



Quality • Responsibility • Stewardship

THE RESPONSIBLE DISTRIBUTION PROCESSSM

A Model to Follow

By Bill Allmond, Director of Regulatory & Public Affairs

The following article was written with the generous contributions from several current and previous NACD leaders, including Chairmen of the Board, Chairmen of the Responsible Distribution ProcessSM Committee, recipients of NACD's Distributor of the Year Award, and other volunteers who spent countless hours — and, in some cases, years — developing and promoting RDP in the United States and abroad.

Part I

For 13 years, the Responsible Distribution ProcessSM (RDP) has been the flagship program of the National Association of Chemical Distributors and the chemical distribution industry's leading environmental, health, safety, and security practice. In that time companies committing themselves to the guiding principles and to the *Code of Management Practice* have established themselves as industry leaders in environmental, health, safety, and security performance and set themselves apart from all other companies in the chemical distribution business. Significantly, members of NACD have pioneered the way for others in the chemical industry and other industries on independent third-party verification. They have earned the respect of their suppliers and customers and gained recognition from the insurance industry, government regulators, and Members of Congress.

According to early documents prepared in the beginning of RDP in the United States, the Association's founding fathers had bold expectations. In the introductory paragraph of RDP, they stated that the RDP initiative "for generations to come will alter and improve the use, handling, and impact of chemicals in our society." Additionally, they hoped requirements set forth in a common code of business practice would "even the playing field" among members, regardless of company size.

Today, RDP remains a model to follow because of member companies' efforts and their successes. This article attempts to tell the story of how RDP began in the United States, how it has evolved, and how it hopes to continue to be one of the most credible and valuable industry management systems. It is told by

just a few of the many key contributors to its success — volunteer leaders of NACD who have displayed continuous passion for improving the chemical distribution industry's environmental, health, safety, and security performance.

Early Beginnings

Deciding against adopting Responsible Care®, leaders of NACD looked elsewhere for environmental, health, and safety programs that addressed chemical distribution issues. John R. “Jack” Hess, III, former NACD President (position now called “Chairman”) (1988 – 1990), a recipient of NACD's *Distributor of the Year Award* (1989), and Chairman of John R. Hess & Company, Inc. (Cranston, Rhode Island) recalls the help from members of the Canadian Association of Chemical Distributors (CACD). “At the Canadian Annual Meeting in 1988, our Canadian brethren came to our aid and offered NACD the right to use their Responsible Distribution (RD) program, and we modified it for our needs as the Responsible Distribution ProcessSM,” said Hess. “They had had the same problem with the Canadian chemical manufacturers and the solution was the change to Responsible Distribution. In retrospect, I believe that this worked very much in our favor. It enabled us to write our own rules,” Hess continued, “take what was appropriate from the Canadians, initiate the steps which separate us from Responsible Care®, such as third-party verification, and finally make successful RDP passage a condition of membership.”

“We can never forget our friends to the North,” Hess emphasized.

Originally created by the members of the Canadian Association of Chemical Distributors (CACD) in 1988 as Responsible Distribution, the Responsible Distribution ProcessSM (RDP) was formally adopted by NACD, with the support of CACD, in December 1991. Many members of NACD volunteered numerous hours to help craft the Canadian program into RDP to meet the needs of the U.S. chemical distribution industry. The result was NACD's RDP Guiding Principles and Code of Management Practice.

Part of the impetus behind NACD members' pursuit of such a membership initiative was to demonstrate to their suppliers, customers, employees, and community that the chemical distribution industry is a responsible handler of chemicals. Successful implementation and evidence of collective improvement in environmental, health, and safety performance would also hopefully lead to a better public perception of the industry. NACD strengthened security aspects to the Code after September 11, 2001.

“Initially our thoughts were to have chemical distributor members of NACD be able to become a part of Responsible Care® which would give us the right to the logo,” recalled Hess. “At the time, which was between 1987 and 1988, the Chemical Manufacturers Association (CMA) [now the American Chemistry Council (ACC)], the promoter of Responsible Care®, was insistent that any company being a part of Responsible Care® must be able to comply with the seven protocols of Responsible Care®, one of which had to do with the manufacturing and testing of all products. We could not meet that

requirement as we were not the manufacturers, and powers that be at CMA were adamant against any exceptions.”

Jim Doyle, also a former NACD President (1991 – 1992) and recipient of the *Distributor of the Year Award* (1992) now charged with global oil and gas responsibilities for Brenntag, recalls RDP's beginnings similarly.

“At the time it was felt by NACD leadership that there were significant differences between distributors and manufacturers,” explained Doyle, “and that code language in Responsible Care® reflected those differences and would make it impossible for NACD members to comply with the specific code language in Responsible Care®.” Like Jack Hess, Doyle was very involved in “shepherding” RDP as NACD's premiere initiative.

