

Interoffice
Communication

TO: Distribution

FROM: T. G. Grumbles
DATE: December 13, 1989
SUBJ: VALDEZ PRINCIPLES

TGG: ~~JCE~~ ERT: ~~MJR~~ AJO: RF

XF: AAE

VISTA

For information I have attached a CMA communication regarding the Valdez Principles. This document is a ten-point code developed by the Coalition for Environmentally Responsible Economics (CERES). The code asks companies to minimize environmental, health and safety risks to their employees and communities. CERES is contacting companies and asking that they sign the codes.

Vista's position is that we are participating in Responsible CARE and have an environmental policy that encompasses the elements of the Valdez principles. We, therefore, see no reason to sign the principles.

Further suggestions on responses to CERES are included in the attachment. Please let me know if you are contacted regarding these principles.

T. G. Grumbles
T. G. Grumbles

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Attachment

Distribution:

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cc: Presidents Team

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Executive Alert

November 15, 1989

CERES (Valdez) PRINCIPLES

Within the month, your company may be contacted by the "Coalition for Environmentally Responsible Economics" (CERES) with a direct request to sign a ten-point code the group has titled the "Valdez Principles".

The code asks companies to minimize environmental, health and safety risks to their employees and communities. A copy of the code was attached to the October Executive Letter.

Recent information suggests that the "Earth Day 1990" organization intends to make signing the statement a centerpiece of its contact with business prior to the April 22, 1990 celebration of Earthday. CERES has been contacting endowment funds at selected universities urging them to pressure companies to sign the principles as a precondition for investment.

Within a few weeks CERES will be sending sign-up requests to 3000 companies across the U.S. - the Fortune 1000 plus another 2000 selected by lottery.

CMA has briefed key members of CERES about the chemical industry initiative Responsible Care. While they were interested, and impressed, they didn't see it as an acceptable alternative to their code.

If approached by the coalition, or Earth Day 1990, to support the "Valdez Principles", member companies should consider referring to their prior commitment to Responsible Care, which encompasses most of the coalition's goals.

Following is detailed background information about the CERES (Valdez) Principles, a CMA statement and suggestions for assessing and responding to requests for endorsement.

In any case, it is important to inform directors, shareholders and employees of company commitment to Responsible Care as soon as possible. The adoption or rejection of the CERES Principles is a matter for each company to determine. While a decision of support is neither recommended nor considered necessary, it would not be considered in conflict with CMA policy or the company's commitment to Responsible Care. CMA Contact: Jon Holtzman (202)887-1200.

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CERES (Valdez) Principles Status Report and Background Statement

BACKGROUND

On September 7, 1989 the Coalition For Environmentally Responsible Economics (CERES), a coalition of environmental and social investment organizations led by the Boston-based Social Investment Forum (SIF), announced the creation of the "Valdez" Principles. The Principles are described by SIF as "broad standards for evaluating activities by corporations that directly or indirectly impact on the Earth's biosphere." Proponents hope that the Principles will "help investors make informed decision around environmental issues."

Modelled after the Sullivan Principles which focus on the activities of U.S. corporations in South Africa and the McBride Principles which monitor corporate activities in Northern Ireland, CERES Principles' supporters hope this initiative will also influence corporate environmental policies.

At the news conference in New York City announcing the Principles, Joan Bavaria of the Franklin Research & Development Company and co-chair of the coalition which drafted the Valdez Principles said "This new code is a tool to influence corporate culture and conduct around the environment through the flow of capital." The ten Principles address the following issues:

- o The release of pollutants;
- o Sustainable use of natural resources;
- o Reduction and disposal of waste;
- o Energy efficiency and conservation;
- o Risk reduction to employees and surrounding communities;
- o Marketing of safe products;
- o Damage compensation;
- o Disclosure of potential hazards;
- o Inclusion of environmental representatives on corporate boards of directors; and,
- o Annual corporate environmental audits.

It is likely that oil and chemical companies will be targeted first to adopt the Principles and to make them part of corporate policy.

CMA ACTIVITIES TO DATE

At the September CMA Board and Executive Committee meetings, the CERES Principles were discussed and the preliminary conclusion was that no CMA endorsement or formal consideration of the principles was appropriate because the Association has its own Responsible Care program, including a statement of principles. It was also agreed that

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this announcement presented both the opportunity and the necessity of beginning to more openly communicate our Responsible Care commitment to the media and others.

CMA staff met with the leaders of CERES to discuss their principles and plans, describe Responsible Care, and share our preliminary belief that CMA member companies were unlikely to sign on as we had committed ourselves to an initiative that predated theirs by a year or more and which we believed would yield more tangible results. Staff was also asked to provide background briefings on Responsible Care to key national media such as the New York Times which has been done.

