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New Report Makes Strong Business Case for Using Safer Chemicals in Products & Supply Chains

Product Recalls Cost Companies Millions; While Companies Responding to Market Demand for Safer Products Are Seeing Growth in Sales

Geneva, 15 December 2014 – Chemicals are all around us, present in the products that we come into contact with each day. The demand for increased transparency on chemicals up and down the supply chain is growing – we need to understand how and with what chemicals we are interacting.

Consumers, retailers and brands all want to know more, driving companies to disclose information about the hazardous chemicals in their products and to make safer choices.

Now a new report, *The Business Case for Knowing Chemicals in Products and Supply Chains*, highlights the benefits to companies when they invest in an “active strategy” for chemicals management, one in which they proactively manage the chemicals in their products and supply chains to stay ahead of regulatory and market demands.

The United Nations Environment Programme (UNEP) report, prepared in collaboration with the environmental NGO Clean Production Action, was released today at the Strategic Approach to International Chemicals Management (SAICM) Open-ended Working Group’s meeting in Geneva, Switzerland. The report speaks directly to the emerging chemicals-policy issue of Chemicals in Products, which will be discussed in-depth at the SAICM meeting, along with five other emerging policy issues of high priority to the international chemicals policy community.

“A thorough understanding of which chemicals are present in products we use on a daily basis, and any hazards they bring with them, is the first critical step to reducing the risk to these hazards,” said Fatoumata Keita-Ouane, Head of UNEP’s Chemicals Branch. “This business case report underlines how companies that actively seek and act upon this information generate long-term value for themselves, their shareholders, the public and the planet.”

“The fact that chemicals are the foundation of everything around us presents significant management challenges for the vast majority of businesses that do not know the chemicals in their products or supply chains, do not understand the hazards of those chemicals, and do not know the availability of safer alternatives,” said Dr Mark Rossi, Chair & Founder of BizNGO and Co-Director at Clean Production Action. “As the new report details, this massive gap in information leaves companies and communities at risk.”

The report compares companies with differing chemicals management strategies, concluding that those with “Active Strategies” reduce their risk to damaging chemicals “surprises” and generate long-term value through increased sales, enhanced brand reputation, and well-managed supply chains.

The report demonstrates how companies with “Passive Strategies” can face big fines, loss of market share and value, and tarnished reputations if an unknown “hidden liability” of hazardous chemicals in their products comes to public light. The report notes that over a three-year period Walmart, Target, Walgreen Co., CVS Pharmacy and Costco Warehouse paid a total of US\$138 million in fines because of chemicals of concern in products they sold.

Product recall costs can also be significant: Sony’s recall of its PlayStation in 2011 due to illegally high cadmium levels cost the company more than US\$150 million in lost sales and product reformulation costs; Mattel’s recall of more than nine million toys in 2007 due to lead in their paint cost the company US\$110 million in recall expenses and its stock price tumbled 18 per cent; and RC2 Corporations 2007 recall of toy trains, also due to lead paint, cost US\$48 million and halved its stock price.

The marketplace is also swift to punish: in 2009 in China, tens of thousands of consumers stopped buying, and thousands of stores stopped selling, Johnson & Johnson’s baby products after formaldehyde and 1,4-dioxane were found in some of these products in the United States. Johnson & Johnson saw its market share in China for baby products decline by almost 10 per cent.

Conversely, the report says, proactive businesses that adopt an Active Strategy reap the rewards of their efforts: they avoid fines and product recalls, are well-prepared for new government regulations and respond quickly to ever-growing market demands to know and control the chemicals in their products.

The examples are striking:

Coastwide Laboratories, a division of Staples, designed and invested in a new product line - The Sustainable Earth brand - based on safer chemicals. This became a primary driver of Coastwide Laboratories’ sales and market share growth in the early 2000s. “We seek to offer our customer’s products that are inherently safer for human and environmental health and that address environmental impacts throughout their lifecycle. Listening and responding to our customers has clearly paid off over the years,” said Roger McFadden, Vice President and Senior Scientist at Staples. “With increasing regulatory changes and a growing awareness about how chemicals impact health, avoiding harmful chemicals in consumer products is no longer an ideological nice-to-have, but a must-have moving forward. This new report reveals information and evidence that can be valuable to any business.”

Shaw Industries’ investment in safe chemicals for carpet backings netted the company substantial benefits. Shaw replaced its polyvinyl chloride carpet backing with a safer alternative, reducing weight by 40 per cent, and quickly captured market attention – production capacity tripled by 2000 and by the end of 2002 sales of its EcoWorx products exceeded those of its PVC-backed carpets. “Shaw has had a long-standing holistic approach to sustainability. Our aim is that every chemical, every material, every process, and every action is designed for a better future,” said Paul Murray, Vice President of Sustainability and Environmental Affairs at Shaw. “The Cradle to Cradle Certified™ Product Standard guides our focus on chemical and material health, material reutilization, energy, water, and social fairness. This requires continued investment in innovation, but the long-term rewards are reaped not only in profits, but also in regard to people and the planet.”