Laura Dornbusch, President of Expo Chemical Company (Houston) and a current member of the NACD Board of Directors, explained why she feels NACD chose RDP. “We wanted a program that was specific to distributor issues, and much of Responsible Care® did not apply to a distributor,” she said. “We also wanted a more comprehensive, accountable program.”

“Once it became clear that NACD could not achieve its goal with Responsible Care® because of CMA's unwillingness to allow chemical distributors to join in on the protocols post manufacturing,” Hess said, “it opened the door for creative thinking. The Canadian RD initiative gave us a start.”

The challenging months leading up to NACD's eventual adoption of RDP in 1991 were not easy for the Association leaders seeking assistance and support from industry peers. Multiple challenges lay ahead. “NACD staff and leadership understood that an aggressive ‘outreach and communication strategy’ would be necessary to educate all of the various constituents necessary to make RDP a success,” Doyle recalled. “This included members, suppliers, government officials, the public, etc. We just told the story over and over at meetings, conventions, and public forums.”

“The biggest challenge that I remember,” said Dornbusch, “was probably getting some of the members to buy in. There was a concern that if we went with the Responsible Distribution ProcessSM, it would increase our potential liability in a lawsuit. Those of us involved in writing and developing the program thought the opposite and felt we were being very proactive and would be in a better position in case of litigation” by a unforeseen defendant, she explained.

Doug Kutz, operations director for G.S. Robins & Company (St. Louis), a charter member of the RDP Committee and recipient of the *Distributor of the Year Award* (1998), also remembers the challenge with member buy-in. “Most of us wear a lot of hats, especially at the smaller member companies,” he said. “It was difficult for people to take time out of their schedules for this unknown challenge that was ahead of us. We held several sessions for the members and at each meeting we moved another step closer to implementation.”

In terms of biggest surprises, Kutz adds, “The surprise was how eager the members were to get started with the process.”

Nonetheless, there was some skepticism in the beginning

Continued on page 3...

...RDP, continued from page 2

among key stakeholders as well. Hess remembers that “some suppliers were quite skeptical and it took a lot of conversation and meetings with supplier representatives to achieve an open mind approach on their part.”

Philip Segal, III, now associated with Whitaker Oil Company, Atlanta, formerly a member of the RDP Committee and President of the Southeast Region, also recalls that it “took a great deal of cajoling and negotiation to gain [the supplier community’s] understanding and acceptance of [RDP].”

But Hess acknowledged that, “requiring a third-party verification clause along with meeting RDP practices as an NACD membership requirement gave us a great deal of credibility in the industry.”

Third-Party Verification: Ensuring Value and Credibility

A major component of RDP is mandatory third-party verification of each NACD member’s policies and procedures against the RDP Code of Management Practice. NACD’s leadership in this area is unsurpassed by any other chemical industry trade association. RDP’s third-party verification components are, in fact, models for others who wish to provide credibility to their initiatives while providing value through verification to their members, making NACD and its members “pioneers” in our industry.

A notion the founding fathers of RDP in the U.S. seized upon was the fact that credibility must be earned, not bought. It cannot be obtained through a simple written or licensing agreement. Industry regulation through self assessments or peer review alone is not enough to demonstrate a company’s sincere commitment to continuous improvement, to say nothing of its actual compliance with the industry practice.

“Early on one of the main objections or suspicions that our effort faced was the perception that we were looking for ‘an easier way’ than manufacturers,” remarked Jim Doyle. “We validated the process by the third-party oversight and gave NACD enormous credibility.”

Customers, suppliers, employees, government officials, and the general public — all of which are important stakeholders in a company’s Environmental, Health & Safety performance — need objective evidence that the company is willing and successfully able to have an independent third-party conduct a top-to-bottom management systems verification of the company’s performance of its environmental, health, safety, and security commitments.

“In order to give real strength to any program, whether it is RDP or ISO,” argues Kutz, “you need to have an independent analysis of the program. For RDP to be fully accredited and recognized, we [NACD] needed someone to confirm what we had written.”

Additionally, sanctions for non-compliance — not simply peer pressure — are proven methods for preventing members from “free riding off others’ efforts.” A 1998 study by Andrew King of the New York University and Michael Lenox of the Massachusetts Institute of Technology finds that industry management systems without consequences for non-compliance “will fall victim to opportunistic behavior.” Additionally, the study concludes that only through the use of “outsiders,” such as independent third-parties, to verify compliance can an industry management system succeed. This is “to ensure that their assessments are unbiased and that sanctions are levied and are not used for individual strategic means.” The study confirms what the founding fathers of RDP understood: that “trade associations, as insiders, are limited as enforcers both legally and practically.” With independent firms conducting verifications and determining compliance, industry initiatives like RDP can achieve their promise, it states.

The reason why the Responsible Distribution ProcessSM has outshined all other industry programs in terms of credibility is because of its two mandatory third-party verifications: the first one developed was mail-in Document Verification.

