

2018 **Financial Statement**

Financial Statement

The International Chemical Secretariat (ChemSec)
802412-7717

The Board of Directors of the International Chemical Secretariat (ChemSec) hereby presents its account of the association's development during the financial year 01-01-2018 – 31-12-2018.

Unless indicated otherwise, all figures are reported as whole numbers in Swedish krona (SEK).

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Directors Note

OPERATIONS

OPERATIONS

The Board of the International Chemical Secretariat (ChemSec), 802412-7717, hereby submits its annual accounts for the financial year 2018.

PURPOSE AND ORGANISATION OF CHEMSEC

ChemSec was founded in 2002. ChemSec is a non-profit organisation without religious or political affiliations that advocates for greater protection from harmful chemicals for the environment and people's health.

The organisation's aim is to strengthen protection for the environment and health by:

- monitoring, influencing and informing about the development of chemicals policy in the EU and internationally, from the perspective of the environment and health,
- serving as a resource and providing support on chemical issues, primarily to the organisations that support ChemSec,
- encouraging and urging foreign and international trade organisations, companies, research bodies and civil society to give more attention to the effects of chemicals on the environment and health.

ChemSec's vision is a world free from harmful chemicals.

MANAGEMENT

The Annual General Meeting is ChemSec's highest decision-making body and is held annually. The right of members to participate in the management of ChemSec's affairs is exercised at the AGM. A new Board was elected at the AGM in May.

The Secretariat is located in Gothenburg and is headed by the executive director. Anne-Sofie Andersson was appointed executive director by the Board and has led the organisation since 2006.

The Board is made up of representatives of the Swedish Society for Nature Conservation, WWF Sweden, Nature & Youth Sweden and Friends of the Earth Sweden. The Board represents the organisation, monitors its interests and decides on behalf of the organisation in all matters where its statutes do not prescribe otherwise. The Board consists of eight members. In 2018, the Board held five recorded meetings which were attended by an average of 5.75 board members. The numbers in brackets show their attendance at these meetings. The Board also held planning days with employees at the Secretariat.

Cecilia Hedfors (chairman) (4)	Swedish Society for Nature Conservation (regular member)
Stefan Larsson (vice chairman) (5)	Friends of the Earth Sweden (regular member)
Lennart Henriksson (5)	WWF Sweden (regular member)
Malin Andersson-Stavridis (3)	Nature & Youth Sweden (regular member)
David Gunnarsson (3)	Swedish Society for Nature Conservation (deputy member)
Sven-Erik Sjöstrand (5)	Friends of the Earth Sweden (deputy member)

Lovisa Sundström (1)	Nature & Youth Sweden (deputy member)
Peter Westman (0)	WWF Sweden (deputy member)
Helena Norin (2)	Swedish Society for Nature Conservation (deputy member)

At the Annual General Meeting, Kristian Thore from Baker Tilly EMK AB was elected as chief auditor; Thomas Olofsson from Baker Tilly SEK AB was elected as deputy auditor; and Kåre Olsson from the Swedish Society for Nature Conservation was elected as representative auditor.

The member organisations serve as nomination committees in accordance with their own internal guidelines and are responsible for proposing a regular member of the Board and an alternate at the AGM.

KEY EVENTS

EU chemicals policy

- **REACH authorisation testing**

Authorisation testing is a cornerstone of REACH – it regulates the use of the very worst chemicals.

Unfortunately the process has many shortcomings, which lead to the authorisation of harmful chemicals even when there are often safer alternatives on the market. During the year we published a report with ClientEarth entitled How to Find and Analyse Alternatives in the Authorisation Process, which highlights the current problems with this process and gives concrete advice on solutions. We have discussed the conclusions that we reached in the report with relevant stakeholders and at the end of the year we were able to see that our work was producing results. The European Chemicals Agency (ECHA) has made improvements to its socio-economic analyses in line with our proposals, which will make it easier for ECHA to reach decisions.

