

Alcoa Environmental Compliance Process

Bill Snee – Manager Global Compliance

Alcoa at a Glimpse

- World's leading producer of primary aluminum, fabricated aluminum, and alumina
- Serves the aerospace, automotive, packaging, building and construction, commercial transportation, and industrial markets
- Markets consumer brands including Reynolds Wrap, Alcoa Wheels, and Baco household wraps
- Other businesses include vinyl siding, closures, precision castings, and electrical distribution systems for cars and trucks
- The company has 127,000 employees
- 501 operating locations in 39 countries
- Organized into 20 some Business Units
- 20 Billion in revenues in 2002

Why does Alcoa have a Corporate Compliance Process and What is it?

Alcoa Compliance Drivers

- Drivers *Prior* to the Compliance Process
 - Values
 - Alcoa's foundation is our integrity
 - We work in a manner that protects ... the environment
 - We are accountable ... for our behaviors, actions and results.
 - Policy
 - We will not compromise environmental...values for profit or production.
 - Principles
 - **We comply with all laws** and set higher standards for ourselves ...where unacceptable risks are identified.
 - Audit
 - We measure ourselves and report results

Alcoa Audit Process

- Integrated Audit Process – EHS, Finance, IT
- Management System & Compliance Focus
- Dedicated in-house resources of auditors
- Frequency & Scope is Risk Based
- Average frequency every 3.5 yrs, no less than every 5 yrs.
- Audits are Graded
- Reports Distributed to All Levels of Management
- Action Items Tracked to Completion
- Major push to implement Self Assessment Process

Press Clippings

- Alcoa was and is considered a benchmark company for EHS performance
- Is one of the top companies in the world based on safety performance
- The Company has received prestigious environment recognition awards
- Individual plants have won numerous environmental awards

Why a Compliance Review Process?

- So Why Did We Need a New Process?
 - Weren't Our Values, Policies, Principles, and Audit Process and Press Clippings Enough?

Why a Compliance Review Process?

- Stimulated by Enforcement Actions
 - Warrick Operations 1997 - *Civil Action*
 - \$2.4 million fine (air & water permit violations)
 - \$5 million wastewater treatment plant upgrade
 - \$6 million in penalty offset environmental projects
 - Lafayette Operation 1998 - *Civil Action*
 - \$500,000 fine (PCB water discharge violations)
 - Requirement to study PCB impact on creek
 - Discovery Alumina Port Allen 1999 - *Criminal Action*
 - Wastewater Compliance Issues - working with State
 - Alleged Hazardous Waste Disposal Issue
 - Employee complaints lead to secret Grand Jury investigation

Port Allen Video

- Local television news coverage on agency enforcement action.

Port Allen Enforcement Action

- Agency investigation culminated in the March 1999 enforcement action at Port Allen
 - Over 50 agency enforcement officials converged on site
 - Some enforcement officials carried weapons
 - Plant personnel individually questioned without counsel
 - Paper & computer files confiscated
- Plant manager arrested and imprisoned
- Plant manager not released at arraignment
- Recognition that “individuals” were subject to subpoena, interviews, testimony, arrest and conviction

Port Allen Impact

- Reaction and Commitment
 - Port Allen had a **major impact** at all levels within our company – Corporate, BUs, Locations, and our People!
 - Recognition we were not adhering to our **Principles** “*We comply with all laws*”
 - Convinced corporate leadership that we must implement new procedures to assure we comply with our **Values**

Corrective Action Process

- What Did Alcoa Do?
 - Internal self evaluation
 - External evaluation – ERM retained
 - Reviewed Corporate, BU and Location environmental management systems related to compliance
 - Compared Alcoa to other top ranked companies
 - Made recommendations for improvements

Compliance Review Process

- Accepted Recommendations
 - Maintain current accountability model
 - BU Presidents and Plant Manager are responsible for assuring compliance
 - Add a corporate compliance oversight role
 - Dedicated Resources to environmental compliance
 - Assure best technical and legal resources have reviewed identified compliance issues
 - Assure aggressive corrective action plans are in place
 - Track corrective action plan progress until completion