Document Verification

Early in the process, mail-in Document Verification was added to RDP as a membership requirement as a way to ensure that NACD member companies — and eventually companies applying for membership — have in fact developed written policies and procedures that adhere to the intent of RDP.

“We needed to establish a method to verify companies’ conformance to the Code and give the process credibility,” explained Segal.

Once the NACD Board and membership approved Document Verification as a condition of membership in December 1992, all existing members at that time were required to adhere to the new requirement and pass Document Verification to retain their membership. They had three years in which to comply, ending in 1995. Newer NACD member companies, based on membership acceptance date, also had to comply within three years, ending in 1998. In spite of the strict requirements, the membership roster of NACD member companies was little affected during the 1993 – 1995 period. Three companies resigned right



ABOVE AND ON THE COVER: *The RDP “Graduating Class of 1995” — the members who, in 1992, approved mandatory 3rd-party verification of company policies and procedures, and complied within the required three-year timeline.*

before the third-party verification process started, three companies resigned during the process, and three companies were dropped from the membership for not meeting the verification requirements in April of 1995. Two member companies did not pass the final verification, but prior to a special December Board of Directors meeting called specifically for a Board vote on the two membership terminations, the two companies re-submitted the required paperwork and received certification status from the verifier. Meanwhile, throughout 1995, a total of 19 companies applied for and were approved for membership in NACD, clearly demonstrating that the increasingly strict standards for membership were not a deterrent to companies interested in joining the Association. Since 1998, prospective NACD members must first apply as a Candidate member and comply with Document Verification before becoming a Regular member.

Many view the Document Verification requirement as a business enhancement, like G.S. Robins & Company, as opposed to simply a hurdle over which to jump into "joining the club."

"This was a great step for all of us," remembered Doug Kutz. "Our industry has changed a lot over the years and we probably didn't do a lot of documentation of procedures. The rules have changed, and it was important for us to document our policies and procedures. We are a medium-sized distributor, and putting our policies and procedures in writing was great for us, because it made us take a look at how we run our business. Today we have procedures for all areas, and we use them as tools for training all of our employees."

Clare Welker, co-founder of Chem One, Ltd. (Houston), a former Chairman of the Responsible Distribution ProcessSM Committee (2000 – 2002) and recipient of the *Distributor of the Year Award* (2003) points out how Document Verification is an educational stepping stone to the next level of on-site verification, known as RDP Verification (RDPV). "[Document Verification] sets the tone and gives you a roadmap. You don't want to find yourself without the proper documentation when the on-site verification is taking place."

Underwriters Laboratories[®] was the first third-party verification firm designated by NACD to conduct independent verifications of companies' written RDP policies and procedures Document Verification. Many NACD members that were approved by UL during that time continue to use UL's signature logo and numbered stamp of approval on their business cards and stationary. Once on-site third-party verification was approved as a condition of membership in 1996,

Science Applications International Corporation (SAIC) was hired as the third-party verifier. Then, for the second three-year cycle of on-site verifications beginning in 2002, NACD sent bids out for the second three-year cycle and hired a little-known but extremely competent firm called Parker & Associates of Baton Rouge, Louisiana.

To successfully complete Document Verification, companies applying for membership — designated Candidate members — must assess, write, implement, check, and self-assess policies and procedures that meet the intent of RDP's *Code of Management Practice*. Candidates are required to submit written policies and procedures from four randomly-selected sections of the RDP *Code of Management Practice*. A Candidate has until December 31 of the year following their application for membership to submit their written policies and procedures and Self-Assessment report to the third-party verifier. If verifiers confirm that the Candidate's written policies and procedures meet the intent of RDP, then the company is admitted as a Regular member of NACD and falls in line for on-site RDP Verification.

Furthering RDP's credibility is the recognition by AIG Environmental, a major carrier of environmental insurance, which provides reimbursement of RDPV fees for companies underwritten by AIG that successfully complete RDP Verification. This arrangement is the first of its kind in the industry and has served both members and the industry well.


In addition to all chemical distributor member companies, NACD also requires public warehouses and other logistics-oriented companies participating in NACD's Chemical Handler Affiliate Program to successfully pass third-party on-site RDP

Verification (RDPV). This helps expand the reach and credibility of RDP throughout the distribution supply chain.

Welker maintains that independent third-party verification "provides a necessary measure of legitimacy to the process."

A willingness to adhere to and successfully complete a third-party verification helps member companies earn their right to operate. Otherwise, any company can *declare* they are adhering to industry practices without actually doing so. NACD member companies do it right.

"The reason why the Responsible Distribution ProcessSM has outshined all other industry programs in terms of credibility is because of its two mandatory third-party verifications...."

EDITOR'S NOTE: Part II of this article, covering NACD's second mandatory third-party on-site verification, RDP Verification (formerly known as MSV) and the voluntary Site Class Verification (SCV), will continue in the October 2004 *Chemical Distributor*. 