We were also closely involved in the case of Ormezzano, a company that wanted to get authorisation to use a known carcinogenic substance in the dyeing process for wool, despite the fact that there are safer, widely used alternatives on the market. A final decision has not yet been reached, but we are optimistic that authorisation will be denied. Not a single application for authorisation has been denied yet, so the Ormezzano case could set a precedent in that regard.

- **Circular economy**

The circular economy has become a hotly debated political issue that could be decisive in determining how harmful chemicals are treated in both new and recycled materials. During the year, ChemSec worked on the preparation of a report on the circular economy that will be published in early 2019. We also produced a document containing persuasive quotes from companies in our business group that highlight how important it is for them that the same basic requirements are applied to both new and recycled materials. We subsequently used this document in our advocacy work on the issue. During the year we have clearly established our position on the circular economy. As the only environmental organisation that works with chemicals, we presented our views on how chemicals should be dealt with in a circular economy to 800 delegates at the EU Commission's conference on the circular economy.

- **EU-US NGO exchange**

In April, ChemSec arranged a large meeting for 30 representatives from various environmental organisations in the EU and the US, with the aim of increasing cooperation between organisations that are involved in chemical issues. The meeting was very successful and led to direct collaborations that are still active.

COLLABORATIONS WITH BUSINESS

- **ChemSec Business Group**

ChemSec Business Group is a group of progressive companies that lead the way in tackling harmful chemicals in products and in the supply chain. The companies encourage and spur on each other, share success stories and make joint statements with the aim of improving chemicals policy.

In 2018, joint projects continued within the business group and new projects on policy issues were initiated. Several members contributed information and official statements for our work on the circular economy. The majority of members attended the annual meeting at which a strong desire was expressed for more projects and collaborations.

ChemSec received no remuneration from the companies for its work.

- **Dialogue with companies**

There are many companies in the recycling industry that we have not had contact with previously, but have established contacts with during the year to discuss the use of chemicals in recycled materials. We also had several discussion meetings with various other companies, from downstream users to chemical producers and recyclers. This not only gave ChemSec the opportunity to urge these companies in a positive direction, but also gave us a valuable understanding of the business challenges posed by REACH and the circular economy.

INVESTORS

- **Investors receive more information**

The SIN Producers List is an offshoot of the SIN List with an interface and features that are tailored to investors. In 2018, the SIN Producers List was linked to Marketplace to provide investors with information on the companies that produce safer chemicals.

During the year we also held a workshop with investors in order to get a better understanding of their needs, and we came away with a number of ideas for integrating safer alternatives in our communications with the investment community.

- **Long-term strategy**

During the year we developed a strategy for our future activities with investors that we are very pleased with and look forward to start implementing.

MARKETPLACE

In spring 2017, ChemSec launched a new and unique business tool: Marketplace. Marketplace is an online commerce site where users create their own content, not unlike Blocket or eBay. The difference is that instead of advertising used cars and vintage watches, Marketplace ads only deal with alternatives to hazardous chemicals. The idea behind Marketplace is to make it easier for companies to phase out harmful chemicals from their products and supply chain, and at the same time showcase the safer alternatives that exist in order to drive the market towards toxic-free products.

During the year we made a broad commitment to digital communication, which meant that the number of unique visitors to the website tripled to just over 4,000 per month. During the same period the number of advertisements on Marketplace also rose, reaching 120 by the end of the year. The European Chemicals Agency (ECHA) has also started to publish advertisements in which they request alternatives to substances that are up for authorisation testing.

SIN LIST

In order to know which chemicals are safe to use, you also need to know which chemicals to avoid. ChemSec's most successful project to date, the SIN List, illustrates how important this is. We created the SIN List ten years ago and it has had a massive impact internationally. According to the EU Commission, it is one of the main drivers of innovation in the European chemical industry, and last year the SIN list was incorporated in the Dow Jones Sustainability Index, which has made it increasingly influential for many companies.

In 2018, we carried out thorough groundwork in order to launch a relevant update of the SIN list in 2019. We investigated various substance groups to provide the basis for this update and examined how we can reach new users. The SIN List also reached its tenth anniversary in 2018, which we marked with a series of webinars, articles, newsletters and a small campaign on social media.

