The Business Case for Knowing Chemicals in Products & Supply Chains Webinar

13 January 2015, 3pm GMT
Today’s webinar

• This webinar looks at the use of CiP information systems and the value of knowing about chemicals contained in products.

• These systems continue to enable and stimulate companies and entire product sectors to realize benefits, from achieving product safety to leading product innovation.
Speakers

• Mark Rossi  PhD, BizNGO; Co-Director, Clean Production Action

• Kevin Munn, United Nations Environment Programme

• Chair: Leigh Stringer, Chemical Watch
Questions

• Please submit questions during the webinar using your chat box

• Any unanswered questions can be raised on our Forum following the webinar: http://forum.chemicalwatch.com/
The Business Case for Knowing Chemicals in Products & Supply Chains

January 13, 2015

Mark Rossi, PhD
Open-ended Working Group of the International Conference on Chemicals Management
Second meeting
Geneva, 15–17 December 2014
Item 5 (a) (ii) of the provisional agenda
Emerging policy issues and other issues of concern:
report on progress on emerging policy issues:
chemicals in products

Making the business case for knowing chemicals in products and supply chains

Note by the secretariat

The secretariat has the honour to circulate, for the information of participants, a report received from the Inter-Organization Programme for the Sound Management of Chemicals on making the business case for knowing chemicals in products and supply chains (see annex). The report is reproduced as received by the secretariat, without formal editing.

CORE BUSINESS

**Take Ownership** – directly traceable to your organization

**Take Action** – impacts you contribute to + have problem solving competence

**Take Interest** – ripple effects - no special competence, but capacity to inform
Beauty and Personal Care Products Sustainability Summit

Impact of chemicals (health & environment)

- Transparency
- Waste & disposal of products
- Packaging
- Consumer behavior
- Extraction of raw materials (e.g. palm oil)
- Labor standards/livelihoods in the supply chain
- Energy use & GHG emissions during production
- Water & energy consumption during product use
- Animal testing
- Women’s self esteem
- Other

Option 1. Material ingredient reporting:
The manufacturer has published complete content inventory for the product.
Global Product Regulations on the Rise!

Companies facing increasing...

- **Regulatory Complexity**
- **Effort to Fulfill Obligations**
- **Customer Demands**

- **ELV/GADSL** 2000
- **RoHS**
- **EU Battery**
- **REACH**
- **RoHS 2**
- **Conflict Minerals**


Source: Compliance and Risks 2014
PASSIVE TO ACTIVE
• Passive – Benefits

Delay
PASSIVE TO ACTIVE

- Passive – Benefits
- Passive – Costs

Delay

Crisis
Costs of Not Knowing – Fines for Non-Compliance

- Walmart: $81.6 million
- Target Corp.: $22.5 million
- Walgreen Co.: $16.6 million
- CVS Pharmacy: $13.75 million
Product Recalls – Sony

- Europe - 2001
- 1.3 million PlayStations
- Illegally high cadmium levels in cables
- $150 million in lost sales and product reformulation
Product Recalls – Mattel

- U.S. – 2007
- more than 9 million toys, including Barbie dolls
- recalled due to lead in paint
- $110 million in costs
- Stock price down 18%
  (August-December 2007)
Non-Disclosure: SIGG USA Bankruptcy

- SIGG sales soar: consumers switch from PC to aluminum to avoid BPA (2007)
- BPA in SIGG linings public (2008)
- Consumers stop buying
- Retailers -- REI, Patagonia, Whole Foods Market -- pull bottles
- SIGG USA (subsidiary of SIGG Switzerland) files for bankruptcy with $13 million in liabilities due to failure to disclose BPA (2011)
Lost Sales & Market Share – Johnson & Johnson

- NGOs found formaldehyde, 1,4-dioxane in baby care products (2009)
- Impacts in China
  - survey of consumers: 75% of ~120,000 stopped buying J&J products
  - retailers remove J&J bath products: e.g., NGS Supermarket Group - 3,500 stores
- Market share for baby products – down from 64.3% to 55.9% by 2010
PASSIVE TO ACTIVE

- Active - Costs
- Active - Benefits

Value
Investment
Resources required to react to new substance restrictions typically follow a 'sawtooth' line, and increase over time.