Seagate Technology PLC, a manufacturer of data storage devices, put in place a chemicals information management database which tracks the chemicals that go into its products. This means that each time a new chemical of concern is noted, staff simply search the company’s database to see if

it is present in its products. This enables the company to respond to new substance restrictions with existing resources, avoid the “saw-tooth effect” (where the costs of data collection vary widely, as the company responds to unpredictable new requests for data), and gives Seagate a better understanding of both the chemistry of its products and its suppliers’ performance. “By requiring full disclosure from suppliers and maintaining a comprehensive database, Seagate is positioned to quickly respond not only to new regulations, but also to customers’ product sustainability and environmental data requirements,” said Brian Martin, Product Environmental Compliance Director at Seagate Technologies. “Given the benefits from design through sales, once more businesses are aware of the implications of full supply chain chemicals management, it should quickly become the status quo.”

The report notes that many sectors – apparel, footwear, outdoor industry, automotive, electronics, cleaning, personal care, building and retail – have leaders advocating, and building, active chemicals management strategies and the necessary complementing information systems. But progress is not uniform, and many sectors do not have sufficient systems in place to enable reliable exchange of the chemical content information that is needed to meet current and future regulatory and customer demands.

“Transforming corporate cultures to the Active Strategy is itself a significant challenge,” the report says. “The demands from consumers as well as the continual increase in regulatory requirements help foster that interest, but creating the organizational will power to absorb upfront costs ... for uncertain future risks is often a difficult case to make.”

“The pathways to knowing chemicals in products/supply chains and using safer substitutes are clearly established. Innovators and early adopters are already on this path ... The question is how rapidly other businesses ... begin to implement Active strategies for managing chemicals in products.”

Contacts

Shereen Zorba, Head of News and Media, UNEP Division of Communication and Public Information, Tel. +254 788 526 000. Email: unepnewsdesk@unep.org

Moira O'Brien-Malone, Head, Communications, UNEP Division of Technology, Industry and Economics, Tel: + 33 1 44 37 76 12 or mobile +33 6 82 26 93 73. Email: moira.obrien-malone@unep.org

Dr Mark S. Rossi, Co-Director, Clean Production Action, Tel: mobile +1 781 799 9504. Email: mark@cleanproduction.org

Shayna Samuels, representing Clean Production Action, Tel: mobile +1 718 541 4785. Email: shayna@ripplestrategies.com

Editors’ notes

To download a copy of the report, please visit

<http://www.unep.org/chemicalsandwaste/UNEPsWork/ChemicalsinProductsproject/tabid/56141/Default.aspx>

About SAICM

The Strategic Approach to International Chemicals Management (SAICM) was agreed to in 2006 and provides a global policy framework to support efforts for achieving the World Summit on Sustainable Development goal of achieving by 2020, that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment. SAICM complements the international chemicals and waste framework, by including existing multilateral environmental agreements and addressing the need for and importance of comprehensive national chemicals management frameworks. It is the only global mechanism which covers all agricultural and industrial chemicals of concern, throughout their life cycle. With its integrated overall approach, the

Strategic Approach allows for a balanced consideration of all factors relevant to chemicals management, including the identification of emerging policy issues, and it provides a flexible framework for international action that both complements and goes beyond legally binding approaches. Chemicals in Products is one of five currently identified emerging policy issues in the context of SAICM.

About Clean Production Action and BizNGO

Clean Production Action's mission is to design and deliver strategic solutions for green chemicals, sustainable materials, and environmentally preferable products. Critical to our success is working closely with existing networks across the globe, developing new partnerships, learning about emerging technological trends and associated environmental health problems, and developing and communicating essential solutions.

BizNGO is a collaboration of leaders from businesses, NGOs, government agencies, and universities. Our mission is to promote the creation and adoption of safer chemicals and sustainable materials in a way that supports market transitions to a healthy economy, healthy environment, and healthy people. Established in 2006, BizNGO is a project of Clean Production Action.

About UNEP

The United Nations Environment Programme (UNEP) is the voice for the environment in the UN system. Established in 1972, UNEP's mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

UNEP is an advocate, educator, catalyst and facilitator promoting the wise use of the planet's natural assets for sustainable development. It works with many partners, UN entities, international organizations, national governments, non-governmental organizations, business, industry, the media and civil society. UNEP's work involves providing support for: environmental assessment and reporting; legal and institutional strengthening and environmental policy development; sustainable use and management of natural resources; integration of economic development and environmental protection; and promoting public participation in environmental management.