COMMUNICATION

One of ChemSec's key communication channels is our newsletter, which attracted 17 percent more subscribers in 2018, bringing the total to over 3,300. During the year we also launched a new newsletter dedicated to Marketplace, and by the end of the year the number of subscribers totalled 285. To mark the tenth anniversary of the SIN List we also dedicated two newsletters entirely to the SIN List, as well as setting up a small campaign on social media to highlight the achievement.

2018 was also the year when we broke new ground with our digital communications by using the Google Adwords service for Marketplace and the SIN List. This involved a payment to obtain first place in Google listings in order to promote traffic to the two websites.

The articles we write for our website are generally very well received, and 2018 was no exception. For example, we chose to publish the correspondence between ChemSec's executive director and Björn Hansen, head of the European Chemicals Agency (ECHA). The exchange of letters became our most-read article over the past year and was also picked up by more widely known media, such as Politico.

In addition to www.chemsec.org ChemSec also communicates through the following websites:

- Marketplace.chemsec.org
- Sinlist.chemsec.org
- Sinproducers.chemsec.org
- Textileguide.chemsec.org
- Sinimilarity.chemsec.org

ChemSec participates on the following boards and reference groups:

- Substitution Centre (RISE) board
- IPEN executive committee
- The Greenscreen steering committee

- OECD ad hoc group on substitution and alternatives assessment
- Apple Green Chemistry Advisory Board
- Lego chemistry and sustainable material advisory board
- The FRAM centre for future chemical risk assessment and management strategies, University of Gothenburg, Advisory Board
- Chemicals Innovation Task Force, DG Environment

CHEMSEC'S DEVELOPMENT

Four new members joined the ChemSec team during the year, three of whom are on temporary contracts. Competence development opportunities have been offered to all employees and most have undertaken individually tailored competence development. All employees have also taken advantage of time set aside for health and well-being.

The organisation takes a proactive approach to gender equality and diversity issues, and this is an important aspect during recruitment. The majority of employees are women, while one-third of the Board members are women, and we are therefore actively seeking to improve the balance.

ChemSec operates a collective agreement and is a member of the Employers Alliance (Arbetsgivaralliansen).

The organisation works actively on internal environmental measures. ChemSec purchases only eco-labelled products for cleaning and electricity. The organisation does not have any company cars, and whenever possible employees and Board members travel by public transport or by train in accordance with the travel policy. Wherever possible we seek out organic and/or locally sourced produce and vegetarian alternatives for meals during meetings and conferences.

Results, current status and general information about the organisation's finances.

The organisation's total operating income is SEK 12,275,344, the operating result is SEK 1,535,116 and net income is SEK 1,677,605. Income that falls within one year and cannot be utilised in the same year is added to equity.

The balance sheet total is SEK 5,051,528, of which approximately 49 per cent is equity. Regarding the organisation's performance and status in general, please refer to the following income statement and balance sheet with accompanying notes.

The organisation has no taxable income.

Money received by ChemSec as grants and donations is allocated on an ongoing basis to ChemSec's various projects. The only long-term financial resource held by ChemSec is a small amount of capital required to manage the controlled closure of the organisation if required. Capital is only invested in funds that have minimal risks and reasonable profits, as well as a clear sustainability policy for investment.

Funding

Total income in 2018 amounted to SEK 12,275,344. The largest contributor was the Swedish Government through a general grant. Contributions from foundations are tied to projects that are run by the organisation, for which it reports to donors.

Since the end of 2017 ChemSec has held a 90-account (for non-profit fundraising associations) and is monitored by the Swedish Fundraising Control (Svensk Insamlingskontroll) to ensure that ChemSec manages donations in a responsible manner and that funds are used for the stated purpose without unreasonable costs. ChemSec's 90 accounts are 900-6123 (BG) and 90 06 12-3 (plus giro). ChemSec has not started fundraising from the public but intends to develop a fundraising strategy in 2019.

In 2017, ChemSec also became a member of the trade association FRIL (the Swedish Fundraising Council), which advocates for ethical and professional fundraising, and provides ethical advice and rules that members undertake to follow.

