



INVESTOR  
ENVIRONMENTAL HEALTH  
NETWORK



# Overview of External Performance Assessments and Disclosure Frameworks Relevant to Chemicals

V.1, 2023

The purpose of this brief is to provide a high-level overview of key resources investors are currently using to assess potential risks (and opportunities) arising from a company's manufacture and/or use of chemicals – particularly those that are hazardous. This review only includes assessments that were independently developed to provide investors and other stakeholders with information that both qualifies and quantifies corporate performance relative to chemical safety concerns, readiness for new regulations, and emerging market shifts. Individual companies or sectors have their own frameworks to assess or disclose chemical risks to investors – such as the World Business Council for Sustainable Development's Portfolio Sustainability Assessment Approach. These frameworks developed by industry-led associations are not included in the document but remain important sources of information for investors.

## Chemicals-Focused Performance Assessments

The following three performance assessments are specifically focused on assessing the use of hazardous chemicals in different sectors.

***Opportunities for Investor Action to Improve Disclosure*** – below are three specific ways that investors can motivate increased disclosure on chemical risks and green chemistry opportunities

**Connect chemical footprint reduction targets to revenue goals and benchmark progress through the Chemical Footprint Survey:** CFP supports downstream companies in their journey away from chemicals of high concern, thereby changing the landscape for chemicals producers.

**Set disclosure expectations on revenue dependency metrics.** Every company with material exposure should be calculating and disclosing “Revenues Dependent on Substances of High Concern (SVHC)”. The flip side of the coin is the opportunity – “Revenues Dependent on Green Chemistry”.

**Set disclosure expectations on the disclosure of Green Chemistry R&D spend:** This would encourage downstream and upstream companies to disclose their R&D (and possibly capital) spend on new green chemistry solutions.

## Chemical Footprint Project

*Focus on Downstream Sectors. 50-60 Companies. Primarily Survey Based. North America and Europe.*

The Chemical Footprint Project is a program of Clean Production Action (CPA) and was co-founded by CPA with the Lowell Center for Sustainable Production at the University of Massachusetts Lowell and the consultancy Pure Strategies. CFP creates a clear and common logic for evaluating corporate chemical management performance through indicators set in its annual survey. Embedded in the Survey is a chemical footprint metric that represents the total mass of chemicals of concern used by the company for any part of its value chain. CFP's reference list for the footprint metric uses the aggregation of over forty authoritative hazard lists organized in the Green Screen List translator tool. This represents approximately 2,000-plus chemicals. Companies have options to participate anonymously or publicly with and without releasing their score.

The CFP Survey and metric are largely aligned with the hazard profiles targeted in other major benchmarking assessments like ChemScore and Mind the Store report card as well as regulations globally. The Chemical Footprint Project is supported by signatories representing major investors in North America and Europe as well as procurement organizations, downstream companies and nonprofits.

## ChemScore

*Focus on Chemicals Sector. 50 Biggest Chemicals Companies. Primarily Publicly Available Information. Global.*

Produced by ChemSec, ChemScore evaluates corporations' steps to reduce their chemical footprint, focusing on the 50 biggest chemical companies in the world. ChemScore ranks the performance of these companies in four different categories: the toxicity of their product portfolio, research & development of non-toxic chemicals, management & transparency, and the number of controversies and scandals that the company has been involved in (including tracking fines). While grades go from D- to A+, none of the 50 biggest chemical companies have scored better than a B since the report cards were launched in 2020. While data is primarily drawn from publicly available sources, companies can provide additional information. The Investor Initiative on Hazardous Chemicals (IIHC) is an investor-led collaborative engagement initiative. It aims to reduce the impacts on human health and the environment from the manufacture of hazardous chemicals, thereby reducing financial risks to investors from, for example, litigation and regulation. Investors are organized into groups with lead investors and matched to target companies in ChemScore, with which they engage.

## Mind the Store

*Focus on Retail Sector. 50 Companies. Primarily Publicly Available Information. North America.*

By [Toxic Free Future](#), the Mind the Store campaign evaluates 50 of the largest retailers in North America and produces an annual report card on toxic chemicals that can be in consumer products. The report card focuses on disclosure, management practices, and actions to reduce chemicals and plastics of high concern and replace them with safer alternatives.

## General Assessments

*Environmental, Social, Governance (ESG) ratings at MSCI and Sustainalytics both integrate chemical risk into their frameworks, and MSCI evaluates whether a company is harnessing opportunities by developing safer alternatives.<sup>1</sup>*

**Sustainalytics:** ESG Risk Ratings aim to reflect unmanaged risk at a company level, as well as unmanageable risks that the company or sector faces due to its business model or industry. Sustainalytics finds the chemicals sector to have higher risk relative to other sectors, largely driven by the material ESG issues of Emissions, Effluents and Waste, and Environmental and Social Impact of Products and Services. Key drivers of exposure include the production of persistent and bioaccumulative chemicals (including PFAS), pesticides, other substances of very high concern<sup>2</sup>, and a changing regulatory environment. Outside of the chemicals sector, analysis of Household and Personal Care Products also includes exposure to substances of very high concern.

**MSCI:** Chemical risk is addressed through the topics of Toxic Emissions & Waste, and Chemical Safety. The former is an environmental issue primarily looking at the production process in materials, industrials and some consumer industries, while the latter is considered a Social issue under Product Liability, and is applied to a number of consumer discretionary, consumer staple, and chemicals sub industries. A company is evaluated on risk exposure – the business portfolio, how much revenue is tied to chemicals of high concern, and geographic exposure – as well as how key risks are addressed by management. As part of Chemical Safety, MSCI looks at whether a company has a formal process for assessing social and environmental harm, and would get credit for pursuing safer alternatives.

## Voluntary Disclosure Frameworks

*Widely used voluntary disclosure frameworks SASB and GRI both address chemical pollution, while SASB also integrates metrics on chemicals management and use.*

**Sustainability Accounting Standards Board (SASB) Standards:** In addition to wastewater, waste, and hazardous materials management for the chemicals industry, SASB

---

<sup>1</sup> These summaries are based on conversations with each data provider as they do not publicly disclose their assessment approaches.

<sup>2</sup> Defined by regulatory authorities (under the European REACH legislation) or other authoritative scientific or non-governmental lists.

Standards include metrics on chemicals in products (including green chemistry revenues) for the following industries: Apparel, Accessories & Footwear; Building Products & Furnishings; Hardware; Household & Personal Products; Medical Equipment and Supplies; Multiline and Specialty Retailers & Distributors; Toys & Sporting Goods.

In August 2022, the Sustainability Accounting Standards Board (SASB) finished merging with the Integrated Reporting Framework and the Climate Disclosure Standards Board to create the ISSB. In the summer of 2022 prior to the merger, SASB recommended increased disclosure on single-use plastics, including revenues and expenditures as well as a breakdown of raw materials used in their manufacture.

**Global Reporting Initiative:** Since 2018, GRI has expanded effluents and waste into separate standards for Water and Effluents (Standard 303) and Waste (Standard 306), the latter of which includes an increased focus on specific waste streams, as well as the generation of waste beyond the production phase – allowing for the capture of marine ecosystems plastic waste pollution, for example.