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The Morning Risk Report: Nano Disclosure No Big Thing—Yet

Gregory J. Millman | November 17, 2014

Investor groups focused on environmental, social and governance issues are demanding more disclosure of companies' involvement with nanotechnology, the manipulation of matter at the atomic or molecular scale, which some critics say could pose health risks. After tests that the group **As You Sow** claimed found nanoparticles in powdered sugar coatings on some Dunkin' Donuts DNKN +1.05% products, the group sponsored a shareholder resolution demanding more disclosure of the company's policies on such materials. The resolution drew more than 18% support in the spring, leading The Guardian to ask, "Is this the next GMO crisis?" A spokesman for Dunkin' Donuts emailed Risk & Compliance Journal that its products meet all FDA requirements, but that it has reviewed the specific FDA guidance on nanotechnology and is "determining how this applies to our ingredients."

Nano isn't that big yet, but "it has huge potential, unknown risks, uneven disclosure and an immature regulatory environment," said Jon Lukomnik, executive director of the Investor Responsibility Research Center Institute, in an interview. Nanomaterials are used in over 1,600 products, including even suntan oil and toothpaste. A report commissioned by the IRRCi and authored by the Sustainable Investments Institute examined disclosure practices and found only a handful of companies saying anything about their use of nanomaterials. "To be fair it's a difficult issue for companies because very few are in control of their total supply chain from start to finish," he said, "A lot of companies don't know and haven't thought about whether they are utilizing nanotechnology in their products or services." At present, the report found that fewer than three dozen of the companies in the S&P 500 disclose to shareholders their production and sale of nanomaterials.

Yet, as the report notes, the European Union passed legislation in 2013 establishing labeling requirements for nanomaterials, and the Obama administration in 2011 established guidelines for U.S. agencies on regulation of nanomaterials. Since 2008, the report says shareholder resolutions have focused on use of nanomaterials at Avon, Colgate-Palmolive, Kraft, McDonalds and WalMart and members of the Interfaith Council on Corporate Responsibility "have held dialogues on nanotechnology" with E.I. DuPont de Nemours and Co. DD +0.25%, The Estée Lauder Companies Inc., Henkel AG & Co. KGaA, Johnson & Johnson, The Procter & Gamble Co. and Unilever N.V., among others.