

Toxic Chemicals in Products

Newsletter of The Investor Environmental Health Network



Impressive Results from Shareholder Resolutions

A 45% vote on a resolution at Hasbro focusing on PVC (polyvinyl chloride) and requesting a corporate sustainability report was the highlight of a successful 2007 proxy season for IEHN resolutions. The vote represented the **second highest vote on record for a sustainability report resolution opposed by corporate management**. Another highlight was a 22% vote on a resolution at **Bed, Bath, and Beyond** requesting corporate management to report on issues associated with PVC, safer cosmetics, and a chemical named PFOA used in the manufacture of nonstick pans and stain resistant carpeting. **IEHN participants filed 13 resolutions in the 2007 proxy season compared to 12 in 2006. Resolutions were withdrawn at Sears**, in exchange for a dialogue on PVC policy, at **Mohawk Industries**, which revealed its impressive efforts to phase out PVC and PFOA, at **Apple**, which agreed to strengthen its policies on PVC and brominated flame retardants, at **ConAgra**, which disclosed plans to reduce use of PFOA in food packaging, and at **CVS**, which agreed to a **dialogue with investors on safer cosmetics policies**. For a complete list of resolutions and outcomes, see our website, www.iehn.org.

The shareholder resolutions represent just the tip of the iceberg of IEHN's corporate engagements. The shareholder resolutions are publicly visible; less visible but no less valuable are the **numerous dialogues IEHN's investor members have had with companies without filing shareholder resolutions**, where companies have revealed steps they're taking to address toxic concerns and have benefited from the exchange of information and expertise that these dialogues have offered.

Executive Director's Letter

Media attention in recent months to **toxic toys, toothpaste and pet foods** has added fuel to our argument that companies must pay serious attention to the toxic chemicals in their products. Though the issues have arisen in the context of imports from China, the material concerns raised about toxics in the supply chain are universal.

The potential for **toxic lockout** where a company has been barred from a market due to a product's toxicity is now all too real for suppliers of **lead-contaminated PVC bibs to Wal-Mart, Toys-R-U's and other retailers**. The same is the case for the suppliers of the many other products recalled in recent months. The **stock of the Canadian owner of a pet food company hit a record low** after the company said it lost a "significant" customer. Reputational risk is now a front and center issue for **Mattel** and other companies recalling toxic toys. These manufacturers surely would prefer to invest their resources in innovative products and marketing to boost sales, rather than buying **full page advertisements in major newspapers to reassure the public that their products are safe**. Retailers who may not have thought twice about where their toy products were sourced and how they were made, now **share the costs of product recalls and cleared shelves**. They also must ponder how consumer wariness of toxic chemicals in toys might affect customary Christmas sales.

From its beginning, the Investor Environmental Health Network (IEHN) has been making the business case for corporations to adopt safer chemicals policies. We've commissioned case studies of successful corporate innovators, developed a benchmarking framework for investors to differentiate corporate leaders from laggards, and sponsored a successful test application of the framework by Innovest Strategic Value Advisors. Our "**Fiduciary Guide to Toxic Chemical Risk**" provides institutional investors with a tool kit for examining how well trustees, portfolio managers, and investment consultants understand and address toxic risks in portfolios.

We've had gratifying results from our shareholder advocacy. Investment organizations participating in IEHN filed 13 resolutions in the 2007 proxy season and 12 in 2006. Dialogue with companies has in many cases yielded action without a need for formal votes. Resolutions were withdrawn where manufacturers agreed to change product formulations, retailers agreed to change marketing practices, or companies were willing to dialogue with investors on possible future actions. And we've received some significant votes where resolutions have remained on the proxy ballot.

I am deeply grateful to the 20 investment management groups formally comprising IEHN, the additional investment managers adding their voices, and expert advisors from public and environmental health organizations providing substantive assistance. **We invite other investment managers to join us**, to help companies both to reduce their business risks from toxic chemicals and to exploit the profit potential of growing markets for safer chemicals and products.

Richard A. Liroff, Ph.D
Executive Director



Report on Toxics in Asian Products Foreshadowed the Emerging Asian Product Crisis. In late 2006, IEHN collaborated with **ASRiA (the Association for Sustainable & Responsible Investment in Asia)** on research in Hong Kong, Seoul, and Tokyo on toxic chemicals in Asian supply chains. The resulting ASRiA report, **"Toxic Chemicals. Asian Investors are At-Risk"**, **proved to be prescient in light of 2007's toxic product scandals.** It pointed out that Asian governments lag on policy development with regard to toxics in products, consumer concern about contamination is growing, and that **cleansing the supply chain will not be an easy task.** An audio and video interview with ASRiA director Melissa Brown will be available on the IEHN website in the fall of 2007.



Fiduciary Guide to Toxic Chemical Risk

IEHN's **"Fiduciary Guide to Toxic Chemical Risk"** provides institutional investors with tools for examining how well trustees, portfolio managers, and investment consultants understand and address toxic risks in portfolios. A chapter authored by Jane Ambachtsheer of Mercer Investment Consulting offers a step-by-step navigation guide. **Another chapter points out that toxic chemical exposures are conservatively estimated to impose health care and related costs of \$15 billion annually in California, New York, and Connecticut.** We contend that state and local government pension funds in particular ought to be concerned about these issues, because state and local governments bear the added health and special education costs arising from individuals' exposures to toxic chemicals from products in their homes and work places.



Additional IEHN Publications

IEHN commissioned **Cross Cutting Effects of Chemical Liability from Products** from **Innovest Strategic Value Advisors**, comparing corporate safer chemicals management practices, and a series of case studies from the University of Virginia Darden School of Business on innovative corporate safer chemicals initiatives (**Environment, Health and Sustainable Business Enter the Mainstream**). Finally, **Beneath the Skin: Hidden Liabilities, Market Risk and Drivers of Change in the Cosmetics and Personal Care Products Industry** profiles risks and opportunities, including the special issues associated with rapid adoption of **nanotechnologies**.



IEHN DVD

Our video, **"Toxic Chemicals in Products: Financial Risks and Opportunities"** is now available both on our website and on DVD. The video provides business audiences with a 20-minute "short course" on how toxic chemicals in products relate to investment risk and opportunity. **Updated in fall 2007** to reflect the recent developments regarding toys, pet food and China, the video focuses on numerous companies, including **Wal-Mart, SC Johnson, DuPont, Bed Bath and Beyond, Apple, and Dow Chemical**, and features commentary by leading experts and investors from three continents.



Thanks to underwriting by Calvert Funds and Trillium Asset Management you can obtain a free copy of the DVD. Email your requests to video@iehn.org with your name, address, organization, phone and date needed for screening.

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 RLioff@iehn.org.