials are defined as those recovered products or components of products that are used for the same purpose for which they were conceived.
  - 2.2.2 Reclaimed materials are defined as those processed to recover or regenerate a usable product.
- 2.3 The scope of recycled materials includes materials sent for further recycling through the transfer to a third party for the express purpose of reuse, recycling, or refurbishment.
- 2.4 The scope of recycled and remanufactured products includes primary recycled materials, co-products (outputs of equal value to primary recycled materials), and by-products (outputs of lesser value than primary recycled materials).
- 2.5 The entity shall calculate the percentage as the weight of incoming recovered material that was recycled or remanufactured divided by the total weight of incoming recovered material.
- 2.6 Portions of products and materials that are disposed of in landfills are not considered recycled. Only the portions of products that are directly incorporated into new products, co-products, or by-products shall be included in the percentage recycled.
- 2.7 Materials incinerated, including for energy recovery, are not considered reused, recycled, or reclaimed.
  - 2.7.1 Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, but with recovery of the heat.
- 3 The entity may disclose the following:
  - 3.1 Whether it directly conducts product take-back, recovery, and recycling or if it contracts with a third party the task of collection for the express purpose of reuse, recycling, or refurbishment
  - 3.2 If it supports infrastructure for product recovery and recycling through joint ventures, partnerships, or by funding research into recycling technologies
  - 3.3 Whether its product take-back, recovery, and recycling efforts are voluntary or mandatory ~~(e.g., in order to maintain compliance with California Carpet Stewardship Law)~~

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- 3.4 Relevant performance measures or targets for its product take-back, recovery, and recycling efforts such as the total amount of material recovered and the total amount of material recycled

## Wood Supply Chain Management

### Topic Summary

The Building Products & Furnishings industry utilizes large amounts of wood sourced from forests worldwide. Unsustainable production and harvesting of timber can result in adverse environmental and social impacts, including biodiversity loss and harm to the livelihoods of forest-dependent communities. Companies may inadvertently source wood from areas that are susceptible to unsustainable forestry practices. Reports of illegal logging, environmental pollution, or adverse impacts on communities can result in reputational repercussions that can damage a company's brand value, affecting demand for their products. In addition, regulations that address the importation of illegally produced wood can result in penalties and further damage to brand value. To mitigate these risks, companies are increasingly adopting third-party certifications that verify that wood is grown and harvested in a sustainable manner. Obtaining wood sourcing certifications can also provide companies with a potential growth channel, as they can satisfy customer demand for certified products.

### Metrics

*CG-BF-430a.1. (1) Total weight of wood fiber materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fiber standards, (5) percentage by standard*

- 1 The entity shall disclose the total amount of wood fiber materials (in air-dried metric tons) it purchased during the reporting period.
  - 1.1 Wood fiber materials include wood-fiber-based raw materials, components, and semi-finished and finished goods.
  - 1.2 The scope of wood-fiber-based materials includes all inputs that are processed to be sold as finished goods, including recycled raw materials, virgin raw materials, and goods that will be consumed directly in the production process, excluding biomass for energy.
  - 1.3 If wood fiber comprises a portion of a material, component, or product, the entity shall include the portion in the total amount.
- 2 The entity shall disclose the percentage of its total wood fiber materials purchased that have been sourced from forestlands that are certified to a third-party forest management standard.
  - 2.1 Third-party forest management standards are those that certify that forests are harvested in a sustainable manner and that cover environmental and social criteria including legal compliance, land rights, community and worker relations, environmental impact and biodiversity, forest management plans and practices, land use, wildlife habitat conservation, and water conservation, among others.
  - 2.2 Third-party forest management standards include, but are not limited to:
    - 2.2.1 American Tree Farm (ATFS)
    - 2.2.2 Forest Stewardship Council (FSC) (Forest Management and Chain of Custody certifications)