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Part I outlined the first of two mandatory third-party verifications required by the NACD Responsible Distribution ProcessSM (RDP) — mail-in Document Verification. Mail-in Document Verification ensures that NACD Candidate member companies applying for membership have written policies and procedures that adhere to the intent of RDP. Candidate members that meet this initial verification requirement are then entitled to all Association benefits and are called Regular members.

The second mandatory third-party verification required by RDP is conducted on site of a facility of every NACD member company. NACD's designated, independent third-party verifier is Parker & Associates of Baton Rouge, Louisiana.

Part II

On-Site RDP Verification

As a condition of membership in NACD, each Regular member of NACD — and Chemical Handler Affiliate — is required to complete an on-site third-party verification by an independent third-party verifier once every three years. This on-site verification process has been a requirement since 1998.

Members must also successfully complete this verification — called on-site RDP Verification or RDPV — to retain membership in NACD. The purpose of RDPV is to verify implementation of a member's written RDP policies and procedures.

As of January 1999, a chemical distribution company accepted as a member in NACD is classified as a Candidate, advances to Regular membership status upon completion of Document Verification, and falls in line for RDP Verification during the current three-year cycle.

Chemical Handler Affiliate companies are not distributors, but they do handle chemicals,

such as liquid terminal operators, public warehouses, or recyclers. Participation in this Affiliate program requires the company to comply with RDPV.

“Members work real hard to pass this one-day audit,” said Clare Welker, Chairman of the Responsible Distribution ProcessSM Committee for 2002 – 2003, “which is a snapshot in time and offers the member an opportunity to independently confirm that documentation is supported by implementation.”

Third-party verification with sanctions for noncompliance provides necessary integrity to an industry practice, which is “the ‘real teeth’ of RDP,” according to Pat Marantette, former Chairman of the NACD Board of Directors (2000 – 2002) and President of E.T. Horn Company (La Mirada, California). Marantette is also a recipient of NACD's *Distributor of the Year* Award (2002). Marantette emphasized that at the time third-party verification was approved, the NACD leadership believed that “any program without teeth had very little meaning.”

Philip Segal, Whitaker Oil Company, agrees. “On-site RDP Verification was the next logical step toward our being able to state to the world that all NACD member companies conform to the [RDP] process and that it has ‘teeth.’”

Jim Doyle, NACD's President in 1991 – 1992, recalled the decision in 1997 to mandate on-site third-party verification. He said that it was “the consensus of [NACD] leadership and certainly overwhelmingly supported by the vote of membership that without consequences (loss of membership in NACD), the process rang hollow. We reasoned that ‘we all swam in the same fishbowl’ and that we were only as strong as our weakest link.”

During a three-year cycle, each member company receives one verification at one of its sites. Public warehouses used by members are treated as owned sites and are eligible for selection by the third-party verifier. For multiple-site companies, one randomly selected facility is chosen by the verifier, in cooperation with the member company, that is representa-

tive of the member's overall operations.

Members that do not successfully complete their RDP Verification receive a second,

Part I provided a history of the early days of the Responsible Distribution ProcessSM (RDP). RDP exists today as a highly successful management practice because of pure hard work by many, many NACD members. Their dedication to the idea of continuous improvement in safety, health, security, and environmental performance throughout the years, has evolved RDP to what it is today. While every NACD member who toiled on the development of RDP cannot be interviewed for this three-part article, the initial group and RDP committee chairman should be recognized and thanked for their Herculean efforts. The year 1991 saw the first committee formed as the "Committee on a Distributors' Code." The name was changed to the Responsible Distribution ProcessSM (RDP) Committee in 1992.

The first group appointed and who took on the task of developing the RDP procedures were 1991 Committee Chair Walter Stevenson, W.N. Stevenson Co.; Stephen Clark, SOCO (now Brenntag); Richard Haskell, Haskell Chemical Co.; Dick Davis and Judith Cichowicz, Univar; and David Stock, Stochem, Inc., from Canada. The following NACD members subsequently chaired this committee, either working on the initial development stages or tasked with developing additional and/or improved compliance requirements: 1992 – 1993, co-chairs Doug Brown, Brown Chemical and Walter Stevenson; 1994, Gregg Peckham, Archway Sales Inc.; 1995 – 1996, Gene McDonald, Monson Companies, Inc.; 1997 – 1998, Geir Engelsen, VW&R; 1999 – 2001, Peter Hess, John R. Hess & Co., Inc.; and 2002 – 2003, Clare Welker, Chem One Ltd. The current chair is Don Adams, Webb Chemical Service Corp.

complete on-site verification, at the company's full initial cost, no later than one year following the original on-site visit. Failure to successfully complete this second verification results in membership termination from NACD.

In the first three-year cycle of on-site RDP Verification (then called Management Systems Verification) between 1999 and 2002, 20 companies were terminated from NACD membership for non-compliance with on-site third-party verification requirements.

