

# Primer on the Chemical Footprint Project

Mark Rossi, Clean Production Action  
Susan Baker, Trillium Asset Management  
Roger McFadden, Staples, Inc.

June 30, 2015



# Overview

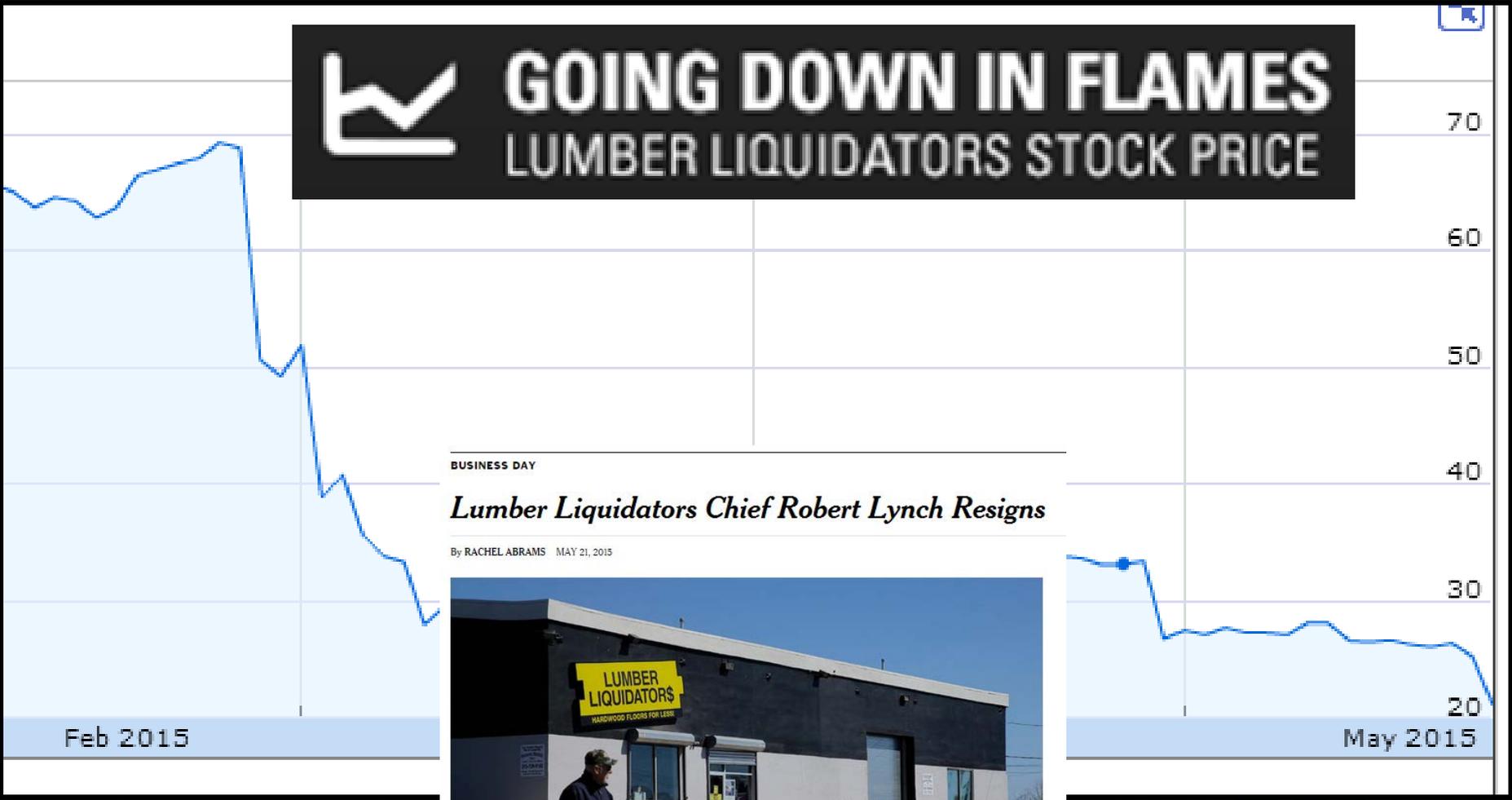


- CFP Introduction
  - Why CFP?
  - Who is CFP?
  - What is CFP?
  - How can I participate?
- Value to retailers
- Value to Investors



