Chemical Footprint Project (CFP) – Empowering Companies & Investors

October 11, 2017
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Clean Production Action

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Walmart

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Vice President,
Shareholder Advocacy
Trillium Asset Management
Questions?

- Post your question to the Questions pane in your GoToWebinar Control Panel.

- Presentation and recording will be available at www.chemicalfootprint.org.
Overview

• CFP Survey & 2017 Report Highlights
• Value for retail
• Value for investors
• Q&A
$600 billion in purchasing power

$2.3 trillion in assets under management

Enables benchmarking

Establishes common language

Identifies leaders

Benefits to Signatories
Key Findings from the 2016 Chemical Footprint Project Survey

Companies Disclosing Their Participation in the 2016 CFP Survey

- adidas AG
- Alima Pure
- Angelica Corporation
- Beautycounter
- Becton Dickinson and Co. (BD)
- Case Medical, Inc.
- Construction Specialties, Inc.
- GOJO Industries, Inc.
- Herman Miller, Inc.
- HP Inc.
- Inpro Corporation
- Johnson & Johnson
- Kimball Hospitality Inc.
- Levi Strauss & Co.
- nora systems, Inc.
- Radio Flyer
- Replenish
- Seagate Technology PLC
- Sealed Air Corporation
- Seventh Generation
- Wal-Mart Stores, Inc.
- WaterWipes
2017 Annual Report: All Pillars

- Management Strategy = 52%
- Chemical Inventory = 65%
- Footprint Measurement = 52%
- Disclosure & Verification = 20%
2017 report: companies selling formulated products or formulated products & articles

<table>
<thead>
<tr>
<th>CFP Pillar</th>
<th>Small and Large Companies selling Formulated Products or Formulated Products + Articles (average percent of CFP points)</th>
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<tbody>
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- Small - 50%
- Large - 86%
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<td>Strategy</td>
<td>Large - 86%</td>
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<tr>
<td>Chemical Inventory</td>
<td>Small - 65%</td>
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<td></td>
<td>Large - 82%</td>
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<td><strong>Small - 70%</strong></td>
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<td>Measurement</td>
<td><strong>Large - 56%</strong></td>
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<td><strong>Average of all four pillars</strong></td>
<td><strong>Small - 58%</strong></td>
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<td></td>
<td><strong>Large - 62%</strong></td>
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Management Strategy: percent of companies with corporate policy addressing chemicals of high concern (M1)

- **Products**: 92%
- **Supply Chains**: 69%
- **Manufacturing**: 63%
- **Packaging**: 54%
2017 Findings: Full Chemical Ingredient Information (question I4)

Chemical Inventory: percent of companies collecting full chemical ingredient information (I4)

- All Products (100%) 25%
- ≥ 75% and < 100% 25%
- ≥ 50% and < 75% 21%
- < 50% 8%
- Do Not Collect Information (0%) 21%
2017 Findings: Measure Baseline Chemical Footprint? (question F2)

Measure Footprint: “count” or “mass” of chemicals shipped in products (question F2)

- 42% of companies measured footprint
- “SVHCs” or “CoHCs”
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- “SVHCs” or “CoHCs”

Count – 21% of companies used this metric
- SVHCs = 1-13
- CoHCs = 1-632

Note: these companies reported reduction of 416 million pounds in F3
2017 Findings: Measure Baseline Chemical Footprint? (F2)

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- 42% of companies measured footprint
- “SVHCs” or “CoHCs”

Count – 21% of companies used this metric
- SVHCs = 1-13
- CoHCs = 1-632

Mass – 21% of companies used this metric
- Reported shipping 631 million pounds of CoHCs
- Note: these companies reported reduction of 416 million pounds in F3
Value of CFP

- Common language
- Quantitative metric to measure progress
- Gap analysis
- Alignment with leading business practices & investors
Trust and Transparency

“When we get it right, customers are able to shop at ease, knowing we did the work for them. They know that the products on our shelves and website were produced at a low ‘true cost’ for all - not just in terms of being the best value, but in terms of whether they enhance the environment and the lives of all the people who helped produce them.”