- Emerging new restrictions result in spikes of NRE and business process change.
- Resource levels rise over time to sustain compliance.

**Challenge:**
Meet increasing requirements with limited resources.

Slide courtesy of Brian Martin, Seagate.
Seagate Costs of Managing Full Material Disclosure and Conflict Mineral Data

Seagate invested in CAS* system and developed full materials disclosure ("FMD") strategy to deal with changing requirements.

Increasing restrictions and demands for data will impact resources unless new tools and standards are released, so Seagate is actively engaged in development activities.

Seagate is able to respond quickly to changing substance restrictions.

Seagate effectively manages substance restrictions at low cost and resource levels.

*CAS – Compliance Assurance System, Seagate's materials content compliance database
Using data compiled from supplier FMD, Seagate can assemble a bill of substances for our products.

The Seagate supplier specification restricts almost 2000 CAS numbers.

- Listed phthalates* ("phthalate free") (Homogeneous Material level)
- JIG/IEC 62474 restricted chemicals (over limits)
- REACH SVHCs over 1000 ppm (Article)
- ODCs
Coastwide Labs (Staples) – Sustainable Earth Product Line

Largely due to Sustainable Earth product line

- Net operating income averaged double to triple the industry norm
- Sales rose 8% largely due Sustainable Earth products
- Market share grew to about 16% of the regional market
- New customers rose 35% in 2005 largely attributable to the Sustainable Earth product lines
Shaw Industries – EcoWorx Carpet Backing

- Eliminated
  - PVC
  - Phthalate plasticizers
  - Antimony trioxide flame retardant
- Comparable cost
- 40% recycled content
- Equal to improved performance
- Customers preferred EcoWorx, within 5 years, 1999-2004, ended all PVC use
• Passive - Benefits

• Active - Benefits

• Passive - Costs

• Active - Costs

Delay

Value

Crisis

Investment
PASSIVE TO ACTIVE

Passive Strategy – strive for compliance

Benefits - Delay
• low initial investments

Costs – Crisis
Chemical Risks -- hidden liabilities of chemicals in products & supply chains
• non-compliance
• product recalls
• lost sales, market share, valuation
• product reformulation under crisis conditions
• supply chain disruption
• brand reputation tarnished
PASSIVE TO ACTIVE

Benefits - Value
• ↑ sales, market valuation, brand reputation, & supply chain reliability
• Innovative products
• ↓ costs of compliance

Costs – Investment
• Invest in:
  o knowing chemicals in products & supply chains
  o systems to collect data (either directly or 3rd party)
  o product reformulation ahead of regulations & market demand
• Train suppliers
• Test products
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Chemicals in Products programme: background / status

Kevin Munn
Programme Officer
UNEP/DTIE Chemicals Branch

13 January, 2015
• 1972 – UN General Assembly directed UNEP to serve as the coordinator of environmental issues and catalyst for environmental action and awareness within the United Nations System.
International chemicals governance: chemical characteristics and life cycle

Chemical ‘coverage’
- Heavy metals
- Other chemicals of concern
  - Specific Halogenated Compounds

Chemical ‘life cycle’
- Production
- Trade
- Use
- Waste & disposal

**ILO 170, 174**
Rotterdam Convention: *Prior informed consent*

**Montreal Protocol**
Ozone Depleting Substances

**Stockholm Convention**
Persistent Organic Pollutants

**Basel Convention**
Transboundary Movements of Hazardous Wastes and their Disposal

**Minamata Convention**
Mercury

**SAICM**
Strategic Approach to International Chemicals Management

**Rotterdam Convention**

**Montreal Protocol**

**Stockholm Convention**

**Basel Convention**

**Minamata Convention**

SAICM

Strategic Approach to International Chemicals Management (SAICM)