"On-site third-party verification is our only hope of gaining credibility in our communities and in our country as a whole," asserts Steve Quandt, Executive Vice President of Columbus

Site Class Verification (SCV)

Site Class Verification (SCV) is a jointly developed program supported by NACD and a core group of chemical manufacturers/suppliers. It is an on-site confirmation of implementation of operating procedures including environmental, safety, and health programs, and a description of a distributor's physical facilities. The program focuses on a distributor's handling of hazardous materials and products and the associated risks.

NACD members affected by SCV include companies that handle hazardous materials and are elected by funding suppliers. SCV is not a condition of membership in NACD, but in the first five-year cycle ending in 2004, approximately 50% of the NACD membership was affected by SCV. NACD and funding suppliers intend to continue with another cycle of SCV. SCV is valuable to both NACD distributors and suppliers: it complements NACD membership requirements for RDP by its assessment of, with a risk-based approach, the RDP *Code of Management Practice*, and it assists suppliers with their requirements under Responsible Care[®] and/or internal corporate commitments to risk management. SCV is one mechanism by which suppliers can qualify for and maintain participation in NACD's newest program, the Chemical Supplier Affiliate Program.

Chemical Industries, Inc., (Columbus, Wisconsin) and Vice Chairman of the NACD.

NACD is currently in its second three-year RDPV cycle. To date, 115 member companies have successfully completed RDPV in this cycle. All companies will complete their RDPV by December 31, 2005, and the third three-year cycle will begin January 1, 2006.

For more information on the structure and process of on-site RDPV and SCV, visit NACD's Web site, www.nacd.com/rdp.

EDITOR'S NOTE: *From 1971 until 2000, NACD volunteers serving on the Board of Directors as CEO were given the title of President. In 2000, this position's title changed to Chairman of the Board and CEO, and the top staff position's title is president.*

Look for Part III in the November Chemical Distributor. ☞

Site Class Verification Funders and Contributors

ASHTA CHEMICALS, INC.
BASF CORPORATION
CELANESE
COGNIS CORPORATION
DOW CHEMICAL
EASTMAN CHEMICAL
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HUNTSMAN CORPORATION
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VULCAN CHEMICAL

SCV Contributors

Donate money to support the program, but do not receive SCV reports.

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ADDRESSING TODAY'S CHALLENGES

RDP has undergone several enhancements since its adoption by NACD members in 1991. The most notable recent changes came about following the horrific terrorist attacks of September 11, 2001, and the spate of fatal injuries involving chemical reactive hazards during the manufacture and warehousing of chemicals.

Part III

SECURITY

While RDP had always called on members to address security in facility design, construction, and maintenance, RDP had not called for explicit security requirements in other key distribution operations, such as the transportation and selling of chemicals. It was clear to members of the RDP Committee and NACD Board of Directors that more needed to be done by our industry to safeguard our facilities and distribution operations from attack. Continued confidence and respect from the public, chemical suppliers, customers, employees, and public policy makers rested on how well we addressed vulnerabilities within chemical distribution.

Following months of internal debate by RDP Committee members and NACD Board members, new measures were agreed to in April 2002 within key, existing requirements in RDP's *Code*

of Management Practice. Key areas identified as vulnerabilities included facility security, transportation security (including the manner in which common carriers are selected), and product security via the sale of chemicals to customers.

Clare Welker, Chem One Ltd., who was Chairman of the RDP Committee at the time of the September 11 attacks, recalls the months of debate on how to address security as an industry. "After 9/11, I cannot recall a single RDP Committee member or Board member ever disagreeing with the notion that enhancing security was important, but it was not easy to develop and approve of measures." He recalls the differences of opinion among NACD members on how to proceed. "One view was that it was premature to require members to address security within RDP; until Washington formulated a clear policy and issued regulations, it should not be addressed.

“The second view was that adding security as a requirement would create more fodder for trial lawyers,” he said.

“The third view was that we should add security requirements to the protocol as it was the right thing to do and that not adding them might seem irresponsible in view of recent events,” Welker continued. “The dialogue was productive. We did wait for a period of time and obtained additional insights, and we were careful not to formulate security requirements that sounded good, but could not be implemented. Once these views were reconciled, the process of choosing how to address security in context of protocol changes became possible.”

NACD’s prompt passage of additional security measures led to then-EPA Administrator Christine Todd Whitman to recognize NACD for its leadership in addressing chemical security. In an open letter to the NACD membership dated November 26, 2002, Whitman commended “NACD for being the first chemical trade association to include security provisions as part of its management practices.” The Administrator went on to say that NACD members “have also set a benchmark for other companies to follow, by implementing third-party verification of your code of management practice, the Responsible Distribution ProcessSM.”

Welker concluded by saying that “As it turns out, what was approved has to date not contradicted a single federal rule. I’m very proud of how committee members, the Board and, most importantly, the membership stepped up to the plate. We, the members, the Board and the committee led the way....”