# Chemical Risks

## GOING DOWN IN FLAMES LUMBER LIQUIDATORS STOCK PRICE



BUSINESS DAY

### Lumber Liquidators Chief Robert Lynch Resigns

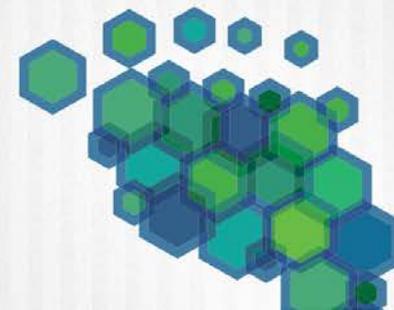
By RACHEL ABRAMS MAY 21, 2015



A Lumber Liquidators store in Philadelphia. The company is battling accusations that it sold laminate flooring, manufactured in China, with unacceptably high levels of formaldehyde. Matt Slocum/Associated Press

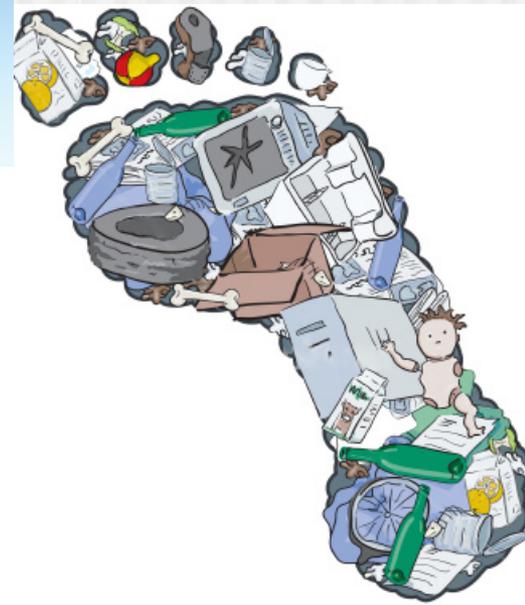


*"You can't manage what you don't measure."*





GLOBAL  
CORPORATE  
SUSTAINABILITY  
REPORT  
2013

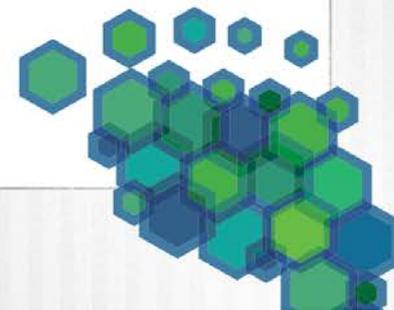


# Founders

- Clean Production Action
- Lowell Center for Sustainable Production, University of Massachusetts Lowell
- Pure Strategies



[www.chemicalfootprint.org](http://www.chemicalfootprint.org)



# Steering Committee



KAISER PERMANENTE®

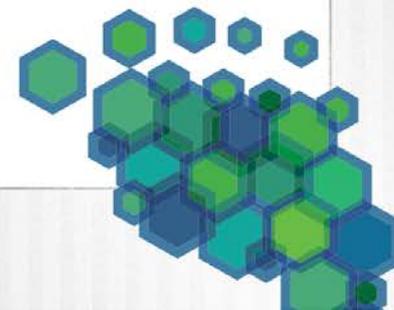


Dignity Health™



Investor Environmental Health Network  
HEALTHY PEOPLE...HEALTHY BUSINESS

EDF ENVIRONMENTAL DEFENSE FUND  
Finding the ways that work



# Signatories:

Investors

Retailers

Purchasers

NGOs

## Investors

Australian Ethical Investment  
Aviva Investors  
Boston Common Asset Management  
BNP Paribas Investment Partners  
Calvert Investments  
First Affirmative Financial Network  
Miller/Howard Investments  
Pax World Funds  
The Sustainability Group at Loring, Wolcott & Coolidge  
Trillium Asset Management  
Zevin Asset Management

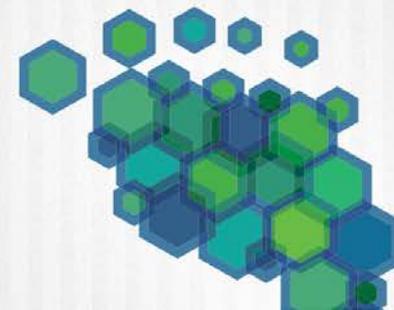
## Purchasers & Retailers

Dignity Health  
Hackensack University Medical Center  
Kaiser Permanente  
Mercy Health  
Premier, Inc.  
San Francisco Department of the Environment  
Staples, Inc.  
St. Joseph Health  
Trinity Health

## The Right Chemistry

The \$1.1 trillion question: What's your chemical footprint?

