

REVIEW OF THE CORPORATION'S ENVIRONMENTAL SYSTEM
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Corporate Responsibility Committee Meeting - September 17, 1981

Allied Corporation's Environmental System consists of four primary components:

- Policy Direction
- Operational Control
- Surveillance
- Management Overview

POLICY DIRECTION

Policy Direction is based on recommendations made by the Board of Directors, Corporate management, and various departments within the Corporation. It has resulted in an Environmental Policy (copy attached) which establishes a standard for responsible action in all environmental areas. The Policy clearly indicates that it is the Corporation's objective to conform to laws and regulations and, should governmental standards not exist, the Corporation would establish its own environmental standards. We believe Allied's policy statement is one of the most enlightened positions by a major corporation.

OPERATIONS CONTROL

Operations Control is divided into five major activities: Assurance Reviews, Training, Operations, Regulatory Liaison, and Planning.

Assurance Reviews

Assurance Reviews are conducted by both the Control Section of Corporate Environmental Affairs and by the Companies. The objective is to provide management with a reasonable measure of confidence that the Corporation's Environmental Policy is being followed. The Corporate Assurance Program during 1981

will involve detailed examination of 34 plants to assess compliance with existing regulations and an evaluation of control of potential risks that can be visualized using engineering and environmental judgments.

The Companies operate their own assurance programs, entailing review of from 50 to 100 percent of their operations.

Training

It is recognized that plant inspections alone will not guarantee performance. Dependable response is achieved through training of professional and plant operating staffs. Therefore, the environmental program has as its goal the fostering of vigorous training to achieve employee understanding of the importance of their individual efforts in attaining satisfactory control performance. Training has been provided to the professional environmental staffs over the years and, under certain environmental Acts, is required for plant operating personnel. Current plans call for an expansion of training activity during 1982, including a review of individual Company training programs by Corporate Environmental Affairs.

Operations

Corporate Environmental Affairs maintains a review of Company action programs and capital plans. The review of the capital plans provides early assessment of the adequacy of the environmental assessment necessary for all appropriation requests. The step also allows use of Corporate expertise

to assure the best use of capital. Operational status is periodically reported to the Policy and Management Committee (see attached Activities Report).

Regulatory Liaison

One of the main purposes of input by the Corporate office and the Companies into regulation development is to defend Allied's position on issues, and concurrently, to avoid unnecessary capital expenditures and operating costs associated with meeting unreasonable and counter-productive regulations. At the present time, EPA's regulatory agenda for pollution control identifies 76 regulatory actions that will affect Allied Corporation. The chore of making comments has been apportioned among the Companies and the Corporate office to insure that these regulatory steps will be considered in planning and that action will be taken to make positive contributions in the formulation of regulations.

During this year, for example, Allied's efforts to modify regulations being developed under the Clean Air Act have significantly contributed to the elimination of several air regulations (the Non-Metallic Minerals and Soda Ash Emissions control regulations). Allied's input also catalyzed a complete change in the method used by EPA in issuing Control Techniques Guidelines for State use in setting emission control levels. This change was estimated by CMA to have an impact in the chemical industry amounting to \$100-\$300 million in capital.

Input into EPA proposed water regulations eliminated the designation of ammonia as a toxic pollutant which reduced capital expenditures at nine Allied facilities.

Planning

Based on Corporate policy and direction from management, planning documents are prepared for guidance of the Companies in programming future efforts. These studies forecast, with the help of the Washington office, the federal regulatory and legislative stance for the next year. Based on this effort, an increase in the amount of input into the State development of environmental control legislation and regulations has been initiated. The program is coordinated with the Public Affairs Department.

SURVEILLANCE

The Corporate Surveillance function provides a Corporate assessment of that area of the environment where there are established standards, either based on Corporate Guidelines, policy, and federal and state regulations. Corporate Surveillance provides a direct report to Company management for assessment. This is followed by Company response indicating steps taken to alleviate deficiencies. In select cases, there is subsequent review by Corporate Environmental to gauge the effectiveness of the Company's response.

Surveillance, in conjunction with the assurance reviews, provides for a movement of information throughout the Corporate structure. This is depicted in the attached diagram, showing an interchange between Corporate Environmental Affairs and its Company counterparts and various management levels.

MANAGEMENT OVERVIEW

There are four elements of management overview:

- Reports to both Company and Corporate management covering assurance reviews conducted by Company and Corporate Environmental Affairs.
- Capital and program reviews conducted by CEAD, with position statements on major appropriation requests submitted to Corporate and Company management. Activity Reports, summarizing environmental operational status, are provided to each Policy & Management Committee meeting.
- Surveillance evaluation with compliance-status reports to both Company and Corporate managements and the Board of Directors.
- Perhaps the most prominent element is the assurance letter issued by each Company president to Corporate management with subsequent review by the Board. These documents provide an internal assessment by the Company management of their compliance with the environmental Acts, and supply an advisory to Corporate management as to the environmental status of the entire Corporation.

These, then, are Allied's environmental systems. Although they have been covered very briefly, they form the fabric, we believe, to provide a net to strain out most liabilities.