

Toxic Chemicals in Products

Newsletter of The Investor Environmental Health Network



IEHN Multimedia Presentations Online

A set of audio and video files on the IEHN website explores toxicity issues in China and provides access to our panel discussion at SRI in the Rockies.

-Our video [webcast](#) of "Product Toxicity and China: Insights for Investors and Companies," features Melissa Brown, Executive Director of the Association for Sustainable and Responsible Investment in Asia (ASRIA). The fifteen minute video briefing examines issues underlying supply chain management challenges in China in the aftermath of this past year's controversies over imports to the US of toxic pet food, toothpaste, and toys. [Audio recordings](#) of two related interviews are also available. Lauren Compere of Boston Common Asset Management speaks about the management of toxics up and down the supply chain, and Stacy Malkan, co-founder of the Campaign for Safe Cosmetics, reminds us that toxic products are manufactured in the US, since our country currently has some of the weakest toxics regulations of the developed world.

-Listen to an IEHN-sponsored [panel](#), "Not Just for Breakfast Anymore: What Every Fiduciary Should Know About Toxic Chemicals." This panel explores why fiduciaries must track the increasingly serious and material issue of toxic chemicals, and what shareholder advocacy can accomplish. This hour-long discussion was recorded at the SRI in the Rockies conference on November 5, 2007.

Executive Director's Letter

Largest Proxy Voting Advisory Service Expands Support for Corporate Action on Toxic Chemicals in Products

Institutional Shareholder Services (ISS), the largest proxy advisory service in the United States, has updated its proxy voting guidelines, broadening its support for shareholder resolutions that request corporate reviews regarding toxic chemicals. Expanding to encompass toxic chemicals and product safety risks in corporate supply chains, the guidelines signal increased investor concern about the impact on companies of toxic chemicals in products they produce and use.

In its November 19 update, ISS observes that long-term institutional investors "may face significant risk exposure at companies that fail to properly manage product safety in their supply chain." Accordingly, both manufacturers and retailers "should provide disclosure that enables shareholders to evaluate how the companies are managing toxic chemicals and product safety risks in their supply chain."

ISS declares that it will recommend a vote for shareholder proposals that request a company to report on its policies, procedures, oversight mechanisms, and/or product safety in its supply chain, unless the company:

- already provides similar information through existing reports or policies such as a supplier code of conduct;
- has formally committed to implementation of toxic materials/product safety and supply chain monitoring and reporting based on industry norms within a specific time frame; and
- the company has not been involved in recent significant controversies or violations.

ISS issued its initial recommendations on toxic chemicals two years ago, anticipating increased numbers of shareholder resolutions introduced by members of the Investor Environmental Health Network. These original guidelines indicated that ISS would generally support resolutions requesting corporate policy disclosures; would recommend against resolutions requiring a company to reformulate its products within a specific timeframe; and would decide recommendations case-by-case on resolutions asking companies to evaluate the potential financial and legal risks associated with using certain chemicals.

In the 2006-2007 proxy season, ISS recommended votes in favor of resolutions at DuPont concerning the chemical PFOA, at Bed, Bath, and Beyond concerning safer cosmetics and the chemicals PFOA and PVC (polyvinyl chloride), and at Hasbro requesting a sustainability report and referencing PVC. These resolutions received the highest votes among all toxic chemical resolutions introduced by shareholders that went to a vote-45% at Hasbro, and 22% at DuPont and Bed, Bath, and Beyond. Other resolutions, on which ISS recommended "against" based on its prior guidelines, received fewer than 9% of shareholder votes.

ISS's evolving policies reflect growing awareness that it is not only the chemicals that companies put in air, water and landfills that matter, but the chemicals they put in their products to which both workers and consumers are exposed. The guidelines also quite explicitly recognize that safer chemicals and products are more than just a manufacturer concern; retailers need to step up to the plate to assure their customers and investors that they're not selling toxic products.

Richard A. Liroff, Ph.D
Executive Director



Investors Engage Companies on Safer Chemicals and Products

Investors have begun the 2008 proxy season by engaging more than 50 companies, focusing in particular on the chemicals PVC and Bisphenol-A and use of nanomaterials in products. Most engagements have been letters inquiring about company policies and practices but already several resolutions have been filed, and one has been withdrawn. For example:

- Costco - filed and withdrawn for further dialogue. Boston Common Asset Management filed a resolution requesting a report by the company addressing how management is addressing the public health and policy challenges posed by numerous chemicals found in products it sells. The resolution was withdrawn when the company disclosed it had recently hired a sustainability director, it has been working to reduce use of PVC packaging, and it agreed to update investors at a later date. IEHN will be providing technical suggestions to the company for moving forward on safer chemicals issues.
- Becton, Dickinson - refiled. Domini Social Investments refiled a resolution asking the company to report on its policies regarding brominated flame retardants and other toxic chemicals of concern, including product categories using the chemicals and options for deploying safer alternatives. A similar resolution was filed two years ago, out of concern that Becton, Dickinson was not sufficiently preparing for prospective European Union restrictions on toxic chemicals in its products. The prospects of such regulation have increased in these two years, but Domini believes the company still is not sufficiently addressing this issue.
- Hasbro - refiled. The Camilla Madden Charitable Trust refiled a resolution asking the company to produce a sustainability report, citing concerns about PVC. A similar resolution won support of nearly 45% of voting shareholders in the 2007 proxy season.

Toxic Chemicals and Safer Products in the News

"Target's PVC Shift Unfair, Irreversible"

Plastics News (November 26, 2007)

<http://plasticsnews.com/subscriber/printer.html?id=1195249746>

Citing Target's recently announced commitments to reduce use of PVC, this opinion piece concludes: "[I]f you're making a PVC product that you need to sell in a Target or Wal-Mart store in order for your business to survive, you'd better not wait too long to start looking at alternatives."

"Lead in Toys Sparks Lawsuit"

Los Angeles Times (November 19, 2007)

<http://www.latimes.com/business/printedition/la-fi-lead19nov19,1,789054.story>

The California attorney general and Los Angeles city attorney filed suit against Mattel Inc., Toys R Us Inc. and 18 other companies, accusing them of making or selling products that contain "unlawful quantities of lead." The suit, filed under California's Proposition 65 law, would force manufacturers and retailers to adopt procedures for inspecting products to make sure they are safe. Barring that, they would be required to warn consumers that the items contained chemicals known to cause cancer or birth defects.

"A Little Risky Business"

The Economist (November 22, 2007)

http://www.economist.com/displaystory.cfm?story_id=10171212

The subtitle of this lengthy primer on nanomaterials states: "The unusual properties of tiny particles contain huge promise. But nobody knows how safe they are. And too few people are trying to find out." Much more has been spent on researching the potential uses of nanomaterials than their hazards to human health and the environment.

"Are Your Products Safe? You Can't Tell"

Milwaukee Journal Sentinel (November 24, 2007)

<http://www.jsonline.com/story/index.aspx?id=689731>

This is the lengthy lead article in a multi-article series on hormone-disrupting chemicals--endocrine disruptors. Chemical makers maintain their products are safe, but the government has failed to regulate endocrine-disrupting chemicals, and a growing number of scientists are convinced the chemicals interfere with the body's reproductive, developmental and behavioral systems.

The Investor Environmental Health Network (IEHN) is a collaborative partnership of investment managers, advised by nongovernmental organizations, concerned about the market and health risks associated with corporate toxics policies. It serves as an informational resource and secretariat for investors working to reduce portfolio risk related to toxic chemicals. For more information, visit us on the internet at www.iehn.org or contact RLiuff@iehn.org.