Mark Rossi  
Friday, June 19, 2015 - 2:30am



## Signatories:

Investors

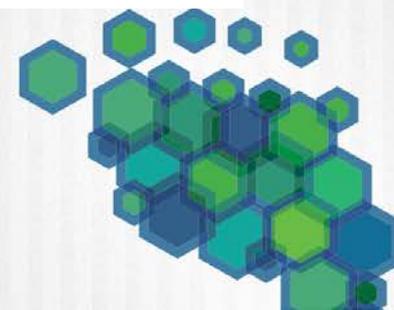
Retailers

Purchasers

NGOs

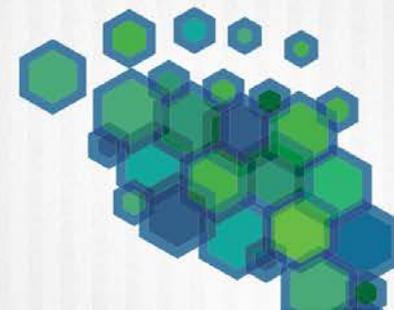
### What are Signatories agreeing to do?

- Encourage companies in your sphere of influence to participate in the Chemical Footprint Project.
- Be listed on the Chemical Footprint Project website.
- Provide feedback on how to improve implementation of the Chemical Footprint Project.



# Signatories & Responders

- Signatories ask suppliers & stakeholders for the CFP score
- Signatories are: investors, retailers, & institutional purchasers
- Responders use the Assessment Tool to get a CFP score
- Responders are brands, manufacturers, & suppliers
- Active sectors in CFP are: apparel, beauty/personal care, building products, cleaning/laundry, electronics, medical devices, toys





## CFP Assessment Tool



Assessment Tool:  
20 Questions - 100 pts

# Pilot of the Assessment Tool

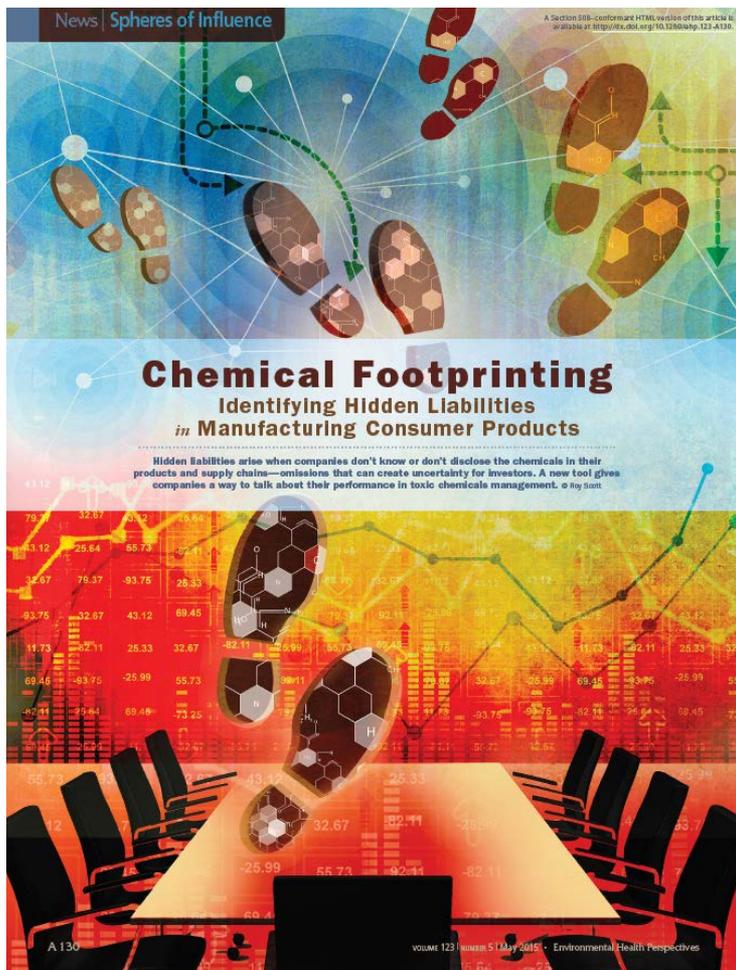


- 11 Brands
  - Beauty/personal care
  - Building products (interior products)
  - Cleaning products
  - Electronics
  - Medical devices
  - Toys
- Fall 2014
- Online questionnaire
- Debrief on questions & response options
- Revisions