CHEMICAL REACTIVE HAZARDS

Following a string of industry accidents mostly involving the manufacture of reactive chemicals resulting in high injury rates and many fatalities, the U.S. Chemical Safety and Hazard Investigation Board (CSB) launched a comprehensive investigation into the cause of these accidents with hopes of finding solutions for future prevention.

The CSB study involved months of analysis of accident data, existing regulatory coverage of reactive hazards, existing

industry practices — such as RDP — that may address such hazards, and meetings with various stakeholders including labor unions, trade associations — including NACD — regulators, and company management.

The Agency’s final report in October 2002 found that 30% of the accidents it analyzed involved reactive chemicals in the warehousing, handling, and use of chemicals. The remaining 70% occurred in chemical manufacturing. Towards that end, the Agency turned to NACD as a means of addressing hazards in warehousing and blending operations among our members. Specific recommendations were given by the CSB in its final report to NACD and others, hoping they would close some of the gaps towards better management of reactive hazards. NACD met the CSB’s charge and was the first industry association to approve new requirements under its industry practice that specifically address the CSB’s recommendation on reactive hazards.

The CSB asked NACD to first communicate to its members the findings of the study, which NACD promptly did within months of the report’s issuance. Secondly, NACD was asked to expand RDP to address reactive hazards as an area of emphasis.

In addressing the CSB’s directive, members of the RDP Committee first considered the entities and operations where the accidents were occurring in which distributors could make a meaningful impact. It was decided that NACD should address the issue through RDP and focus any new requirements on raising the awareness of reactive hazards with stakeholders, including the

customers who buy and use distributor products. In addition to customers (users), NACD members are asked to include others when raising the awareness of the hazards, such as employees and public warehouses with whom they contract to store their products.

Finally, in April 2004, the NACD Board approved and the membership reviewed new additions to RDP that commit members to raising the awareness of reactive hazards with their stakeholders. As with all other RDP requirements, the new reactive hazards management requirements are included in both

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Continued on page 9...

mail-in Document Verification for Candidate members and on-site RDP Verification for all Regular members and Chemical Handler Affiliates, beginning January 1, 2005.

To assist members comply with reactive hazards management requirements under RDP, NACD formally signed an alliance with the Occupational Safety and Health Administration (OSHA) in March 2004. The purpose of the alliance, which also includes several other chemical industry trade associations, the U.S. Environmental Protection Agency, and academia, is to provide guidance material to stakeholders in need of preventing accidents involving reactive chemicals. See the NACD Web site — www.nacd.com — for more details.

INTEGRATION WITH INTERNATIONAL STANDARD PROGRAMS

Despite the similarities with international standards like those developed by the International Standards Organization (ISO), RDP's purpose and focus is risk management.

"RDP is very different than ISO 9001-2000," said Welker. "9001 is all about achieving customer satisfaction. RDP is about risk management. Some elements overlap, but RDP deals with a much larger audience: owners, suppliers, and the community. RDP makes use of some of the administrative tools that ISO uses, such as internal auditing, corrective and preventive actions, document and data control and continuous improvement."

Said Doug Kutz, G. S. Robins & Company, "There is a significant difference in that RDP is not viewed as a quality system as the ISO or QS programs are. We do not include quality measures or procedures in our RDP documentation."

Importantly, RDP is an industry *practice*, which allows for broad application of an industry-specific set of principles and codes for a diverse membership. ISO programs are standards, on the other hand, prescriptive in nature, and intentionally do not address the specifics of one particular industry. These are the major differences between both programs. Some ISO programs, like QS9000, focus on developing a quality program for entities in the manufacturing business, such as auto makers. Because chemical distribution is not in the manufacturing business, quality of the *distribution* and not the manufacturing of a product is emphasized.

"I have a fairly large customer who believes our participation in the Responsible Distribution ProcessSM is more important than ISO certification," said Laura Dornbusch, Expo Chemical Co., Inc. Participating in RDP "has enabled us to acquire [product] from various suppliers."

"In my opinion, RDP is certainly 'at least' as difficult to comply with as ISO, and in most cases I find the audits and compliance review to be more detailed in RDP than in ISO," said Jim Doyle, who has experience with both programs as previous owner of Coastal Chemical now owned by Brenntag. "Again, RDP was written by distributors, for distributors. In ISO process review, compliance with written process is the focus. In RDP, compliance with best practices is the focus."

Nonetheless, some would welcome the expansion of RDP to

include more ISO-like components.

"It would be a great enhancement to an excellent system," said Whitaker Oil Company's Philip Segal.

"I think it would be a great help if we did include the ISO-like certification," said Kutz. "I could see that happening over the next several years."

For Pat Marantette, whose company — E.T. Horn — sells products to end-users without repacking them, ISO standards would be over-kill or not applicable. "For a 'factory-packed' distributor, we don't see real value in ISO," Marantette said.

