Mainstreaming the Chemical Footprint Project

Richard Liroff
Executive Director
Investor Environmental Health Network
BizNGO/Chemical Footprint Annual Meeting
December 2016
Greatest Hits in the Stock Market
Reputational Hits
2,000 Study Meta-Analysis

“Business case for ESG investing is empirically well founded”

“ESG outperformance opportunities exist in many areas of the market”

(Journal of Sustainable Investment and Finance, 2015)
Mainstream Finance Responds

- Harvard Business Review Rating of 100 Best-Performing CEOs, 2015:
  - 20 percent weighting for company ESG performance
  - 80 percent weighting for long-term financial performance.

- BlackRock ($4.7 Trillion AUM):
  - ESG “is not about saving the planet or feeling good. We view ESG excellence as a mark of operational and management quality.”
  - “Over the long-term, environmental, social and governance (ESG) issues—ranging from climate change to diversity to board effectiveness—have real and quantifiable financial impacts” (BlackRock CEO letter to Fortune 500 CEOs)
Companies linking executive compensation to sustainability have increased from 29 percent of companies reviewed in 2010 to 40 percent in 2014.
ESG data:
700 ESG indicators from companies and third parties on more than 11,000 companies
Sustainability Accounting Standards Board (SASB) mission: set industry-specific standards for corporate sustainability disclosure—material, comparable, useful for investors
Aligning SASB and the Chemical Footprint Project

**CFP Components**
- Management Strategy ("M")
- Chemical Inventory ("I")
- Footprint Measurement ("F")
- Public Disclosure and Verification ("D")
• ...may contain harmful substances that have the potential to harm human health, including...
• ...potentially significant regulatory and reputational risk
• Increasing consumer concern...
• building certification standards such as LEED are driving demand...
  Companies that effectively manage harmful chemicals...may enjoy a competitive advantage over the long term...higher demand, reduced regulatory risk...improved reputation.
Accounting Metrics (Building Products)

• Describe chemical management processes:
  • Hazard-based, risk based, other? (M1, M2)
  • Use RSL? Screening Tools (WHO? IARC? Others?) (I1, I2, F4)
  • Life-cycle stage chemicals management: product design through to marketing? (M3, I3, I4, I5, I6)
  • Prioritize chemicals for reduction/elimination? Incorporate alternatives? Material substitution assessments? Greenscreen or DfE? (F1, M2, F5)
  • Third-party certification? (D4)
  • Timeline and progress? (F1, F2, F3)
Household and Personal Products Industry

• ...growing consumer and regulatory pressure...
• Larger retailers have implemented programs to ban chemicals of concern...
• Companies able to anticipate the changing regulatory landscape and implement stricter processes and testing will have a competitive advantage.
• Early adopters of innovations in green chemistry and the reduction of chemicals of concern may improve profitability...
Accounting Metrics (Household, Personal Products)

• Percentage of revenue from products containing SVHC Candidate List chemicals, California Candidate Chemicals List (F2, F3)
• Identify *emerging* chemical concerns. Discuss, e.g., parabens, antimicrobials, toluene, PVC, PE microbeads (I2, I3, I4)
• Hazard and risk assessment (F4)
• Product design, labeling, declarations (M3, F1, D1)
• Banned substances lists, material substitution assessments, screening methods (e.g., GreenScreen or CleanGredients) (I1, I2, F4)
• Discuss: chemicals in DTSC Draft Priority Work Plan, Prop 65, Washington State, etc.
• Revenue from products designed with green chemistry principles (citing 12 principles, ACS GCI, EPA Safer Choice, C2C). Possibly F2 and F3 (footprint calculation)
Additional SASB Categories

Apparel, Accessories and Footwear
Toys and Sporting Goods
CFP Participation Creates Stakeholder Value

Sustainable Value:
Creating value for the enterprise and its stakeholders
Thank you!

Richard Liroff
rliroff@iehn.org
www.iehn.org