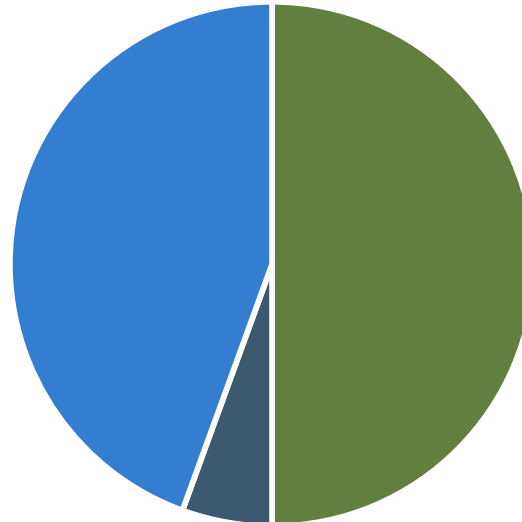




**Consumer Paints (\$1.6B)**

- Building brands in U.S., Australia and China
- Home Center/Lowe's
- 5,000+ independent dealers
- 2,000+ retail outlets in China
- Company stores in Australia
- Automotive Refinish



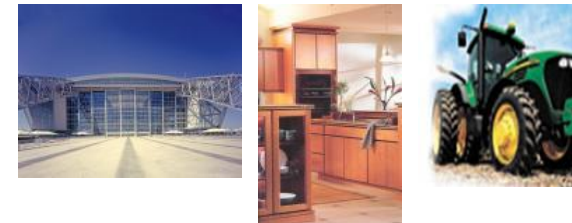
**Packaging Coatings (\$0.7B)**

- No. 1 global supplier
- Technology leader
- Growing markets outside the U.S.



**Industrial Coatings (\$1.1B)**

- No. 2 globally in Coil coatings
- Leader in North America and China Wood coatings
- Strong international growth



**Other (\$0.2B)**

- Specialty polymers
- Colorants
- Gel coats
- Guardsman furniture protection





**Annual Meeting 2011**  
DENVER OCT 23-26  
Where In-house Counsel Connect

# Sustainability – As Valspar Defines it

A commitment to doing business in a manner that creates long-term value by producing and delivering products and services that address the needs of customers, employees, society and the environment.



# Sustainability: Who defines it?

- External audiences
  - **Retail customers:** public expectations
  - **Commercial Customers:** customer expectations
- Internal audiences
  - **Shareholders** expect value, efficiency, profitability
  - **Employees** expect safety, stability, accountability



# Sustainability as Retail Manufacturer

- Product offerings
  - Low VOC products
  - Water-based products
  - Low allergen products





# Sustainability as Retail Manufacturer

- Customer education

- [www.paintcare.org](http://www.paintcare.org)
- “Be Paint Wise, Buy The Right Size”
- Proper paint storage for reuse
- Paint can recycling initiatives – PaintCare





# Sustainability as Materials Provider

- Expectation from the industrial customer
  - Increasingly requires full disclosure by Valspar
    - “What are you putting on our stuff?”
  - Customer’s goal becomes your own (if you want to keep the customer, that is...)
    - “Green” product certifications (C2C, e.g.)





# Sustainability as Public Company

- Shareholder expectation of profitability
  - Increasing process efficiencies
  - Decreasing consumption/waste
  - Decreasing environmental liabilities
- Shareholder expectation of sustainability
  - SEC mandated disclosures
  - Shareholder Environmental Proposals and Proxy Requests



## Sustainability as Employer

- Employee expectation of safety
  - Reduce usage of toxic agents
  - Process efficiencies
    - Environmental Management Systems, e.g.
  - Injury reduction → minimize process disruptions
  - Culture of compliance





# Sustainability: The Lawyer's Dilemma

- As **retail manufacturer**:
  - Marketing? Or greenwashing?
- As **materials provider**:
  - Addressing customer interests – how far?
  - Proprietary information
- As **public company**:
  - Wide-ranging shareholder expectations
  - Government oversight
- As **employer**:
  - Limitations on risk management strategies



## Retail Manufacturers and “Green” Products

- Fiji® Water
- Koh v. S.C. Johnson & Son, Inc., 09-C-00927  
N.D. Cal (2009)
- Valspar +
- Low (zero?) VOC products



## Materials Provider and Downstream Customer Disclosures

- Customer inquiries for regulatory compliance
  - Responsive to the customer
  - Deciphering the message
    - sales → middle management → legal
  - Customer education (or legal advice?)



# Case-in-Point: Conflict Minerals

- The Dodd-Frank Act, section 1502
- Disclosure requirements for publicly traded companies
  - Tin, tantalum, gold, tungsten
  - “Essential to Functionality”
  - Penalties, etc.
- Public → Government → Valspar
- In reality: Industrial Customers → Valspar





# Publicly Traded Companies

- **Regulatory challenges**
  - SEC environmental, climate change and sustainability disclosures, e.g.
- **Shareholder challenges**
  - Shareholder proxies/votes
  - Environmental and social initiatives



# Employers and Social Responsibility

- A “sustainability” initiative?
  - Worker Safety
  - Higher wages – sustainable?
  - The international challenge





# Summary

- Managing the sustainability message
  - Don't overpromise
  - Don't overstate
  - Seek consistency
  - Know the laws!



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