

3E ADAPTS TO THE CHANGING WORLD

3E Company (Carlsbad, CA; www.3ecompany.com) is the leading global provider of chemical, regulatory, and compliance information services. 3E is the first and only company to provide a comprehensive suite of data products and information services that addresses the entire lifecycle of a chemical, covering global regulatory data; Material Safety Data Sheet (MSDS) authoring, distribution, and management; transportation; emergency response; training; regulatory reporting; and waste management. The company has over 300 employees in locations around the world and serves customers in virtually every industry. The company has more than tripled its revenue since 2004.

Robert Christie, president and CEO of 3E Company, provided answers to the following questions.

EBJ: How has business been in general over the past year, in terms of revenue, profitability, and business opportunity?

Robert Christie: "In recent years, the company has had rapid growth in revenue and profits. The number of employees has risen dramatically, the number of offices has expanded, annual revenue has increased organically and profitability has improved. We have augmented this growth through strategic acquisitions as well as globalization.

"Growing internationally is a tremendous opportunity for 3E. In fact, the portion of our people and budgets devoted to business outside of the U.S. has grown even faster than U.S. revenue. We expect this trend to continue in 2009."

EBJ: What is the biggest challenge facing your clients in the current business environment?

R.C.: "Our corporate client base is of course confronting the business difficulties presented by the economic downturn emerging from the global crisis in the financial markets. Most of our customers realize that they need to maintain strong standards of compliance despite the economic pressures. Regulatory compliance is always of critical importance—but even more so during periods of economic turmoil. Companies simply cannot afford to be non-compliant.

"Our business is well-positioned to thrive across economic cycles, supported by

a strong and durable value proposition, resilient market demand, a proven subscription-based business model, a recurring revenue stream with high renewal rates, healthy product profitability, and a scalable database and call center. All of these factors offer a measure of predictability and durability across economic cycles. In addition, our highly qualified, multilingual staff brings specialized regulatory expertise that lends itself to seizing new opportunities that arise from both economic and regulatory change, further contributing to our growth path."

EBJ: Do you see your customers buying services that are driven by the pursuit of a corporate social responsibility (CSR) initiative? Is this concept becoming more of a priority to your customers?

R.C.: "The emergence of explicitly defined corporate initiatives in corporate social responsibility and sustainability have made the goals of EH&S regulatory compliance management even more far-reaching. In fact, EH&S regulatory compliance is increasingly becoming recognized as a key foundation for a broader corporate social responsibility program. Companies are increasingly adopting stricter policies than those that are actually required by the states or countries in which they do business. They are doing this as a way to demonstrate their commitment to their corporate social responsibility strategy. It's not only about compliance anymore—it's about a demonstrable commitment to safety and the environment."

EBJ: What advice can you offer to a company that is developing its CSR strategy?

R.C.: "We have found that a comprehensive view of EH&S regulatory compliance and CSR initiatives throughout the product supply chain can help promote and sustain ongoing improvement within an organization. These improvements not only help a company achieve regulatory compliance, but also help it position itself as a socially responsible organization. When compliance and CSR strategies are aligned and implemented in a cohesive fashion, many companies recognize several benefits, including reduced risk, a stronger brand, and increased customer loyalty. There are thousands of companies already working to make the world a better place, each in their own way. Joining them requires both an

active EH&S regulatory compliance program and a socially responsible mindset."

EBJ: Where do you see your best growth opportunities?

R.C.: "Timing is critical in seizing opportunities arising from new regulatory trends. We have found that there is always strong demand for relevant and up-to-date EH&S information services that adapt to constantly changing regulatory regimes. We are actively pursuing strategic business development aimed at expanding our international presence and strengthening our market leadership position.

"We see the path to global growth as our primary opportunity right now. We've been promoting globalization on multiple fronts: by helping U.S. companies become compliant in various international locations, by helping European and Asian companies become compliant with U.S. laws and regulations, and by helping global companies achieve global compliance. In response to this focus on globalization, we have taken the steps necessary to internationalize and expand our product line to facilitate global compliance. In addition, our recent acquisitions further strengthened our leadership role in the global compliance industry, while providing additional opportunities for expansion into new product and vertical markets."

EBJ: What issues are currently of most concern to your global customers? How has REACH impacted your business?

R.C.: "Our customers are challenged now with increased regulatory demands, not only in their home countries but anywhere in the world where they have manufacturing, storage, channels, or customers. We help them deal with and plan for those issues.

"The EU's new REACH regulatory program will fundamentally change the way chemicals are managed in Europe and possibly the rest of the world. We have experienced strong client and market demand for high-quality professional services to facilitate compliance with REACH requirements. To satisfy this demand, we have incorporated REACH requirements and data throughout our existing suite of award-winning compliance and information management services and solutions, including *Ariel* EH&S Decision Support products, 3E Online—MSDS Management solutions, *Ariel* MSDS Authoring and Professional

Services, and the *MSDgen* software suite for MSDS and Label Authoring. We will also continue to enhance and expand our entire suite of services and solutions to ease the burden of global EH&S regulatory compliance for our customers.”