FUTURE DEVELOPMENT

The organisation has been allocated more funding in order to step up its substitution work in 2019. The organisation also received additional funding for 2018 and began a major programme of substitution activities. One focus area for 2019 will therefore be to promote the Marketplace – ChemSec's advertising site for safer chemicals – to achieve even greater impact. We also intend to work on updating the SIN List in line with our substitution efforts.

In 2019 we also hope to get funding to enable concentrated efforts on the circular economy. This is a highly topical political issue and initiatives are needed from the environmental movement to ensure that harmful chemicals are taken seriously during these political processes. The circular economy could ultimately play a key role in deciding whether harmful chemicals are eliminated or remain in products.

In addition, we hope to start work on the ranking of chemical producers in order to help investors to evaluate companies.

MULTI-YEAR OVERVIEW

The amounts in the multi-year overview are given in thousands of krona unless otherwise stated.

	01-12-2018	01-12-2017	01-12-2016	01-12-2015	01-12-2014
Total income	12 275	7 285	6 371	6 844	8 248
Operating result	1 535	173	79	-577	-696
Result after financial items	1 678	30	162	-535	-622
Equity	2 460	783	753	590	1 126
Balance sheet	5 052	3 151	2 400	1 813	2 199
Solidity %	49	25	31	33	51

2017 was the first year in which the organisation prepared the financial statement in accordance with BFNAR 2012:1 (K3), which meant a change in accounting principles. The comparative figures in the multi-year review have not been recalculated.

Finance Statement

	Note	01-01-2018 31-12-2018	01-01-2017 31-12-2017
OPERATING INCOME, INVENTORY CHANGE, ETC.			
Appropriations and contributions	2, 3	12 236 987	7 241 943
Other income		38 357	43 613
TOTAL OPERATING INCOME, INVENTORY CHANGE, ETC.		12 275 344	7 285 556
OPERATING EXPENSES			
Project and activity expenses		-2 985 994	-1 522 632
Other expenses		-1 155 771	-828 196
Personnel expenses	4	-6 598 464	-4 761 323
TOTAL OPERATING EXPENSES		-10 740 229	-7 112 151
OPERATING RESULT		1 535 115	173 405
FINANCIAL ITEMS			
Result from other financial assets	5	141 881	-143 029
Other interest income and similar income		1 292	-11
Interest expenses and similar		-683	-787
TOTAL FINANCIAL ITEMS		142 490	-143 827
RESULT AFTER FINANCIAL ITEMS		1 677 605	29 578
RESULT BEFORE TAX		1 677 605	29 578
RESULT FOR THE YEAR		1 677 605	29 578

Balance Sheet

	Note	31-12-2018	31-12-2017
	1		
ASSETS			
Fixed assets			
<i>Financial assets</i>			
Other long-term receivables	6	85 800	85 800
Total financial assets		85 800	85 800
TOTAL FIXED ASSETS		85 800	85 800
Current assets			
<i>Current receivables</i>			
Account Receivables		69 380	159 740
Other current receivables		-14 920	-26 244
Accrued expenses and prepaid income		82 668	79 143
TOTAL CURRENT RECEIVABLES		137 128	212 639
Cash and bank			
Cash and bank		4 828 600	2 852 248
TOTAL CASH AND BANK		4 828 600	2 852 248
TOTAL CURRENT ASSETS		4 965 728	3 064 887
TOTAL ASSETS		5 051 528	3 150 687

	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity	7		
Equity at start of financial year		782 880	753 302
Result for year		1 677 605	29 578
EQUITY AT END OF FINANCIAL YEAR		2 460 485	782 880
Current liabilities			
Accounts payable – trade		716 748	472 501
Other current liabilities		545 441	320 414
Accrued expenses and prepaid income	8	1 328 854	1 574 892
TOTAL CURRENT LIABILITIES		2 591 043	2 367 807
TOTAL EQUITY AND LIABILITIES		5 051 528	3 150 687

Supplementary Disclosures

NOTE 1 GENERAL INFORMATION

ACCOUNTING AND VALUATION PRINCIPLES

General information

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and BFAR 2012:1 Annual Report and Consolidated Financial Statements (K3). 2017 was the first year in which the organisation prepared the financial statement in accordance with BFAR 2012:1 (K3), which meant a change in accounting principles. The International Chemical Secretariat is a small association and has taken advantage of the exemption of smaller associations from the requirement to recalculate comparative figures for 2014–2016 according to K3 principles. Different accounting principles have therefore been applied for the years presented in the annual report, which may complicate comparison between years.