BEAUTYCOUNTER

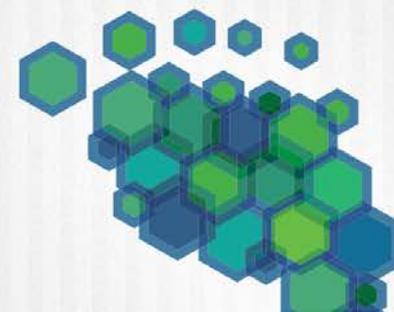
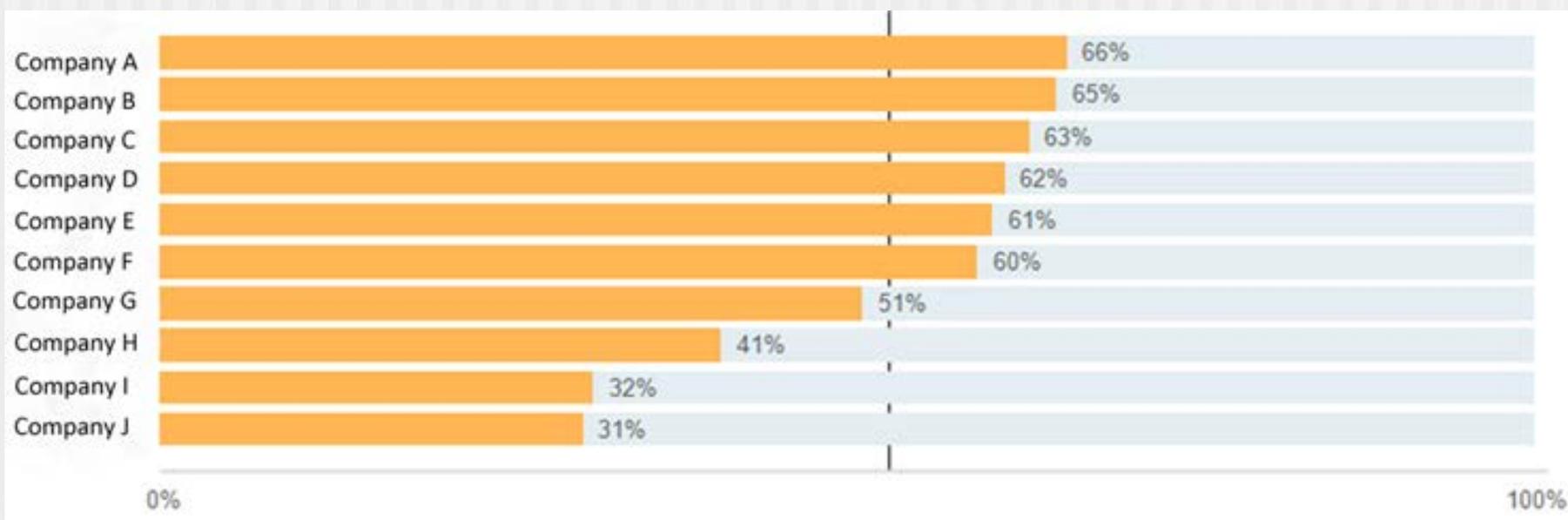
# Pilot: Lessons Learned



- Provides a systematic approach for evaluating chemicals management
- Facilitates conversations across silos within organizations: R&D, production, supply chain management, & C-Suite
- Enables gap analysis: self assessment identified opportunities for improvement and information needs
- Provides motivation to formalize chemical policies and procedures across an organization
- Create standard for measuring performance in chemicals management