Compliance Review Process

- Focus of Compliance Review Process
 - Compliance with **environmental laws and regulations**, not Alcoa standards
 - Judged to have highest risk
- Scope
 - Worldwide
 - Facilities subject to the compliance process are those in which Alcoa has majority ownership (51%) and/or operating responsibility.
- Supports Alcoa's Goal of
 - Zero Noncompliance by 2004

Compliance Review Structure

- Compliance Review Process Structure
 - **Compliance Group** - initial technical & legal review
 - **Corporate Compliance Review Committee** – review & oversight of compliance issues & process
 - **Corporate Compliance Officer** - VP and General Counsel
 - **Executive Compliance Review Committee** - CEO, CFO, and VP and General Counsel
 - Focus broadly defined to include not only compliance with all legal requirements, but also with the company's Values.
 - Structure assures compliance issues are seen at highest levels within the company

Compliance Review Structure

- Compliance Group & Committee Staffing
 - **Compliance Group**
 - Manager Corporate Compliance
 - Senior Compliance Consultant
 - **Corporate Compliance Review Committee**
 - Director Global Compliance
 - VP – EHS and Audit
 - Director EHS Audit
 - Alcoa Legal – Environmental Practice Leader
 - Manager Corporate Compliance
 - Senior Compliance Consultant

How does the Compliance
Process Work?

Compliance Review Process

- Compliance Review Process (**Incident Reporting**)
 - Process initiated when a non-compliance “incident” is reported by a facility either through the “*Alcoa EHS Incident Management System*”, in an Alcoa internal audit or by other means
 - The “*EHS Incident Management System*” (EIMS) is the Alcoa web based system used to report all environmental incidents
 - Locations are obligated to report environmental incidents within 3 days of their occurrence
 - The Compliance Group is automatically alerted when a location reports an environmental incident into the EIMS

Welcome to Alcoa's EHS Incident Management System!

View Safety Information

Enter New Safety Incident
EXPRESS LANE

Update Existing Safety Incident

Report a Non-Work Related Death

Hours Worked #Employees

Off-the-Job Injuries

System Administration

Environmental Incidents

Contractor Data

BULLETIN BOARD

NEW! Click here to assign contacts

ALCOA

Our Goal is Zero

CLICK HERE to enter the Environmental Incident Management System



Copyright© 2001 Alcoa Inc. All rights reserved.

<http://www.safety.alcoa.com/safety/home.htm>

Environmental Incidents



Menu

Incidents

- [View/update Incidents](#)
- [Enter a new Incident](#)

Cases

- [View/update Case Corrective Action Plans](#)

Reports

- [Incident Report Menu](#)
- [Case Report Menu](#)
- [Corrective Action Report Menu](#)
- [Business Unit Report Menu](#)
- [Incident Summary Report Menu](#)

Login

Maintenance

- [Request a User ID for Incident Management](#)
- [Change person logged on](#)

Alcoa Environmental Incident and Environmental Major Incident Reporting

The Environmental Reporting System is a tool that can be used to gain a more complete understanding of the causes and status of environmental incidents and to manage the action plans that have been established to address the issues.

What's New? [Updated 15-Jun-2001](#)

[Click here to enter a new environmental incident](#)

Safety/Environmental Officers: [Please click here to maintain EHS Environmental Contact data for your location.](#)

NOTE: Please close your browser when you have finished to prevent unauthorized access to Environmental Incident data.



HOME

Please use this link to access the [Environmental Incident Reporting Guidebook](#).

[En Español](#)

[In Deutsch](#)

[Magyar](#)

[Italiano](#)

Environmental Incidents



Enter

Corrective Actions ▼

Incident Number:



Case Number:

Location:

Dusseldorf

Nature of Incident:

Non-Compliance with Laws and Regulations ▼



Status:



Incident Details

= Minimum data required to submit incident

Major Environmental Incident:

Yes No

Incident Date (YYYY/MM/DD):

Incident Time (HH:MM, 24 hr clock):

Situation:

New Situation On-going Situation

Media & Parameter of Concern:

<Select an entry> ▼



Parameter of Concern - If Other, Explain:

Media - If Other, Explain:

Reason for Non-Compliance:

<Select an entry> ▼

If Other, Explain:

What Happens when Incident are Reported?

