

Investors Want Toys 'R' Us to Phase Out 'Toxic' PVC Toys

Company promised to reduce PVC in toys in 2008

October 1, 2010

A coalition of investors is putting the heat on Toys 'R' Us as it prepared a public stock offering, demanding that the toy store chain live up to its promise to reduce polyvinyl chloride (PVC) plastic, phthalates, and lead in children's and infant toys.

In a letter signed by members of the Interfaith Center on Corporate Responsibility, a coalition of 275 institutional investors with more than \$100 billion in assets, the coalition members ask investors to boycott the company's IPO until it makes good on its 2008 promise.



"We urge investors not to participate in Toys 'R' Us' IPO unless they commit to labeling toxic chemicals in toys it sells and to phase-out PVC toys," said Pat Zerega, Corporate Social Responsibility program, Evangelical Lutheran Church in America.

"Providing fresh capital to Toys 'R' Us and its private equity owners will encourage business practices that put children's health at risk and threaten shareholder value over the long-term," said Laura Berry, of the Interfaith Center on Corporate Responsibility.

Toys 'R' Us, which went private in a 2005 purchase by Kohlberg Kravis Roberts & Co., Bain, and Vornado Realty, plans to return to the public markets, aiming to raise \$800 million.

"Recent testing found the company has failed to fully implement" the commitment it made in 2008 to reduce and clearly label potentially toxic substances in toys, said Sr. Mary Ellen Gondeck of the Congregation of St. Joseph. Popular products like Barbie, Bucket O Soldiers, and Toy Story 3 Buzz and Woody figurines, were found to contain PVC.

Chemicals associated with PVC can cause health problems including cancer, neurological, and immune system damage, critics have charged.

"Toys 'R' Us' failure to phase out PVC products and label toxic chemicals in toys could hurt them during the critical Christmas season, which accounts for roughly 40% of Toys 'R' Us' annual revenues," said Susan Baker of Trillium Asset Management Corporation.

According to **Michael Passoff of As You Sow**, "Phasing out PVC has significant environmental and health benefits, builds public trust and safeguards Toys 'R' Us' brand reputation and market share."

Some of the chemicals, including PVC, have been banned from toys in the European Union.