

ChemSec
International Chemical Secretariat

**Avoid risking your profits by
investing in hazardous chemicals**

Sonja Haider, Business and Investor Advisor

Investors seminar, Paris
25 April 2013



Overview

1. About ChemSec
2. Why should investors care about chemicals?
3. REACH and the SIN list
4. Investors – a lever towards toxic-free future
5. Concluding remark

About ChemSec



About ChemSec

- NGO - Working for a world free of hazardous chemicals
- Striving to bridge gaps: science, regulation, progressive business and investors
- Strategy: show the good examples!
- Focus: Improve EU chemicals legislations; facilitate companies chemicals managements; inform investors about financial risks



Business dialogue

- Progressive companies move ahead of regulation and make changes possible
- ChemSec business group
- Offer tools to facilitate chemicals management
 - Identify hazardous substances - SIN-list
 - Case studies and training in substitution - SUBSPORT

ChemSec's Business Group



B&Q

5,3 bn €, 30T staff/



Boots

26,9bn €, 116T staff



Dell

47,4bn €, 109T staff



EUREAU

29 member states



L'Oreal,

22,5 bn €, 72,6T staff



Shaw Ind.

3,8 bn €, 30T staff



Skanska

14,2 bn €, 51,6T staff



Sony Mobile

5,2 bn €, 7T staff



Sveriges Byggindustrier

3200 members;



IKEA

27 bn €, 130T staff



Investors dialogue: aims

- Increase transparency to enable investors to evaluate chemical risks and opportunities
- Rating agencies and asset managers use chemical criteria when evaluating corporate environmental performance
- Investors engage with companies to foster phase-out of hazardous chemicals and the development of safer alternatives

Why should investors care about chemicals?



Why care about chemicals?

- Hazardous chemicals can cause environmental pollution and health effects, e.g.
 - Damage to the nervous and immune system (allergies, asthma)
 - Infertility problems (dramatic drop of sperm count)
 - Cancer
- Poisoning from industrial and agricultural chemicals one of top five death causes
- “Chemical intensification of the economy” – value of chemical industry grown from 171 billion \$ in 1970 to 4.12 trillion \$ in 2010

Example: Mattel's recall of lead in toys



- Mattel Stock Price
- Dow Jones Toy Industry index

Source: Bloomberg



Other financial risks connected with chemicals

- Litigation fines (Eternit: Asbestos; DuPont: PFOA)
- Recalls (Mattel: Lead in toys; Sony: Cadmium in cables)
- Reformulation costs / Costs for changing processes
- Reputation loss – unfaithful consumers
- Costs for waste management

Financial opportunities

- Market advantages for safer alternatives

REACH and the SIN list



European Chemicals legislation – REACH

- Entered into force 1 June 2007
- Changed the burden of proof
- REACH is a model for legislative initiatives e.g.
 - in China new regulatory framework
 - Several US states developed progressive chemical regulation, e.g. California “Safer Consumer Product Alternatives”

REACH is changing the market

REACH lists chemicals of very high concern on the candidate list.

- Updated twice a year
- Start of the process for restrictions and bans
- Consumers have a right to know, if such chemicals are present in consumer products
- Today 138 substances; Until 2020 the European Commission plans 440 additional substances

→ The market for these chemicals is decreasing since downstream users want alternatives.

SIN list



- Public database, first launched in 2008
- Uses REACH criteria to list very high concern chemicals.
- Enables companies to predict which chemicals will be listed on the candidate list.
- Start to be used by rating agencies and investors e.g. MSCI
- Key driver for innovation among chemical producers. European Commission study, 2012, REACH review

*“SIN-list is a peek into the future“, says Noran Eid,
RiskMetrics / MSCI*





Investors – a lever towards toxic-free future



Up-to-date information about producers

- Producers and importers need to register substances at the European Chemical Agency
- Court case for more transparency: Public release of registrant names
- Matched results with SIN-list – only full registration – no intermediate use (except monomers)
- Matched companies with publicly listed companies:
 - Euro Stoxx 800 Chemicals
 - MSCI World Developed Markets

RESULT: SIN Producer List

European Chemical Industry (STOXX 800)

Company name	Revenue in m EUR (2011)	Number of SIN List substances*	Number of Candidate List substances**
BASF	73.497	45	18
Umicore	2.290	17	7
Lanxess	8.775	17	4
Solvay	7.638	15	7
Clariant	6.062	14	9
Bayer	36.528	11	4
Arkema	5.900	9	6
Akzo Nobel	15.697	9	3
Johnson Matthey	11.953	8	4
Kemira	2.207	5	2
DSM	9.048	5	1
Wacker Chemie	4.910	4	2
Syngenta	10.254	3	2

Evonik

13.600

16

4



What ChemSec can deliver

- To increase the transparency in the chemical sector
- Data „translated“ into investor relevant information:
 - SIN Producer List
 - Chemical Criteria Catalogue
 - News and Newsletter
- Chemistry expertise
- Knowledge about political developments



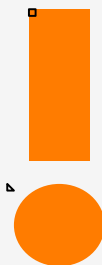
What Investors can ask for

- Take „chemicals“ into account for your investment decision
- Engage with single companies on their chemical portfolio, exposure to hazardous chemicals and innovating safer alternatives
- Send a joint letter to companies (e.g. UN PRI)
- Ask for relevant research covering chemicals



What Companies should answer

- Information about their exposure to hazardous chemicals, e.g. revenue of SIN-chemicals compared to overall revenue
- Systematic assessment and management strategy
- Timed phase-out plans
- Revenue of chemicals considered as Green Chemistry or environmental benign



Concluding remarks

Hazardous chemicals need to be high on investors agenda as they imply financial risks due to regulations

Investors can help to avoid and eliminate severe health effects and environmental pollution