- Compliance Review Process (**Corrective Action Plans**)
 - After an incident is reported, the Compliance Group contacts the location to understand the issue, risk and corrective actions
 - If needed, additional legal and technical resources are retained to define legal requirements
 - The Compliance Group assists the plant in the development of “*aggressive*” corrective action plans and schedules
 - Corrective actions should attempt to resolve compliance issues immediately, if possible or within a 30 to 60 days unless capital expenditure is required
 - Actions are sometimes taken to reduce enforcement risk while corrective actions are being implemented (i.e., consent orders)

What Happens when Incident are Reported?

- Compliance Review Process (**Incidents vs.Cases**)
 - After plant discussions, the Compliance Group generates a draft “*Case*” which is an “*audit-like report*” describing the issue, risk, corrective actions and schedule
 - A Case may contain one or a number of incidents depending on the cause of the incident or corrective actions
 - The draft Case is reviewed with the plant to assure full agreement with the issue, corrective action plan and schedule
 - The final Case acts as a “contract” between the plant and Compliance Group, so full agreement is important
 - The final Case is then reviewed with the Corporate Compliance Review Committee

What Happens when Incident are Reported?

- Compliance Review Process (**Cases Management**)
 - After the Case has been reviewed by the Corporate Compliance Review Committee, locations can “*propose*” changes to corrective actions and scheduled (add, delete, or modify)
 - The plant is responsible to communicate changes to action plans or schedules to the Compliance Group through the EIMS
 - EIMS automatically notifies the Compliance Group of any proposed change
 - The Compliance Group must approve all proposed changes
 - Approval or disapproval of changes are e-mailed to the location
 - Significant changes to the corrective actions are reviewed with the Corporate Compliance Review Committee

What Happens when Incident are Reported?

- Compliance Review Process (**Cases Management**)
 - A Case is considered open until all corrective actions are completed and sustainable compliance is assured
 - Additional incidents can be reported to an open case as they occur
 - Cases are closed upon completion of all corrective actions but can be reopened if it is later determined that the compliance issue has not been resolved
 - The Compliance Group tracks all Cases until they are closed

What is a Noncompliance?

Noncompliance - What to Report

- Report noncompliance with the following:
 - Legal or regulatory “*environmental requirements*” imposed by a country, state, region, or local municipality
 - Requirements defined in “*environmental permit or license to operate*”
 - Examples: permit limits, permit narrative standards, monitoring, sampling, record keeping, and reporting requirements.
 - Laws or regulations applicable to a location, “*even without being specified in a location's permit or license*”
 - Examples: release reporting, spill prevention planning, training and waste material storage, labeling, and disposal requirements

Noncompliance - What to Report

- Report noncompliance with the following:
 - Requirements defined in “*site-specific legal agreements*” with a regulatory control agency.
 - Examples: Administrative orders, letters of intent, agency requests, and consent orders.
 - “*Failure to have a required permit*” or other legal agreement.
 - Example: Failure to obtain a permit should be reported once as a single incident. Even if the failure to obtain a required permit means that the location was out of compliance for a number of days, it should be recorded as a single incident.

Noncompliance - What to Report

- Report all noncompliance including the following:
 - Noncompliance issues identified in Alcoa EHS Audits
 - Noncompliance issues identified in Alcoa Self-Assessments
 - Noncompliance issues identified by Agency
 - Noncompliance issues that are identified but are quickly resolved should still be reported into the system, unless they are so inconsequential and isolated as to be unreasonable to report.
 - Examples; replacing a label on a waste drum that had fallen off.

Noncompliance - What to Report

- Common failure to report errors:
 - The agency did not find the compliance issue
 - The agency did not take enforcement action
 - It is not a requirement in my permit (but in the law)
 - It did not negatively impact the environment
- The success of this process relies very heavily on the open and honest exchange of information between the Compliance Group, our BU and location contacts
 - 95% plus of all issue are discovered by Alcoans

What is a Potential Noncompliance?