The comparative figures in the multi-year review have not been recalculated.

Receivables are individually valued and then entered at the amount expected to be received.

Other assets and liabilities are recorded at cost unless otherwise stated.

Receivables and liabilities in foreign currency have been calculated at the exchange rate on the closing date. Exchange gains and losses on receivables and liabilities are added to the operating profit.

Contributions are reported as income when the conditions for the received contribution received are met. Contributions received are reported as a liability until the conditions for obtaining the contribution have been met.

Other income is revenue that is not primary to the organisation.

NOTE 2 CONTRIBUTIONS RECEIVED

	2018	2017
The Swedish Chemicals Agency	9 000 000	5 000 000
The John Merck Fund (USA)	975 788	1 014 384
European Environmental Health Initiative	515 435	727 883
Clean Production Action (USA)	0	127 600
Marisla Foundation (USA)	450 350	459 811
German Federal Ministry of Education and Research	97 506	11 460
Food Packaging Forum	229 230	221 976
EU-USA meeting	538 191	0
The John Merck fund, project from previous year not yet completed	414 384	635 000
The John Merck fund, project for next year not yet completed	-375 788	-414 384
Marisla Foundation, project from previous year not yet completed	319 811	0
Marisla Foundation, project for next year not yet completed	-150 350	-319 811
Food Packaging Forum, project from previous year not yet completed	221 976	0
Food Packaging Forum, project for next year not yet completed	0	-221 976
	12 236 533	7 241 943

NOTE 3 APPROPRIATIONS

	2018	2017
Collected funds		454
0	454	0

NOTE 4 STAFF

	2018	2017
<i>Salaries and other remuneration</i>		
Board and CEO and corresponding executives	685 095	582 949
Other employees	2 952 199	1 922 465
TOTAL SALARIES AND OTHER REMUNERATION	3 637 294	2 505 414
<i>Social costs and pension costs</i>		
Social costs	1 835 945	1 117 642
(including pension costs for the Board and CEO and the equivalent)	251 469	84 019
(of which pension costs to other employees)	445 459	253 870
TOTAL WAGES, OTHER BENEFITS, SOCIAL SECURITY COSTS AND PENSIONS	5 473 239	3 623 056
<i>Average number of employees</i>		
Men	3.25	2.00
Women	4.60	3.75
AVERAGE NUMBER OF EMPLOYEES	7.85	5.75

NOTE 5 RESULT FROM OTHER FINANCIAL ASSETS

	2018	2017
Exchange rate changes, USD account, EUR account	141 881	-143 029
	141 881	-143 029

NOTE 6 OTHER LONG-TERM RECEIVABLES

	2017	2016
Deposit Wallenstam (rent)	85 800	85 800
	85 800	85 800

NOTE 7 EQUITY

	EQUITY	RESULT FOR YEAR	TOTAL
Amount at start of year	753 302	29 578	782 880
Retained from previous year balance in new account	29 578	-29 578	0
Result for year	1 677 605	1 677 605	
Total at year-end	782 880	1 677 605	2 460 485

NOTE 8 ACCRUED EXPENSES AND PREPAID INCOME

	31-12-2018	31-12-2017
The John Merck fund	375 788	414 384
Marisla Foundation	150 350	319 811
Food Packaging Forum	0	221 976
Nätverkstan	25 500	18 125
Cabonline	2 061	1 801
Wallenstam	0	625
Sonja Haider	38 444	28 841
Iva Pocock	0	7 581
Nätverkstan	19 500	17 400
Revisor	40 000	28 000
Funding Vision	9 034	0
Sustainable	32 623	0
Holiday pay	635 554	492 545
Salaries for 2017, paid out in 2018	0	23 803
	1 328 854	1 574 892