Doug McMillon
President and CEO
Wal-Mart Stores, Inc.
<table>
<thead>
<tr>
<th>We pledged to create</th>
<th>We pledged to be operated with</th>
<th>We pledged to sell</th>
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<tbody>
<tr>
<td><strong>ZERO WASTE</strong></td>
<td><strong>100% RENEWABLE ENERGY</strong></td>
<td><strong>PRODUCTS that SUSTAIN</strong></td>
</tr>
<tr>
<td>in our operations</td>
<td></td>
<td>our resources and the environment</td>
</tr>
<tr>
<td>By 2025 we will achieve</td>
<td></td>
<td>Support</td>
</tr>
<tr>
<td><strong>ZERO WASTE</strong></td>
<td><strong>50% of our operations</strong></td>
<td><strong>TRANSPARENCY &amp; QUALITY</strong></td>
</tr>
<tr>
<td>to landfill in four of our larger markets across the supply chain</td>
<td>to be powered by renewable energy</td>
<td>Help reduce <strong>DEFORESTATION IN OUR SUPPLY CHAIN</strong></td>
</tr>
<tr>
<td>By 2025</td>
<td></td>
<td>Provide <strong>AFFORDABLE, SAFE &amp; HEALTHIER FOOD AND PRODUCTS</strong></td>
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SUSTAINABLE CHEMISTRY

• Build Trust
• Deliver Impact
• Stay Ahead of Regulation
Public commitment on Sustainable Chemistry

Launched sustainable chemistry policy in 2013 with strong reception and coverage

- Walmart departments: 2, 4, 8, 13, 46, 79
- Sam’s Club Categories: 2, 4, 8, 13, 47, 94, 98
- Out of scope: Health & Wellness, FDA exempt ingredients (i.e., triclosan for oral care)
- Walmart US and Sam’s Club US, including walmart.com and jet.com inventoried products (excludes marketplace)

Progress to Date

- **2015**: Online ingredient disclosure
- **2016**: Annual progress report – public on Walmartsustainabilityhub.com; 95% reduction of High Priority Chemicals (HPCs)
- **2017**: Walmart becomes Signatory/ 1st retailer to participate in CFP; 96% reduction of HPCs; strengthens commitment

A. Transparency of ingredients to customers

B. Advancing safer formulation of products through informed substitution principles

C. Safer Choice in private brands

Commitment to Every Day Low Cost (EDLC) and performance

![Graph showing weight of HPCs in products over time](image)

### Walmart Priority Chemicals Commitment Element

<table>
<thead>
<tr>
<th>Metric</th>
<th>2016</th>
<th>Percent Change vs. 2015</th>
<th>Percent Change vs. 2014</th>
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<tr>
<td>Reduce Volume of Priority Chemicals</td>
<td>483,050,307 lbs</td>
<td>-7.7%</td>
<td>-49.0%</td>
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### Walmart Priority Chemicals Commitment Element

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage of Total in 2016</th>
<th>Percentage Point Change vs. 2015</th>
<th>Percentage Point Change vs. 2014</th>
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</thead>
<tbody>
<tr>
<td>Restrict and Eliminate Priority Chemicals</td>
<td>80% of UPCs Covered by Commitment</td>
<td>-0.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Number of Supplies Using PCs</td>
<td>82% of suppliers Covered by Commitment</td>
<td>-0.1%</td>
<td>-1.0%</td>
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### Sam’s Club Priority Chemicals Commitment Element

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<tr>
<td>Reduce Volume of Priority Chemicals</td>
<td>67,771,455 lbs</td>
<td>8.7%</td>
<td>13.3%</td>
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### Sam’s Club Priority Chemicals Commitment Element

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<tr>
<td>Restrict and Eliminate Priority Chemicals</td>
<td>69% of UPCs Covered by Commitment</td>
<td>1.2%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Number of Supplies Using PCs</td>
<td>71% of suppliers Covered by Commitment</td>
<td>0.6%</td>
<td>-5.4%</td>
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INCREASED TRANSPARENCY
Leading in on-pack disclosure of priority chemicals