Potential Noncompliance - What to Report

- Potential Noncompliance (PNC) issues are those in which noncompliance is suspected but “*additional investigation is required*” to determine actual compliance status
 - PNC are evaluated against current not future regulations
 - PNC incidents can be reported into the EIMS but reporting is not required unless it will take an extended period of time to determine actual compliance status.
 - Locations are responsible to make a determination quickly (i.e., less than 14 days)

Near Misses - What to Report

- Near Misses – reportable to EIMS but not as compliance incidents
 - Monitoring that shows readings close to but not in exceedance of a permit limit
 - Opacity experienced during the startup or shutdown of equipment that is not a violation of a permit
 - Malfunctions of control equipment that is allowed under a permit or standard,
- These are not yet compliance issues
- They should be reported if there is a “*high risk of future noncompliance*” and corrective actions are warranted

Our Next Step - Corporate Goal
“Zero Noncompliance by 2004”

2004 Zero Noncompliance Goal

- Corporate Goal of “*Zero Noncompliance*” with Environmental Laws and Regulation by December 31, 2004
 - Goal originally announced in the of Spring 2001
 - Next step to assuring sustainable compliance
 - Supports Alcoa’s Values and Principles “*We operate our facilities in compliance with all laws and regulations*”

2004 Zero Noncompliance Goal

- Process for achieving the Goal - Common “*Zero Noncompliance Strategic Plan Template*”
 - Implemented as part of ISO or “ISO like” EMS at all Alcoa locations
 - Identifies 40 critical actions to undertake during ISO implementation to assure sustainable compliance
 - Similar to proposed changes to ISO standard
 - SPAs for all actions
 - Target completion dates for all actions
 - Track and report progress at BUs and Corporate

Zero Noncompliance Strategic Plan Template

- Define what's required and if your compliant
 - Implement process that will identify all existing and pending environmental laws and regulations and requirements in permits.
 - Develop process and establish an implementation schedule to conduct ongoing compliance assessments at existing locations (BU driven outside Alcoa audit process)
 - Establish a process to assure that "compliance focused" Phase I Assessments are conducted prior to acquisitions
 - Establish a process to conduct initial “detailed” compliance assessments at every location within 2-3 months of acquisition.

Zero Noncompliance Strategic Plan Template

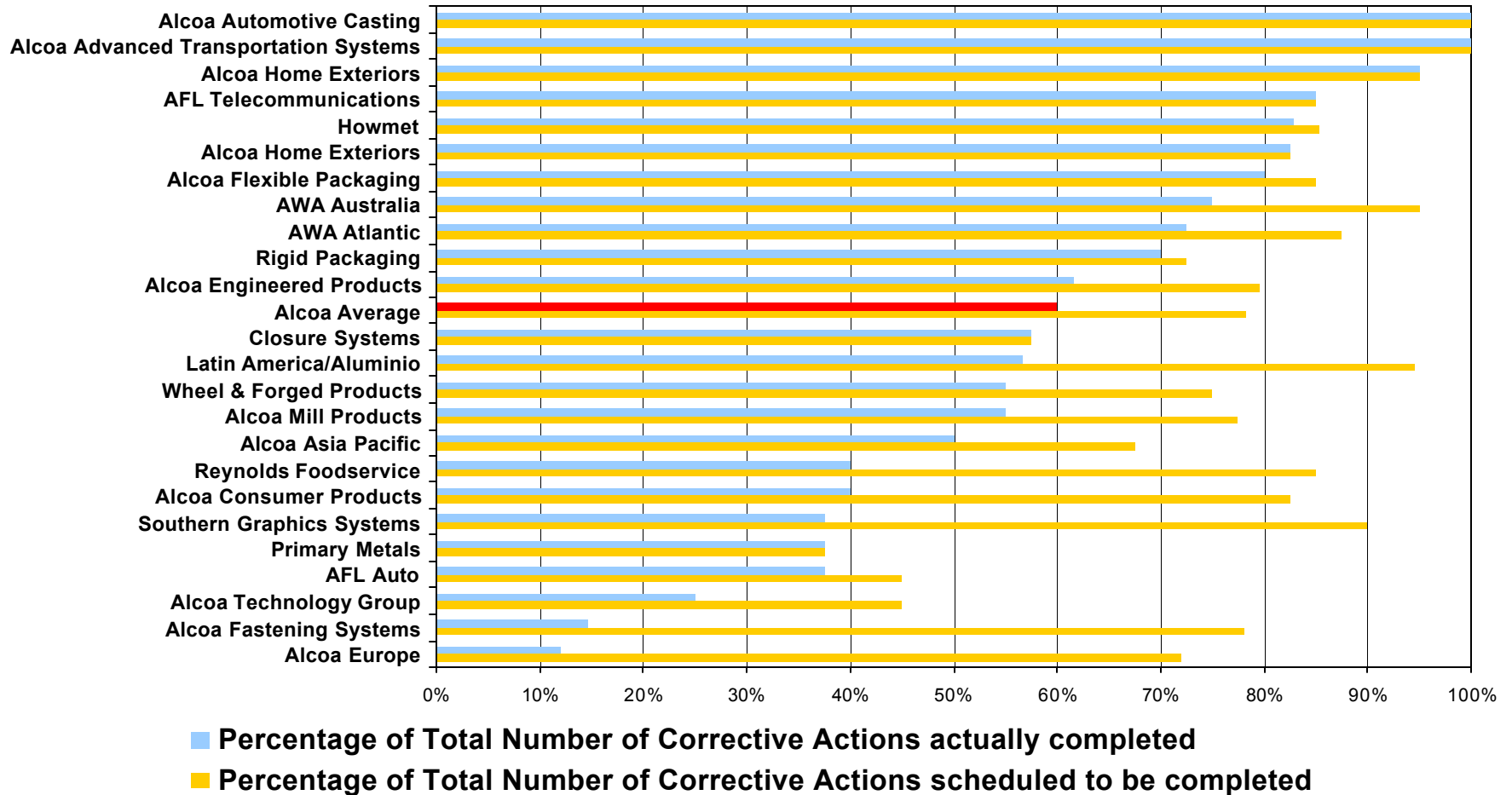
- Identify your weaknesses and correct them
 - Identify resource gaps (people, technical, capital, etc.) that will prevent achieving and sustaining zero noncompliance and establish a schedule for providing the necessary resources.
 - Conduct needs assessment to evaluate the knowledge, skills and core competencies of employees and contractors related to assuring regulatory compliance