CMA staff (Jon Holtzman and Lori Ramonas) met with Joan Bavaria and David Sand of CERES on October 4. Key impressions from the meeting were:

- o They were interested in Responsible Care, not only to see how our principles might overlap, but in the strategies and methods we used to get sign on and to develop the codes.
- o They said it was unlikely that their constituents would ever consider Responsible Care as an alternative to the CERES Principles. They pointed to differences like the requirement to appoint an environmentalist to the board.
- o Their principles are deliberately fuzzy. They had to be broad enough to take in all of the concerns and views of the various environmental and religious organizations. They also felt the statements should not give business heartburn because they were less "control" oriented, more "paradigm shift" oriented.
- o They felt our principles were "inward" looking; ie, focused on changing the performance of the industry. Theirs were "public" oriented, focused on public involvement in changing business practice through economic pressure. We pointed out the public nature of our initiative - the demand for soliciting and responding to public concern, and the creation of public advisory panels.
- o They were asked to review our principles and let us know where there was conflicts or differences. So far, we have not yet received a response.
- o Their current plan is to identify ten "leader" companies to sign on immediately. Those companies would be asked to help flesh out the broad principles. In addition a blanket mailing to 3,000 companies will be sent in November, most likely to the Fortune 1,000 plus others selected by lottery. From this list they hope 200 to 300 will sign on, giving them a core group to work with. The 3,000 will get no more detail than we have already seen.
- o In subsequent communications, they confirmed their earlier plans and indicated that they are contacting companies which

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have inquired about the principles and are asking for written comments. They will be soliciting such comments until December 1. After that they will be coming out with more details about the principles.

FUTURE ACTIVITIES AND POSSIBLE INDUSTRY RESPONSE

Considerable discussion is continuing both inside and outside the chemical industry on these principles. The Business Roundtable is scheduled to take the issue up at a Policy Committee meeting in early November. CMA member companies are reviewing the principles and discussing their own policies, Board structure and the relationship to Responsible Care.

Although CMA recognizes that individual company adoption or rejection of the CERES Principles is a matter for each company to determine, the Officers have requested that a draft response be prepared for the Executive Committee and Board to consider. This response could be formally adopted by the Association and shared with its members as guidance (not policy), or it could be reviewed and distributed in some less formal manner. In either event, company adoption or rejection of the CERES Principles would not be in conflict with CMA policy.

CMA BACKGROUND STATEMENT

The Coalition for Environmentally Responsible Economics (CERES) recently announced a set of environmental principles ("Valdez Principles") which CERES is asking corporations to adopt as policy. CERES states that by adopting its principles, a company would "affirm its belief that corporations and their shareholders have a direct responsibility for the environment." The introduction to the document further states that "corporations must conduct their business as responsible stewards of the environment and seek profits only in a manner that leaves the Earth healthy and safe."

The Chemical Manufacturers Association and its member companies adopted a comprehensive health, safety and environmental initiative in 1988 called "Responsible Care". CMA's initiative is an obligation of membership in the Association for each of its member companies and recognizes the industry's responsibility for the stewardship of its products from development to ultimate disposal.

Each member company of CMA has signed a "Statement of Guiding Principles for Responsible Care", which is a commitment to support the continuing effort to improve the industry's responsible management of chemicals. This commitment encompasses not only adherence to the principles, but to a series of Codes of Management Practices which will address issues such as plant safety, release and waste reduction, transportation safety, community awareness and emergency response, etc.

The Responsible Care initiative is broader and more comprehensive than the CERES Principles and its objectives go directly to continuous performance improvement, not just to the adoption of a corporate policy.

Responsible Care is an industry wide commitment, while the CERES Principles are directed at a company by company approach. Responsible Care is up and running with a great deal of activity already underway. CERES is just beginning with very little detail in place.

While Responsible Care and the CERES Principles differ in some significant aspects (environmental Director and outside auditing), they are consistent in their positive direction toward an improved environment.

RECOMMENDATIONS FOR COMPANY CONSIDERATION OF CERES PRINCIPLES

The following recommendations are provided to CMA's member companies as guidance in assessing and responding to requests to endorse the CERES Principles:

1. Expand communications of the company's commitment to Responsible Care to Directors, shareholders and plant communities.
2. On request or at the company's own initiative, contact the CERES Principles proponents and engage them in an open dialogue about the principles and how the company's own programs meet the objectives of environmental stewardship.
3. Express the company's strong existing commitment to Responsible Care, which reflects not only the company's individual position, but an industry-wide commitment as well.
4. Emphasize the broad reach of Responsible Care in all aspects of environmental, health and safety protection, focusing on its continuous and measurable performance improvement objectives and the benefit of collective action by the industry which includes common resource materials and mutual assistance.
5. Explain how other company and/or industry policies and programs address issues raised in the CERES Principles which may be outside the scope of Responsible Care such as energy conservation, wildlife and habitat protection, wise use of natural resources, and damage compensation.
6. Discuss individual company treatment of the issues of: a Director "qualified to represent environmental interests"; an annual environmental audit (self evaluation first, then an independent outside audit to be publicly reported); and the provision for a senior management position for environmental

affairs to monitor implementation of the principles.

CMA recognizes that adoption or rejection of the CERES Principles is a matter for each member company to determine. While a decision of support is neither recommended nor considered necessary, it would not be considered in conflict with CMA policy or the company's commitment to Responsible Care.

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