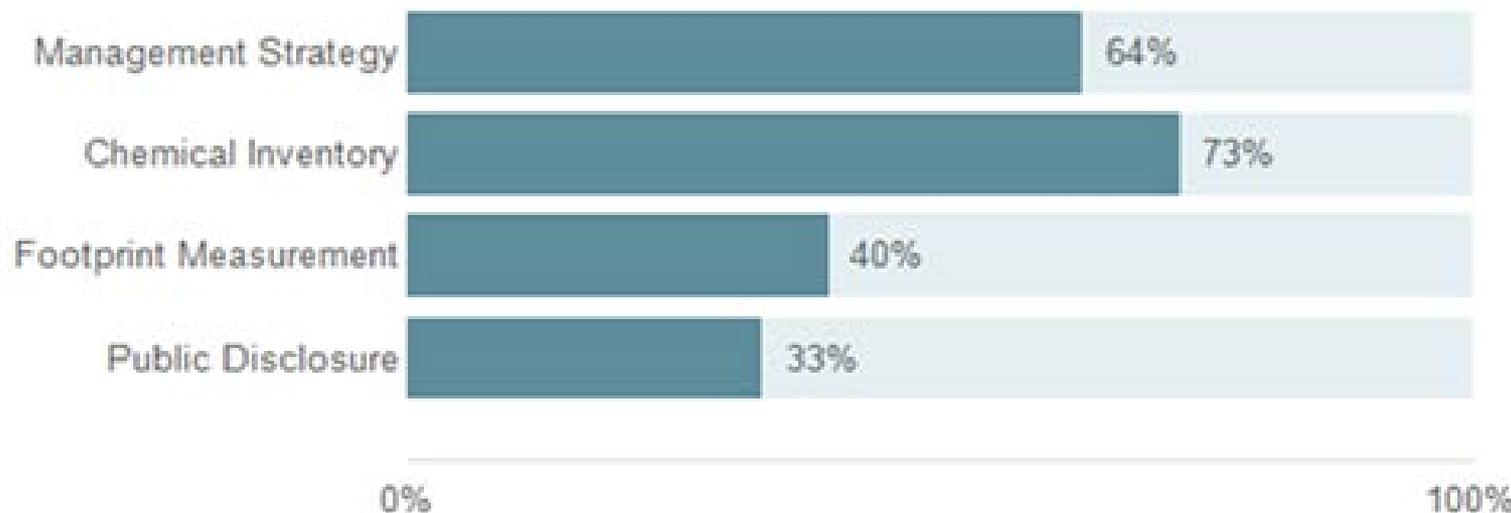
# Example: Scores by Sector

## CFP scores by company within sector



# Example: Scores by Individual Company

## Company scores by category



## Management Strategy (M) (20 POINTS)

**M2. Does your company have a chemicals policy that in addition to avoiding chemicals of high concern includes a preference for the use of safer alternatives?**

(4 points)

### Response Options

- a. Products: has a chemicals policy preferring safer alternatives that is applicable to our products
- b. Products: if yes to "a," our policy is publicly available on our website
- c. Manufacturing: has a chemicals policy preferring safer alternatives in our manufacturing operations
- d. Manufacturing: Not applicable (we have no manufacturing operations)
- e. Manufacturing: if yes to "c," our policy is publicly available on our website
- f. Supply Chains: has chemicals policy preferring safer alternatives in our supply chains
- g. Supply Chains: if yes to "f," our policy for supply chains is publicly available on our website
- h. Packaging: has a chemicals policy preferring safer alternatives in our primary packaging
- i. Packaging: if yes to "h," our policy for packaging is publicly available on our website

**THE CHEMICAL FOOTPRINT PROJECT**

**Guidance for Using the CFP Assessment Tool**

### Intent

This question seeks to understand the scope—products, manufacturing, supply chain, packaging—of your company's chemicals policy in regards to a preference for safer alternatives to hazardous chemicals and whether it is publicly available.

### Explanation

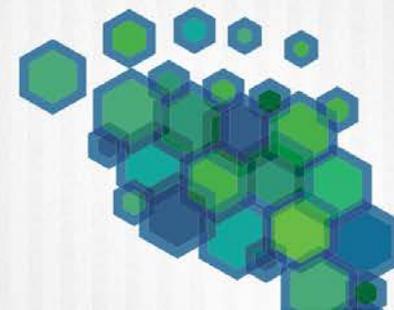
The Chemical Footprint Project defines a safer alternative as a chemical that due to its inherent chemical and physical properties, exhibits a lower propensity to persist in the environment, accumulate in organisms and induce

Please note whether your policy focuses on chemicals in your products, manufacturing operations, supply chains, and/or primary packaging. In addition, please note whether you share your chemicals policy publicly. See M1 guidance for more information about a chemicals policy.

In answering this question, note that you can check all that apply.

### Examples

For an example of "a" and "e" see Walmart's ["Policy](#)



# Chemical Inventory (I) (CONTINUED)

## 12. What actions does your company take to develop a Beyond Restricted Substances List and determine their presence in your products? (5 points)

### Response Options

Check all that apply. Our company:

- a. reviews various sources of chemical hazard information to identify chemicals of concern beyond our Restricted Substances List
- b. engages external stakeholders such as non-governmental organizations (NGOs), business customers and consumers in the development of our Beyond Restricted Substances List
- c. collects data on chemicals in our products and evaluates against our Beyond Restricted Substances List or hazard criteria
- d. updates our Beyond Restricted Substances List at minimum on an annual basis
- e. publicly discloses its Beyond Restricted Substances List