Welker agrees with those who feel ISO components can benefit a distributor's operations to the extent that it addresses distribution activities. But he says, "We should never equate customer satisfaction with risk management."

In spite of the differences, however, for some NACD members like CHEMCENTRAL, integrating QS-9000 into RDP was successful and beneficial. The August 2000 issue of the *Chemical Distributor* highlighted three NACD members, including CHEMCENTRAL, which successfully integrated the two programs.

According to Ken Jagers, who at the time was CHEMCENTRAL's Vice President for Compliance and Quality, CHEMCENTRAL "visited a number of companies and saw that they had separate bureaucracies for quality and for health, safety, and the environment that often resulted in cumbersome, hard-to-use systems, that didn't work together and even interfered with each other." Therefore, he said, "we took what we felt was a unique opportunity and integrated everything into one system and one management structure."

Jagers said, however, that "although QS-9000 and RDP overlap, they largely cover different terrain." Still, he said, "there's no doubt that it's helped us having an integrated system that incorporated QS-9000. It promotes corporate discipline. It made us a more effective and efficient organization, so that we are better able to address all areas of concern."

There are currently no plans to add any additional ISO-like components into RDP.

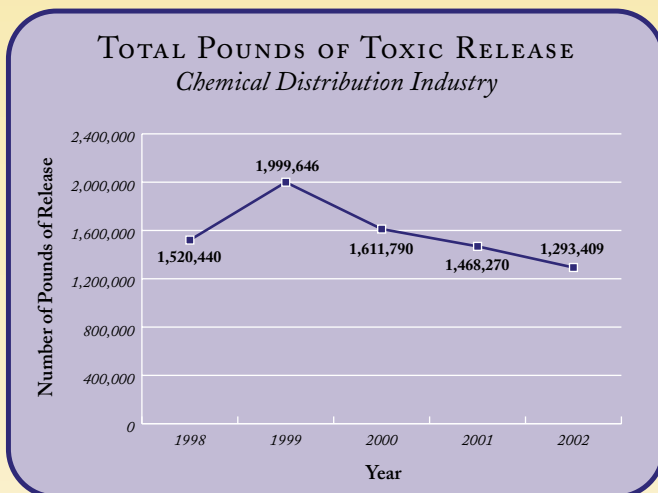
Measuring Industry Performance

TOXICS RELEASE INVENTORY

There is no question that members' success with implementing RDP in their facilities has had a positive impact on the environment. For the past five years, many NACD member companies have had to submit annual reports to EPA regarding toxic emissions into the environment. Using EPA's annual report, known as the Toxics Release Inventory, as a performance measure, the five-year data demonstrates that the chemical distribution industry is the smallest source of toxic emissions than any other industry required to report annual emission totals to the Agency. What's more is the fact that distribution industry emissions by comparison are extremely low and are on the decline, in spite of the fact that the number of distribution facilities covered by the regulation has risen since 1998, the first year in which the distribution industry

submitted reports. The most recent report shows that the distribution industry released the lowest amount of toxic emissions ever in the five years it has been required to report.

“Five years ago we had higher emissions from a smaller number of facilities. Today, we have lower emissions from a higher number of facilities,” Jim Kolstad, President and COO of NACD, announced following the June 2004 report. “The data show that the chemical distribution industry continues to demonstrate to the public that NACD’s Responsible Distribution ProcessSM works as intended,” he said.

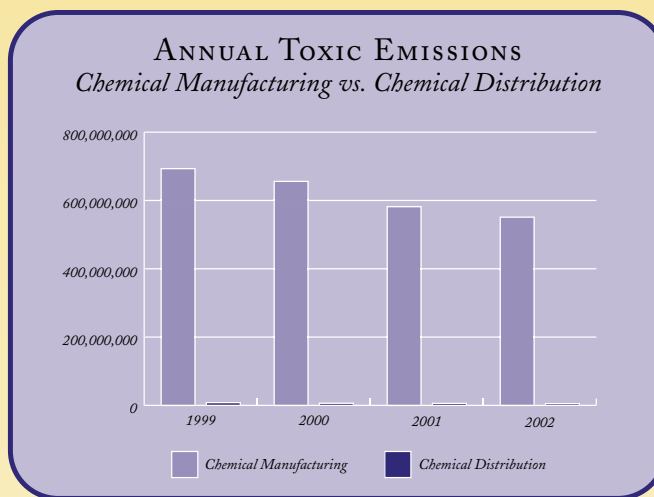


Source: U.S. EPA, Toxics Release Inventory's 2002 Public Data Release Report, July 2004

Most notably, however, is the fact that NACD members outperform non-NACD members. That is, industry toxic emissions on average are lower among NACD member facilities than those of non-NACD member facilities. While the majority of facilities reporting to EPA each year under the chemical distribution industry are NACD members, the average toxic emission per NACD member facility is vastly lower than those by non-NACD member facilities. In 1999, for example, the average release of a non-NACD member facility was over 10,000 pounds; the average NACD facility was less than 3,000 pounds. The remaining four years show similar results.