EBJ: How are your customers addressing GHS?

R.C.: “GHS aims to provide a single framework for the classification and labeling of chemicals so that hazards are consistently defined across different national jurisdictions. While this level of standardization can be beneficial, implementing GHS compliance activities is not easy. Companies need to reevaluate how their substances and mixtures are classified for each regulatory entity, country, and/or region and will likely need to re-issue several MSDSs and labels. This is quite challenging for most companies, but especially for companies that don’t have in-house expertise or sophisticated EHS systems. These companies often come to 3E to supplement their knowledge base and help guide them through the compliance process. We help companies stay ahead of the GHS curve with solutions for identifying and managing the increasingly complex and changing global chemical regulatory obligations associated with GHS. As GHS is adopted in countries and regions around the globe, we help address the new requirements and associated chemical regulatory information needed for compliance management as they arise on a country-by-country basis.”

EBJ: What new product development R&D initiatives do you have underway and what kind of new solutions do you see on the horizon?

R.C.: “We are constantly working to expand our product lines and further differentiate ourselves. We recognize significant growth potential from deeper penetration of our presence in areas that are most receptive to the need for efficient compliance management. We will expand our presence in markets such as food, food additives, cosmetics, and pharmaceuticals, and continue to invest heavily in new product development for solutions in these areas that will further benefit our customers and drive our increasingly rapid growth.”

EBJ: What are your plans to strengthen your business in Japan?

R.C.: “We will build on our strong and valued partnerships in Japan. Since 3E

acquired Ariel Research Corporation in 2004, we have supported further growth in the existing lines of business in Japan with gratifying results. Most of our products and services are otherwise not available domestically in Japan and therefore offer significant value to our Japanese companies. We are working to make our services and products even more valuable for Japanese companies’ changing needs, with very positive initial results, especially in the areas of MSDS Authoring solutions and EH&S data management.”

EBJ: What growth drivers and trends do you see in your business sector over the next few years?

R.C.: “Companies are focusing more executive mindshare on EH&S regulatory compliance. Non-compliance with EH&S regulations can pose a serious setback for any business. This in turn can cause serious damage to a company’s brand value and overall reputation, with devastating consequences. Recent events in the financial markets point to how rapidly reputations can be ruined. Companies today are increasingly under scrutiny for non-compliance. A key to success is being proactive in compliance efforts and extremely thorough and diligent in developing EH&S regulatory compliance strategies.

“This will be quite challenging given the recent introduction and expansion of global regulations. New regulatory frameworks like the European Union’s REACH and GHS are stunning in their breadth and sheer complexity, making EH&S compliance a complex, time-consuming, resource-draining, and often expensive task. Because of the complexity of the requirements— and because of the financial and human cost of non-compliance— companies are now increasingly directing their board and executive focus to EH&S compliance. This increased focus on EH&S compliance has obviously been very beneficial to our business. Companies often need assistance in navigating the new regulations and in developing a strategy to achieve compliance with them. 3E can assist them globally with these regulatory issues and challenges.

“One of the things that is so exciting to me about working with 3E is that we have just scratched the surface as far as the opportunity. Each day, it gets more complex for the customers to deal with the changes and the regulatory issues as they come about. As

such, it’s an exciting opportunity for us to offer an information and services business to help our customers be compliant and manage their global growth.”

EBJ: What role should a company’s board of directors have in addressing environmental issues?

R.C.: “Many board members have noted the new trend toward sustainability and other corporate social initiatives. This trend, when coupled with increasing financial pressures, has made EH&S compliance a hot topic at many recent board meetings, with many boards pressing for the development of corporate compliance frameworks and the appointment of new executive roles such as chief compliance officers (CCOs).

“We advocate that board members take a step back, look at the big picture, and take a comprehensive view of compliance performance and risk management throughout the product supply chain, which can help corporate directors promote and sustain ongoing improvement. Directors can facilitate enhanced product compliance by encouraging managers to research, obtain, manage, and apply global regulatory content and information; technology platforms and applications; and activities and tasks associated with delivering compliance. Corporate directors should evaluate compliance tasks and activities closely to discern which activities are best managed in-house and which activities can be most effectively outsourced.”

EBJ: What motivates you most in your work and how does that translate down to your employees and colleagues?

R.C.: “Everyone at 3E is working toward one common goal— helping our customers work safer and smarter while staying compliant. We strive to make a difference in our customers’ work and in their lives. Knowing that everyone is working toward such a beneficial common goal— creating safer, compliant products and workplaces— is extremely powerful. It is safe to say that everyone at 3E realizes this goal, and works toward it on a daily basis. At the same time, we are in a dynamic global business environment faced with constantly changing regulations. Therefore we have recognized the need to be flexible in adapting our vision to accommodate new market requirements and opportunities, while staying true to our core goals and values.” ■