SAFER FORMULATION
Reducing use of Priority Chemicals by 10% (>55 million lbs)

ADVANCED ASSORTMENT
Delighting customers w/ new, safer products customers feel good about
TRILLIUM OVERVIEW

• Sustainable and Responsible Investment (SRI) since 1982
• Goal: deliver both impact and performance to our investors
• Active Shareholder Engagement: Dialogue, Proxy Process and Public Policy work to influence corporate practices on environmental, social and governance issues
• Signatory to CFP; Certified B Corp; member Investor Environmental Health Network

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ONE IN FIVE DOLLARS USING AN SRI STRATEGY
Chemical-related economic, health & regulatory concerns grow …

Chemical Exposure Linked to Billions in Health Care Costs

Researchers conclude they are 99 percent certain that hormone-altering chemicals are linked to attention problems, diabetes, other health problems.

By Elizabeth Grossman, for National Geographic

THE WALL STREET JOURNAL.

‘No’ Lists on Labels Make Shoppers Say ‘Yes’

With shoppers more interested in what isn’t in skin and hair products, many marketers tout their lack of ingredients, such as parabens, sulfates and phthalates

By Elizabeth Holmes

May 25, 2016 2:34 p.m. ET

Environmental Health NEWS

Scientists warn of hormone impacts from benzene, xylene, other common solvents.

Researchers warn that benzene, toluene, ethybenzene and xylene may disrupt people’s hormone systems at levels deemed ‘safe’ by feds

April 15, 2015

SB-258 Cleaning Product Right to Know Act of 2017

ENVIRONMENTAL AND SOCIAL IMPACTS

Demand for safer alternatives increases

After Activist Pressure, Macy's Vows to Ensure Furniture Is Free of Toxic Flame Retardants

by Christie Boyden  Lindsey Rupp

October 20, 2015 – 3:00 PM EDT
THE BUSINESS CASE FOR KNOWING CHEMICALS IN SUPPLY CHAINS

• $340B/year ( > 2% of GDP ) in U.S. health care costs and lost wages from exposure to chemicals in toys, pesticides, food packaging, detergents

*The Lancet Diabetes and Endocrinology Journal report*
The Lancet Diabetes and Endocrinology Journal report health care costs and lost wages from exposure to chemicals.
MATERIALITY MATRIX – HOUSEHOLD DURABLES

Materiality Matrix - Household Durables

- Financial Risk
- Stakeholder Concern

- Product Innovation
- Supply Chain Management
- Human Capital Management
- Management of Direct Environmental Impacts
- Board Quality & Diversity
- Raw Materials
- Executive Compensation

STAKEHOLDER CONCERN
VALUE TO INVESTORS

- Multi-line & specialty retailers and distributors
- Toys & sporting goods
- Building products & furnishings
- Household & personal products
- Apparel, accessories & footwear

CFP

- Goal 3 - Human health - environmental harms including hazardous chemicals
- Goal 6 - Water quality – releases of hazardous chemicals
- Goal 12 - Consumption and production patterns – management of chemicals throughout life cycle.

SASB

SDGs

TRILLIUM ASSET MANAGEMENT®
VALUE TO INVESTORS

“...grasping financial risks or investing in progressive leaders is far from easy,
despite the growing need for a clear understanding of companies’ chemical footprint.”


“...Trillium encourages investors to demand and companies to provide consistent, transparent, data on their use of hazardous chemicals. Integrating this information into our investment processes will help identify leaders and reduce company specific risk in our portfolios.”

M. Patsky, CEO and Portfolio Manager, Trillium Asset Management, Chemical Footprint Project First Annual Report, May 2016
CFP --- VALUE TO INVESTORS…

Comparability
- Assessing chemical management strategies, risk and opportunities

Transparency & Accountability
- Informs key ESG performance factors

Advocacy
- Platform for actively engaging companies to improve corporate performance
Questions?

Timeline – Join Us …

2017
• November 1: Survey opens
• December 7: In-person workshop (Boston)

2018
• January 31: Survey closes
• June: Release 3rd Annual Report

www.chemicalfootprint.org