- Overall objective: “by 2020 chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health” (2002 World Summit goal)
- Established in 2006 at the first International Conference on Chemicals Management (ICCM)
  - ICCM is SAICM’s Governing body - ICCM4 in 2015
- Voluntary, multi-sectoral and multi-stakeholder approach (governments, business and industry, civil society, labour)
- SAICM text: political declaration, policy strategy with specific objectives, plan of action

(http://www.saicm.org)
Chemicals in Products project – analysis phase

- ICCM2 (2009) identified chemicals in products (CiP) as an emerging policy issues for global cooperative action (others: nanotechnology, electronics, lead in paint, and perfluorinated chemicals)
  - CiP project basis in SAICM objective on Knowledge and Information (Para 15b) - to ensure that “information on chemicals throughout their life cycle, including, where appropriate, chemicals in products, is available, accessible, user friendly and appropriate to the needs of all stakeholders”

- Invited UNEP to lead the CiP project to:
  - Investigate existing systems of CiP information exchange
  - Identify stakeholder needs for CiP information and gaps
  - Recommend to ICCM3 (Sept. 2012) actions to address the issue
Chemicals in Products project – the CiP programme

- ICCM3 (2012) – Agreed to develop a CiP programme to “facilitate and guide the provision and availability of, and access to, relevant information on chemicals in products among all stakeholder groups”
  - Identify roles and suggest responsibilities of the major stakeholder groups
  - Develop guidance on what chemicals information could be transferred and how
  - Life-cycle; consider best practices; implement pilot(s)
The elevator pitch / take-home point

Stakeholders have the information they need to make a sound chemicals management decision.
The CiP programme – enabling sound chemicals management

By 2020 chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health

Policy basis - SAICM 2020 goal

“information on chemicals throughout their life cycle, including, where appropriate, chemicals in products, is available, accessible, user friendly and appropriate to the needs of all stakeholders”

High level objectives - OPS Objective 15(b)

Objectives of Chemicals in Products information exchange

CiP programme Guidance (general)

Sector specific Guidance (if needed)

Chemicals in products information exchanged

Sound chemicals management actions

KNOW AND EXCHANGE IN SUPPLY CHAINS information on what chemicals are in your products, associated hazards and sound management practices.

DISCLOSE information to stakeholders outside the supply chain to assist in informed decision making.

ENSURE that information is accurate, current, verifiable and accessible.
A textile sector pilot of the CiP programme

Policy basis - SAICM 2020 goal

High level objectives
- OPS Objective 15(b)

Principles of Chemicals in Products
information exchange

CiP programme Guidance (general)

High level objectives
- OPS Objective 15(b)

Principles of Chemicals in Products
information exchange

CiP programme Guidance (general)

Chemicals in products information is exchanged

Sound chemicals management actions

Ø ZDHC

ICCM3 Resolution

Chemicals Management Framework

AAFA - American Apparel & Footwear Association

ZDHC

OUTDOOR INDUSTRY ASSOCIATION

Confidence in Textiles - Tested for harmful substances according to Oeko-Tex Standard 100 Test No. 080000000 Institute
THANK YOU

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CiP project URL:
http://www.unep.org/chemicalsandwaste/UNEPsWork/
ChemicalsinProductsproject/tabid/56141/Default.aspx
Thank you for attending

What did you think about the webinar? Please take part in our email survey (in your inbox now)

A downloadable recording of this presentation (with slides) will be available shortly.

If you have any questions, please contact Lorna (lorna@chemicalwatch.com)

Don't forget: Mark Rossi will be giving a keynote address at our Global Supply Chain Summit, 25-26 February, Brussels.

www.chemicalwatch.com/supply-chain-summit