Compliance with RDP is no assurance that accidents and spills are preventable. However, five years of data conclusively demonstrate that toxic emissions are on the decline and NACD members perform consistently better than non-NACD members.

Interestingly, EPA’s annual Toxics Release Inventory report also demonstrates the wide gap between chemical manufacturing and chemical distribution emissions. Often insurance carriers, the general public, and regulators assume their emissions are the same, since both sectors are in the same industry. As the next illustration shows, this is clearly not the case. A look at the last four years shows that annual industry emissions between the two sectors of the chemical industry differ by hundreds of millions of pounds of toxic release. Similarly, however, both NACD and the American Chemistry Council, which represents the manufacturing sector, point to their respective industry programs to explain the decline in their sector’s annual emissions.



Source: U.S. EPA, Toxics Release Inventory, 1999 – 2002 Public Release Reports

INJURIES AND ACCIDENTS

Measuring RDP’s effect on safety at member companies is captured each year in NACD’s Indices of Performance questionnaire. Rather than using the results as a company-by-company benchmark, the survey’s purpose is to determine how well we are doing as an industry. Thus, the data is publicly reported in aggregated form.

Positive highlights in the last two years include lowered injury rates, according to NACD members that responded to the survey. For example, in 2003, member companies reported 756 OSHA-reportable injuries for calendar year 2001. Last year, members reported 619 OSHA-reportable injuries for calendar year 2002, a decline of 137 injuries experienced at member facilities.

On the other hand, data also indicate that there is still room for improvement. Vehicular accident rates increased from 2001 to 2002 by 14 accidents. Injuries involving vehicular accidents also rose, from 13 injuries in 2001 to 28 in 2002.

Most importantly, fatalities declined in 2002 by half over 2001, going from four fatalities in 2001 to two in 2002.

Membership Value

After being convinced that doing the right thing is always the best thing, one must also secondarily ask how it benefits them.

“There is no question that the first benefit was with our employees at the time,” said Jim Doyle. “They were proud to be held to an industry practice and in most cases looked for ways to exceed that practice. Our suppliers began to make membership in NACD — and, of course, consistent compliance with RDP — a condition of representing them, and that was good for the industry. Also, in the communities where we operated facilities we made the RDP an outreach effort to show them that we were serious about our stewardship of the environment and the health and safety of that community.”

For Clare Welker’s business, RDP introduced “us to the concepts of formal risk management planning,” he said. “It provided us with a roadmap that fit our business profile and allowed us to network

Continued on page 11...

with like-minded peers.”

Philip Segal lists the value of RDP as the ability to gain “respect of customers, suppliers, agencies, legislators, and industry-related peers.” He said it also provides “a more level playing field within the industry” and “improved safety and environmental performance and awareness.”

NACD Vice Chairman Steve Quandt weighs the benefits of RDP this way: “Certainly what Columbus Chemical has found is that even though developing RDP required a great deal of time, and still does, it has no cost because the organizational, safety, and environmental, community benefits far outweigh the cost of implementation or maintenance.”

NACD members repeatedly tell us that they see much value in participating in RDP. Realized benefits such as reduction in insurance claims and costs, assistance with regulatory compliance, conservation of company resources, development of systematic employee training, better documentation of company policies, and better relations with suppliers and the local community are frequently among the most mentioned.

Lastly, some voluntary regulatory schemes, such as EPA’s Performance Track program and OSHA’s Voluntary Protection Program (VPP), are similar to RDP and compliance with them is made easier through participation in RDP. However, the benefits of participating in these two schemes — such as the right to fly a logo-

ed flag outside the facility and being placed on a so-called “low priority” inspection visit list — are not enough for NACD members to want to devote the time and resources to participating in them.

Conclusion

Quandt plainly states the importance of RDP to his company. “I honestly believe that Columbus Chemical Industries would not be in business today if it were not for RDP,” he stated. “Located in a rural community in Wisconsin, we simply would not have known what was expected of us.”

Today, RDP’s reach is spreading to other parts of the chemical supply chain and to other regions of the world. The hard work and contributions by many volunteer leaders in the chemical distribution industry in the beginning made RDP more than simply a concept but an accepted way of doing business. In those days, “literally every distributor wanted to improve his or her performance as a matter of good business and community relations,” recalls Jack Hess, John R. Hess & Co., Inc.

“Our forefathers left us with the best of all possible gifts. It is our own *Good Housekeeping Seal of Approval*, J.D. Powers Quality Survey, and the best corporate management practice known in our industry,” concluded Jim Kolstad.

Through the hard work of NACD members today and over the past 13 years, RDP remains a model to follow. ☞