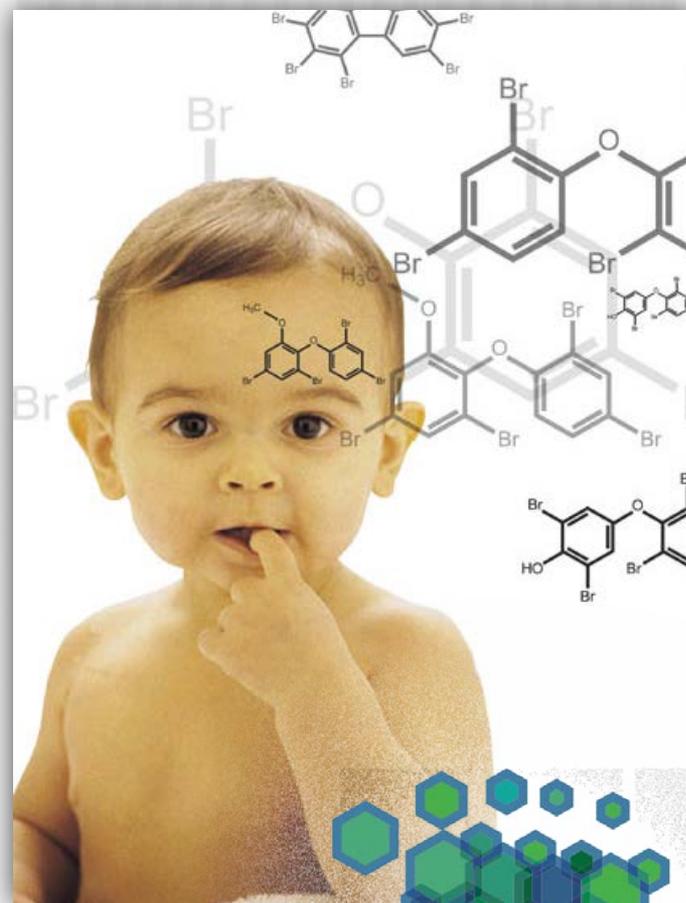
**Chemical Footprint:** the total mass of chemicals of high concern in: products, manufacturing, supply chain, and packaging



# Chemicals of High Concern (CoHCs)

- carcinogen, mutagen, or reproductive toxicant (CMR)
- persistent, bioaccumulative and toxic substance (PBT)
- any other chemical for which there is scientific evidence of probable serious effects to human health or the environment that give rise to an equivalent level of concern
- a chemical whose breakdown products result in a CoHC that meets any of the above criteria

## California Candidate Chemical List





## CFP Assessment Tool



Disclose

- Chemicals in products

Disclose

- Participation in CFP

Disclose

- Responses

Verification

- Independent body





# Timeline -- 2015

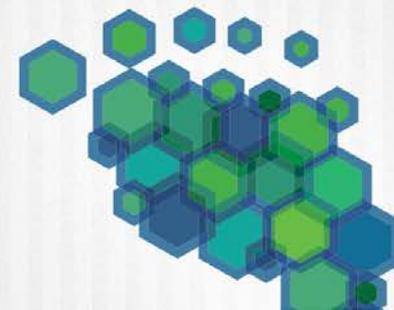
Jun 19: online Assessment Tool launched

Sep 30: online Assessment Tool closed

Dec 8: release CFP Annual Report

Be a Signatory  
Engage as a Responder

go to [chemicalfootprint.org](http://chemicalfootprint.org) to register for news,  
to download Guidance



# SRI and Trillium Overview

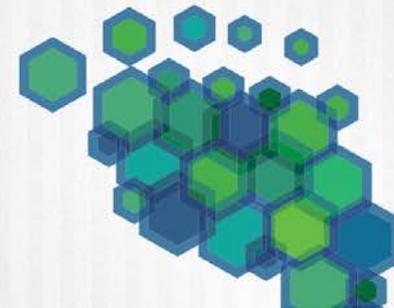
- Strong investor interest in socially and environmentally- conscious diversified portfolios or Sustainable and Responsible Investments (SRI)
- SRI assets increased 76% to \$6.6 trillion or 18% of professionally managed assets
- *Trillium*: Sustainable and Responsible Investment since 1982 (\$2.4 bil)
- Goal: deliver both impact and performance
- Active Shareholder Engagement: Dialogue, Proxy Process and Public policy work to influence corporate practices on environmental issues

**DISCLOSURE:** The views expressed are those of the authors and Trillium Asset Management, LLC as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes and should not be construed as a research report.



