



the
SUSTAINABILITY
GROUP

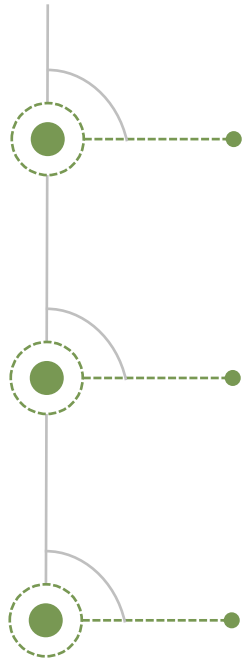
Why Chemical Risk Matters to Investors

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Why Chemicals? Ubiquitous, linked to systemic risks, system insufficiently protects consumers, the planet and companies.

Investor Perspective: Litigation, regulation, consumer preferences, oh my!

Resources and Partners: What is available for investors and companies?

The Sustainability Group at LWC



The Sustainability Group is part of Loring, Wolcott & Coolidge: a Boston-based trust and investment manager that traces its roots back more than 200 years.

- Founded at LWC in 1987 by Amy Domini.
- Integration of environmental, social and governance (“ESG”) research into a financially-focused investment process.
- Positions typically maintained for long time horizons – focus on mitigating long-term financial risk.
- Active engagement with companies and policymakers to:
 - Improve environmental stewardship
 - Reduce negative social impacts
 - Enhance transparency
- In addition to independent research and advocacy, we draw on information from specialized networks of investors.

Why We Focus on Chemicals-related Risk



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Ubiquity

- › Nearly all companies are exposed through their **products, processes** and/or **supply chains**.
- › >15,000 **pesticide** ingredients are registered for use in the US alone.
- › >12,000 **food contact chemicals** are intentionally used for production and packaging worldwide.\

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Intersectionality

- › Chemicals are inextricably linked to other **systemic risks**:
 - › **Climate**: largest industrial energy user
 - › **Biodiversity**: chemical pollution drives biodiversity loss
 - › **Water**: forever chemicals pervasive in drinking water
 - › **Healthcare**: linked to childhood cancers and other serious illnesses

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Systemic Challenges

- › Chemicals are governed by a **risk-based system** that is largely **reactive**: assumes safety unless proven otherwise.
- › High degree of **opacity**: less than 20% of synthetic chemicals have been tested for toxicity.
- › **Insufficient protection** for consumers, the planet, and companies.

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Societal Burden

- › Growing quantification of the **economic and human health-related costs** attributable to chemicals.
- › **“Whack-a-mole”** when/if hazards are conclusively identified.

Why Chemical Risk Matters to Investors



Harmful chemicals – and their mismanagement – can introduce financial risks for companies.



Litigation risks: Significant financial impact and increasing number of lawsuits.



Consumer preferences: Strong support for ingredient transparency, increased regulation and assurance of safety.



Regulatory environment: Complex, turbulent – uncertain for companies and investors.

To mitigate long-term risk and meet evolving expectations, companies should understand their chemicals-related risks, have a comprehensive plan to manage and reduce them, and support safer alternatives.

A Hazard-Based Approach



The business imperative for adopting precautionary, hazard-based chemicals management:

Why a hazard-based approach?

- › Targets chemicals with the **highest inherent risk**, not just regulated ones
- › Drives **proactive substitution**
- › Preserves **brand trust** and **protects value**

Business Upside

- › Avoids **litigation**
- › **Future-proofs** supply chains and product portfolios
- › Helps to prevent **recalls** and forced **reformulation**
- › Builds **consumer confidence**
- › Improves **transparency**

A hazard-based approach does not *conflict with* a company's enterprise risk management approach but can instead *enhance* it by adding important information into decision-making.

Frameworks for Managing Chemicals-Related Risk



Understanding chemical risk is a vital piece of the puzzle, but the bigger challenge is how to manage these risks. To address this, IEHN has developed two resources:



The framework includes detailed guidance on how to:

1. Use independent third parties to conduct full chemical hazard assessment;
2. Adopt a comprehensive chemical management plan and validate its efficacy; and
3. Incentivize safer chemistry solutions when legally feasible.

For **investors**: Helps assess how companies are managing risks

For **companies**: Provides clarity on what investors expect and what peers are doing.

clear roadmap • metrics for success • supporting resources • peer examples

Tools for Assessing Chemicals-Related Risk



Comprehensively understanding chemical risk can be challenging for both companies and investors alike – but specialized tools can help inform decisions and provide credible, third-party assurance.



Chemical Footprint Project

Helps companies measure and disclose chemicals management practices and move toward safer alternatives.



Green Screen for Safer Chemicals

Provides a rigorous, scientifically grounded approach to certify products free from thousands of chemicals of high concern.



ChemForward

Centralized repository of comprehensive chemical hazard data to help move towards safer alternatives.

Questions?