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- 2.2.3 Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody certifications
- 2.2.4 Forest certification systems endorsed by the PEFC
- 2.2.5 Sustainable Forest Initiative (SFI) Forest Management and Chain of Custody certifications
- 2.3 The percentage shall be calculated as the weight (in air-dried metric tons) of the entity's wood fiber materials purchased during the reporting period that have been sourced from forestlands certified to one or more of the third-party forest management standards divided by the total weight (in air-dried metric tons) of wood fiber materials purchased during the reporting period.
  - 2.3.1 Wood fiber certified to multiple third-party forest management standards shall be accounted for by the entity only once.
- 3 The entity shall disclose the percentage of its total wood fiber materials purchase that have been sourced from forestlands that are certified to each applicable third-party forest management standard, separately by standard.
  - 3.1 The percentage shall be calculated as the weight (in air-dried metric tons) of the entity's wood fiber materials purchased during the reporting period that have been sourced from forestlands certified to each applicable third-party forest management standard divided by the total weight (in air-dried metric tons) of wood fiber materials purchased during the reporting period.
    - 3.1.1 Wood-fiber certified to multiple third-party forest management standards shall be accounted for by the entity in its calculations for each applicable standard.
- 4 The entity shall disclose the percentage of its total wood fiber materials purchased that have been certified to wood fiber standards.
  - 4.1 Wood fiber standards exclude third-party forest management standards.
  - 4.2 Wood fiber standards include, but are not limited to:
    - 4.2.1 SFI Certified Fiber Sourcing Standard
    - 4.2.2 FSC Controlled Wood Standard
    - 4.2.3 PEFC Controlled Wood Standard
    - 4.2.4 Recycled wood fiber standards that include post- and pre-consumer reclaimed material (e.g., PEFC Recycled Label, FSC Recycled Label)
    - 4.2.5 Any other due diligence standards that cover wood fiber sourcing requirements for wood fiber from non-certified forestlands
  - 4.3 The percentage shall be calculated as the weight (in air-dried metric tons) of the entity's wood fiber materials purchased during the reporting period that have been certified to wood fiber standards divided by the total weight (in air-dried metric tons) of wood fiber materials purchased during the reporting period.

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- 4.3.1 Wood-fiber certified to multiple wood fiber standards shall be accounted for by the entity only once.
- 5 The entity shall disclose the percentage of its wood fiber materials purchased that have been certified to wood fiber standards, separately by standard.
- 5.1 The percentage shall be calculated as the weight (in air-dried metric tons) of the entity's wood fiber materials purchased during the reporting period that have been certified to each applicable wood fiber standard divided by the total weight (in air-dried metric tons) of wood fiber materials purchased during the reporting period.
- 5.1.1 Wood-fiber certified to multiple third-party wood fiber standards shall be accounted for by the entity in its calculations for each applicable standard.

Note to **CG-BF-430a.1**

- 1 The entity shall describe its practices for sourcing wood fiber materials from forestlands that are not certified to a third-party forest management standard and for sourcing wood fiber materials not certified to other wood fiber certification standards.
- 2 The entity shall describe its policies to verify the forestry management and harvesting practices of suppliers, which include, but are not limited to, codes of conduct, audits, and/or contracts.
- 3 The entity shall describe its policies to verify the forestry management and harvesting practices of suppliers, which include, but are not limited to, codes of conduct, audits, and/or contracts.
- 3.1 Wood legality and compliance with ~~jurisdictional regulations~~ the U.S. Lacey Act of 1990 (16 U.S.C. §§ 3371–3378).
- 3.2 Wood sourced from areas of protected conservation status or high biodiversity value.
- 3.3 Logging in or near areas of endangered species habitat.
- 3.4 Logging in or near areas of indigenous peoples' land.
- 3.5 The forestry management and harvesting practices of suppliers, including environmental impact assessments or forestry management plans.
- 3.6 The use of genetically modified organisms (GMOs), pesticides, or other chemicals in forests.
- 3.7 Criteria outlined in the definition of SFI "controversial sources," the definition of FSC "controlled wood," or the equivalent.
- 4 The entity may also disclose the sources of its wood fiber (e.g., from corporate, private, or federally owned forestlands and whether fiber is grown domestically or internationally) and the potential risks associated with procuring fiber from these sources.