Zero Noncompliance Strategic Plan Template

- Make sure people know what to do and are trained
 - Establish, document, and communicate environmental compliance roles, responsibilities and accountabilities throughout the organization
 - Develop standard work practices for all compliance aspects identified in the environmental compliance and risk assessments
 - Develop and implement a training program based on compliance aspects

2004 Zero Noncompliance Goal

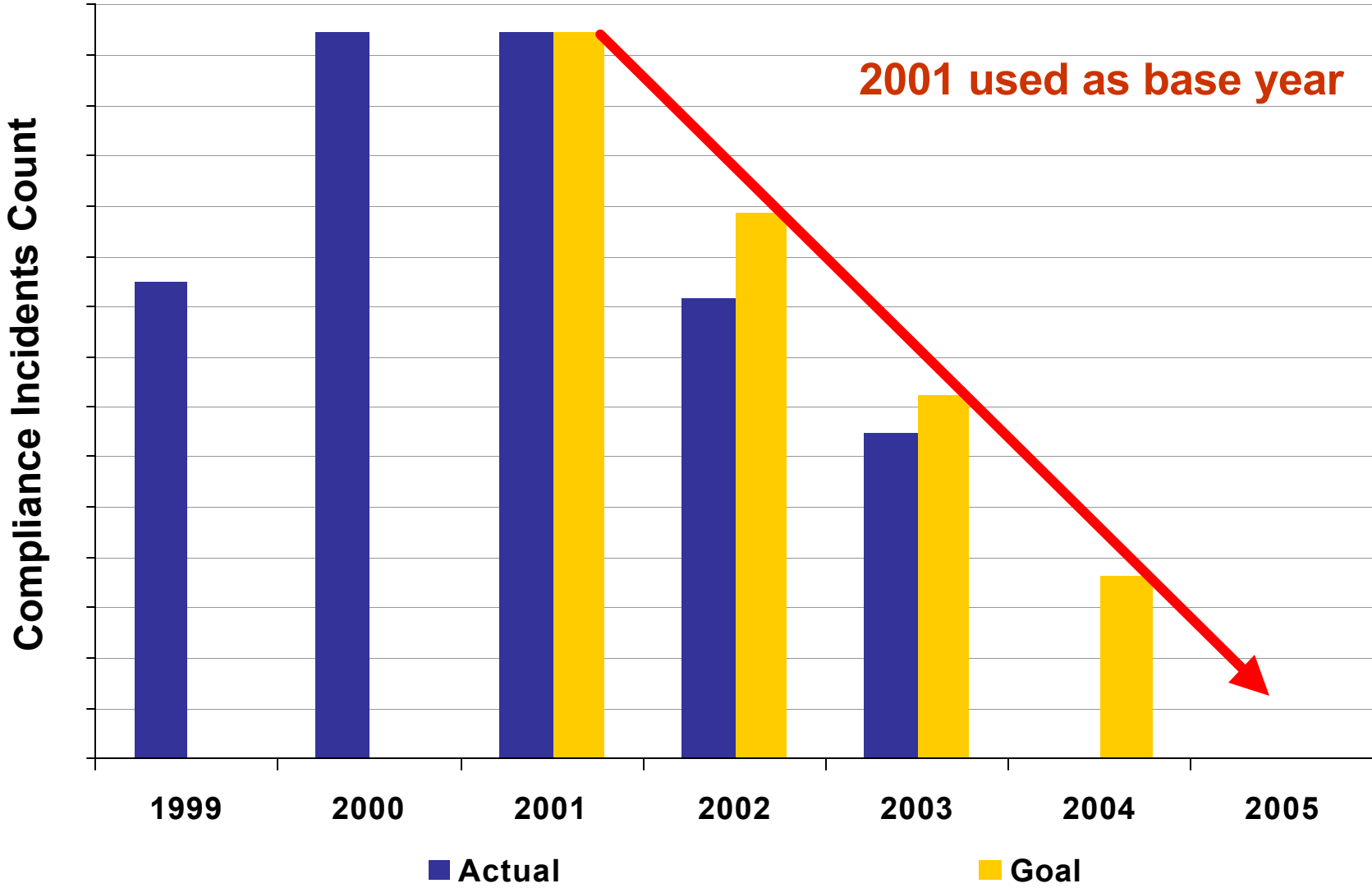
BU Strategic Plans for 2004 Zero Noncompliance Goals
Percentage Corrective Action Plans are Complete