# Value Proposition to Investors

- Better identify Companies employing active or passive chemicals policies
- PwC/INSEAD study found Companies lost 0.7% of total revenue and 12% of stock's market value from supply chain disruptions linked to sustainability issues
- Active Strategy - requiring supplier disclosure of CoHC - can mitigate disruptions/ moderate data collection costs when new regulation introduced (*Seagate Technology*)



# Value Proposition to Investors

- Value to Universal Owners - CFP addresses inputs that can add costs to economy (higher healthcare costs/lost work time)
- 3.5% of U.S. healthcare costs (\$76.6 bil) spent on diseases of environmental origin in children (2010 NIH report)
- In Europe \$175 billion of healthcare spending linked to endocrine disruption chemicals (March 2015 JCEM)
- Presents potential drag on shareholder returns for the diversified institutional investor who holds a large slice of the economy



# How Investors Anticipate using Results

- Fill data gaps and reveal potential risks and opportunities
  - » *Reformulation risk*
  - » *Product and worker safety*
  - » *Capacity to innovate using safer chemicals*
- Platform for substantive shareholder engagement
- Encourage action on CoHC & creating markets to meet demand for safer alternatives
- Promote continuous improvement of data quality and disclosure



**SIRAN Webinar**  
**Chemical Footprint Project**  
**June 8, 2015**

**STAPLES®**

## **Chemical Footprint Evaluation**

### **Value to Retailers, Brands and Consumers**

Roger McFadden  
Vice President, Senior Scientist  
Staples, Inc.

[roger.mcfadden@staples.com](mailto:roger.mcfadden@staples.com)



that was easy.

# Value of Strong Brands

- Strong brand organizations have a higher market share.
- Build a positive corporate image.
- Create differentiation.
- We choose brands because we trust them





# Brand Risk

- Anything that threatens brand equity or brand differentiators and influences consumers to choose one product or service over another.
- Anything that threatens the sustainability of current and future demand for a company's product or service.

# Reputational Risk



It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

(Warren Buffett)

[izquotes.com](http://izquotes.com)

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# Chemicals are a key element of a retailer's supply chain

- The introduction of new chemicals over the past few decades has provided significant value to product designers and retailers.
- New chemicals have helped improve the quality, efficiency and convenience in our workplaces, homes and communities.



# BUT.... all chemicals are not created equal



- Hazard traits
- Human health & eco-toxicity endpoints
- Exposure routes
- Degradation & combustion by-products
- Pollution potential

*One chemical can cause cancer;  
another chemical can help treat or prevent cancer*

# Origins of Consumer Perception\*



- First-hand experience plus consumer's **social networks**.
- Consumers perceive messages the **brand** publishes as **less credible** than those from other consumers.
- Relatively small number of online consumers can provide the prevailing information to the population at large in connection with a brand.
- Too often, consumers understand social media better than the businesses trying to engage them.

