



Chemical Footprinting  
Has Arrived

## CHAPTER 1

# Chemical Footprinting Has Arrived



**H**azardous chemicals are frequently in the headlines. A quick search of the news from March to April 2016 reveals many stories on hazardous chemicals in products, including:

- “Food companies move away from potentially toxic chemicals in cans”<sup>7</sup>

“Lumber Liquidators stock falls 15% [on recent formaldehyde findings]”<sup>8</sup>

- “Traditional cosmetics, soaps drastically increase endocrine-disrupting chemicals in body”<sup>9</sup>

- “New law will ban 5 chemicals from kids’ products in Washington state”<sup>10</sup>

Underlying each headline are chemicals of high concern (CoHCs) to human health or the environment—chemicals that can cause cancer, birth defects, learning disabilities like autism, and

other adverse effects. Consumers are understandably concerned about being exposed to toxic chemicals in products they commonly use on their bodies (personal care products), have in their homes (furniture and flooring), or eat (food packaged in cans). Parents are especially concerned with their children’s exposure to these chemicals.

These news stories also highlight the companies most financially vulnerable to hazardous chemicals in products and supply chains: businesses selling directly to consumers rather than the manufacturers of the CoHCs. For example, the food and beverage sector is vulnerable to concerns with Bisphenol A (BPA) in food cans and has been targeted by non-governmental organizations (NGOs). Campbell’s recently announced its progress towards eliminating

BPA in cans by the middle of 2017<sup>11</sup> (rather than a chemical manufacturer announcing it will no longer sell BPA for use in can linings). The consumer durables sector is affected by a range of hazardous chemicals including formaldehyde (for example, Lumber Liquidators) and flame retardants in furniture.<sup>12</sup> The personal care products sector is vulnerable to concerns regarding endocrine disrupting chemicals.

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Reflecting the concerns of their constituents, governments are increasing their regulatory oversight of chemicals. In the United States, over 30 states have passed laws regulating hazardous

chemicals in the past 10 years. Flame retardants, phthalates, antimicrobials such as triclosan, and formaldehyde are among the many CoHCs regulated by states.<sup>13</sup> In Europe, the European Chemicals Agency adds more chemicals each year to its list of substances of very high concern under the REACH (Registration, Evaluation and Authorization of Chemicals) regulation.<sup>14</sup> Denmark is leading the European Union in restricting phthalates.<sup>15</sup> While in Asia, China<sup>16</sup> and South Korea<sup>17</sup> are implementing increasingly stringent chemical regulations.

In a world where chemical regulations and market demands for safer chemicals are on the rise, how can investors know which firms are most at risk from these emerging trends and which are best positioned to capture new markets with safer products? How can institutional purchasers know which suppliers are taking the systematic steps necessary to identify and reduce chemicals of high concern in products and supply chains? And how can companies demonstrate to purchasers and investors their leadership in chemicals management when they lack an objective, third party metric that recognizes their efforts?





**The Chemical Footprint Project** sets a new standard for evaluating and comparing companies on their policies, programs, and practices for managing chemicals. **Chemical footprinting** is the process of assessing progress toward the use of safer chemicals and away from chemicals of high concern to human health or the environment. By assessing companies on their overall progress in avoiding chemicals that can cause adverse health effects such as cancer, birth defects, and learning disabilities, along with using safer alternatives, the Chemical Footprint Project adds the “H” of human Health to Environmental, Social, and Governance (ESG) factors—thereby filling a critical missing gap in the sustainability mosaic. Signatories to the Chemical Footprint Project include investors and institutional purchasers with over \$2.3 trillion in assets under management and \$70 billion in purchasing power.

Today the typical Fortune 1000 company tracks its carbon footprint—and increasingly tracks water use, waste generation, and recycling rates – on an annual basis using standardized metrics for communicating progress in sustainability. Until now, companies lacked a common standard for reporting chemical use and progress to safer chemicals.

The Chemical Footprint Project is the first effort to shed a consistent light on the performance of companies in managing chemicals beyond regulatory compliance. Launched in 2014, the Chemical Footprint Project applies clear and consistent metrics for evaluating enterprise-level progress to safer chemicals. The metrics

emerged from years of work by the co-founding organizations in documenting best practices in corporate performance. This body of work includes *Healthy Business Strategies* (2006),<sup>18</sup> *BizNGO Principles for Safer Chemicals* (2008),<sup>19</sup> and the *Guide to Safer Chemicals* (2012),<sup>20</sup> which provides the foundation for the questions comprising the Chemical Footprint Project survey.

In the chapters ahead, you will learn about:

- Materiality impacts driving investors and purchasers to request these scores (Chapter 2)
- Methodology for collecting data and scoring companies (Chapter 3)
- Findings from the first cohort of companies in the Chemical Footprint Project (Chapter 4)
- How companies manage the chemical risks of regulation, reputation, and redesign (Chapter 5)
- Key conclusions and next steps for the Chemical Footprint Project (Chapter 6)

This first annual Chemical Footprint Project report highlights the financial risks that companies face due to CoHCs in their products and supply chains and the key findings from the first annual survey. In 2015, a select group of 24 leading edge businesses stepped forward to participate in the Chemical Footprint Project and receive a score on their corporate chemicals management practices. The initial results, based upon data from a diverse set of companies, provide a window into current business practice. We look forward to more companies responding to the challenge and participating in the 2016 survey.<sup>21</sup>