2004 Zero Noncompliance Goal

- Can Alcoa achieve the goal based on the trend in reporting data?
 - Data trends look promising
 - New acquisitions have defined time period before data is included

Is Alcoa on Track to meet its 2004 Goal of Zero Noncompliance?



- The time to resolve and close compliance issues within Alcoa has been dramatically reduced.
- Average time to resolve open & closed cases:
 - *602 days in 1999*
 - *266 days in 2000*
 - *224 days in 2001*
 - *158 days in 2002*
 - *122 days ytd in 2003*

87% Reduction (1st Qtr 1999 to 2nd Qtr 2003)

Translates into greatly *reduced liability* for Alcoa
. . . but room for improvement is still there

Lessons Learned

- Personal liabilities for environmental noncompliance are real, don't expose yourself or others
- Plant managers and EHS professionals are impacted by many regulations (HR, tax, finance, etc.), environmental laws are the ones most likely to result in civil or criminal liability
- Once you get caught up in the justice system its to late

Lessons Learned

- Detailed compliance assessments are required to be assured that plants are operating in compliance with laws and regulations
- Most plant environmental staff do not have the expertise to fully assess regulatory compliance
- Typical management system audits are not detailed enough to capture all or even all significant compliance issues
- There is no compliance check list that will make a non-expert a compliance expert
- Detailed compliance assessments using media (air, water, waste) experts is recommended

Lessons Learned

- Management systems must be implemented or improved to assure compliance issues remain fixed
- Time is your enemy, the wheel of justice grind slowly and can allow compliance issues to linger
- Aggressive corrective actions are required to reduce exposure
- A central oversight role is required to avoid the pressures and push back from allocating resources to resolve compliance issues
- An effective compliance must be aggressively supported by executive management

Port Allen Resolution

- \$1.1 million criminal penalty fine
 - \$700,000 paid to EPA
 - \$400,000 paid to LDEQ
- Alcoa plead guilty to a criminal felony charge
- 4 Individuals plead guilty to criminal misdemeanor charges (Plt. Mgr., EHS Mgr., Production Mgrs.)
 - 4 Individuals paid criminal penalties \$3 – 5,000 each
 - 100 hours Community Service
- Alcoa and 4 Individuals – 5 year probation
 - Probation officer for both individuals and company
 - Continuing public disclosure

Questions?