\*PC Today, "The Social Influence", Page 10

# Age of Information and Transparency

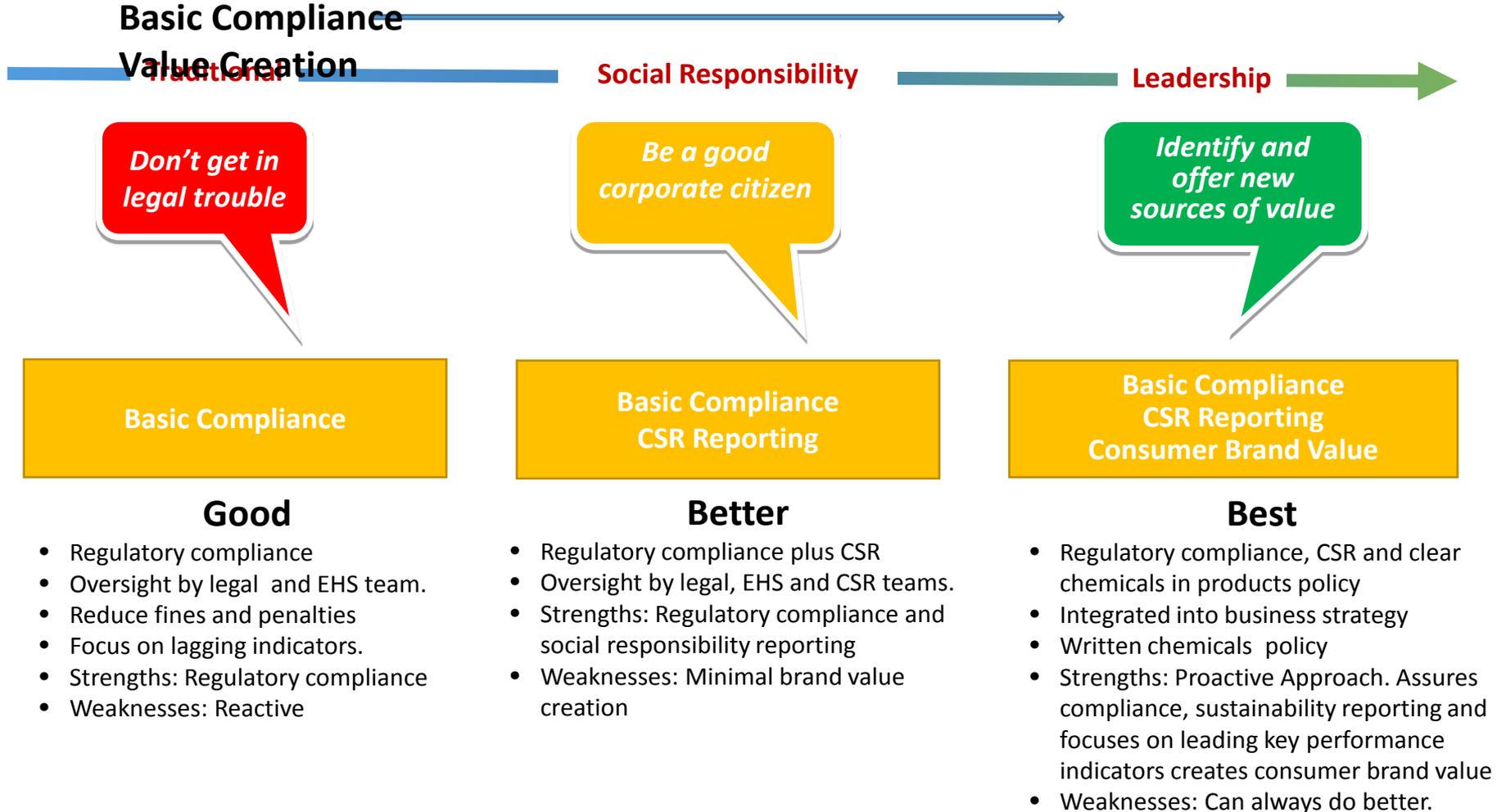


- Businesses aren't expected to be perfect, but they are expected to be honest.
- Consumers are seeking greater accountability.
- Social media has become a powerful tool for business, brand and consumer.
- Consumer will dig, discover and divulge any and all information across the web.
- Consumer will find out if your business is truthful or not, then blog it, tweet it, and share it on Facebook.

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# Wide Range of Business Approaches to Managing Chemicals



# Wide Range of Business Responses to Consumer Concerns About Chemicals in Products

- **BASIC COMPLIANCE RESPONSE** – “Our business is in compliance with all current laws and regulations.”
- **DEFENSIVE or OBSTRUCTIVE RESPONSE** -- “Our business only makes safe products and therefore does not see the need nor the value of sharing chemicals in products information”
- **ACCOMMODATING RESPONSE** – “ Our business respects our customers and will take steps to accommodate their demands for chemicals in products information when it is requested.”
- **PROACTIVE RESPONSE** – “ When there is credible evidence that a chemical in a product may result in harm to human and/or environmental health, we will take action, strive to eliminate the chemical and replace it with a quality, affordable, safer and more sustainable alternative.”



# Managing Chemical Footprint Lessons Learned

- Knowing is better than not knowing.
- Action is better than inaction.
- Eliminating chemical hazard at design is better than managing exposure.
- Transparency and disclosure is better than vagueness or obscurity.
- Orderly proactive transition is better than abrupt reactive change.



## Why Chemical Footprint Project is Important to Staples

- Tells us where we are now and measures progress towards safer chemicals
- Identifies suppliers that are leaders
- Recognizes and rewards suppliers for doing what matters most to us and our customers
- Creates greater accountability across supply chains
- Encourages chemical information sharing
- Provides a metric to compare and measure continuous improvement of suppliers

# Safer Chemicals in Consumer Products Helps to Safeguard Our Brands



- Eliminates hazards where possible and reduces risk to brand.
- Creates shared value for consumer, community and company.
- Rewards suppliers for innovative solutions.
- Helps protect human health and wellness
- Helps protect natural and built environment both now and in the future.



# THANK YOU!

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