Being a Strategic EHS Risk Manager – Addressing Regulatory and Non-Regulatory EHS Risk

An International Perspective – responding to EU regulations - WEEE/RoHS Case Study

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Invensys plc

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- UK listed automation and controls group
- Formed as merger of BTR and Siebe in 1999

	1999	2006
Sales – USD (at 1.75 to GBP)	15.8 billion	4.9 billion
Employees	120,000	30,000
Business Groups	20	6
Manufacturing Sites - Total	170	53
Manufacturing Sites - EU	66	22
Countries (manufacturing) - Total	26	16
Countries (manufacturing) - EU	13	8

WEEE/RoHS - Timeline

- **Initial assessment, 2001: will be a significant issue for Invensys**

- **Historical "take-back" estimated could cost > $ 100 million**

- **Lobbying activity, 2002, focused on Article 8 : "*For WEEE products on the market before the entry into force of this Directive, the financing of the costs of management shall be provided for by producers.*"**

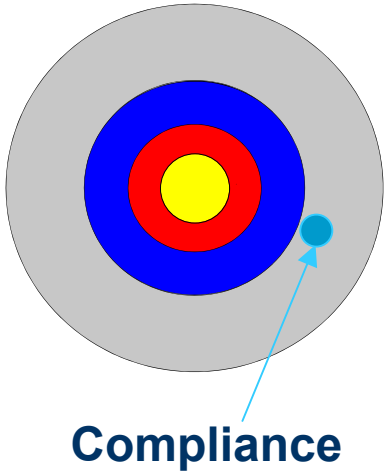
EHS Regulatory Response

A traditional 'Tactical/Reactive' approach

Deal with at operating level – "they know best"

Narrow focus on ensuring compliance - "minimum is to comply"

Corporate would audit compliance – "governance role"



Might cross radar scope of corporate at compliance level

BUT ….for an electronics company, WEEE/RoHS not just a local problem

Strategic – affecting many key customer relationships and exposure to multiple businesses

Opportunity – new product innovation enhancing customer relations

Threats

- Lost orders
- Reputational damage, local and global
- Product Recalls
- Fines
- Production imbalances as some countries not requiring change

Thus, WEEE/RoHS – Strategic Actions:

Corporate Exposure Assessment - Initial focus on estimating lifecycle cost of 'historic' take-back proposals

Lobbying – alongside industry groups with UK government to reduce/delay impact (now June 2006). More time to re-engineer.

Develop and implement consistent business processes – flow charts; annual questionnaire returns; support from legal function

Independent check - WEEE/RoHS readiness review in December 2005

Strategic – proactive – Corporate led

Stage 1 : Initial Assessment

- Interviewed 15 managers across 5 business groups to understand level of awareness
- Estimated potential liability for historical waste – question set to key sites

Stage 2 : Detailed Evaluation and Control

- Constructed guidance and flow charts to enable businesses to assess which product lines affected
- Distributed to EU business units
- Added WEEE and RoHS questions to annual environmental performance questionnaire to monitor readiness (ensured external verification and 100% completion by year end)
- Businesses responsible for individual action tracking, monitored through legal function
- Consistent response to customer questionnaires

Snapshots of monitoring readiness data on WEEE/RoHS

ROHS 2005/06

	Business	Identified RoHS substances? Q1430 2005	Identified RoHS substances? Q899 2004
465	APV | DE | Artern	No	No
466	APV | DE | Unna	No	No
325	APV | DE | Kolding	No	No
335	APV | DE | Silkeborg	No	No

United Kingdom	268	EURO | UK | Farady Cl	Yes	Yes	Moving toward a lead-free process.
Brazil	417	INVCON | ABS | BR | Sao Paulo	Yes	Yes	Following Invensys Controls RoHS Implementation Strategy...
United States	388	INVCON | ABS | US | Rockford	Yes	Yes	IBS HVAC control products fall into product category 9 for monitoring and control instruments, which are outside the scope of the RoHS Directive.
Australia	433	INVCON | Reg | AU | Sydney	Yes	No	Working to eliminate the substances in the products and materials we purchase using the Invensys Controls RoHS initiative
Brazil	415	INVCON | Reg | BR | Caxius	Yes	Yes	Following Invensys Controls RoHS Implementation Strategy.
Brazil	416	INVCON | Reg | BR | Manaus	No	No	-
Brazil	419	INVCON | Reg | BR | Vacaria	Yes	Yes	Following the Invensys Controls RoHS Implementation Strategy
China	437	INVCON | Reg | CN | Changzhou	Yes	Yes	we are perparing for install new acid washing line instead of the use of CrO3.
China	439	INVCON | Reg | CN | Quingdao	Yes	Yes	Replace the Zn-plating technology with Cr III in stead of Cr VI; To use the lead-free soldering tin; Meeting suppliers to instruct the suppliers the ROHS requirments and ask all the suppliers to sign the commitment and provide RoHS test
China	440	INVCON | Reg | CN | Weihai	Yes	Yes	Replace the Zn-plating technology with Cr III in stead of Cr VI; To use the lead-free soldering tin; Meeting suppliers to instruct the suppliers the ROHS requirments and ask all the suppliers to sign the commitment and provide RoHS test

Sometimes matters fall through the cracks

5 August 2004

- Supplier of thermistors advises one of their resins contains Penta-BDPE
- Polybrominated diphenyl ethers was one of 6 substances to be eliminated from use in products sold under RoHS
- UK regulations banning the use of Penta-PDBE in products sold come into force 15 August 2004
- These regulations missed by our “radar screen”
- Thermistors used in a sensing device
- Two suppliers of thermistors, only one using resin with Penta-BDPE but no means of knowing which sensors had which thermistor installed
- All stockists told to return unsold sensors for destruction
- Production focus on manufacturing with ‘good’ thermistors to replace stocks

Issues still remain, particularly in the supply chain

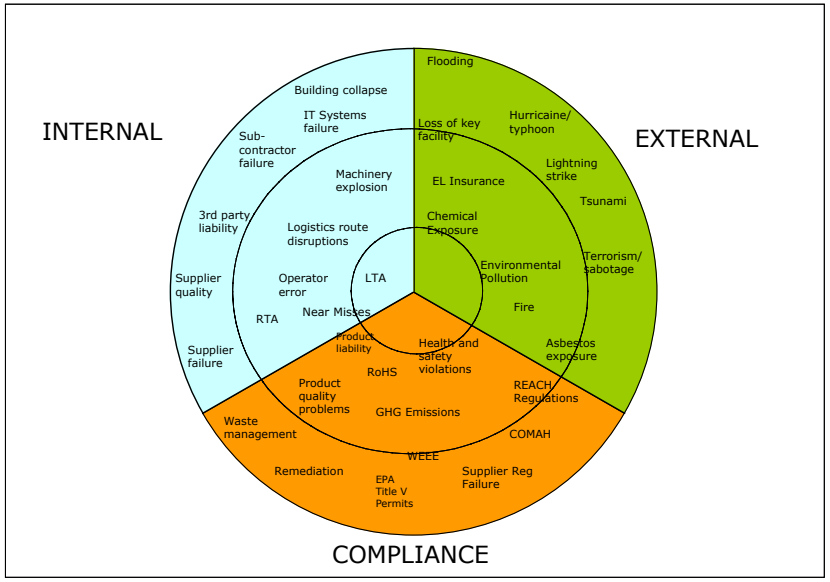
February 2006

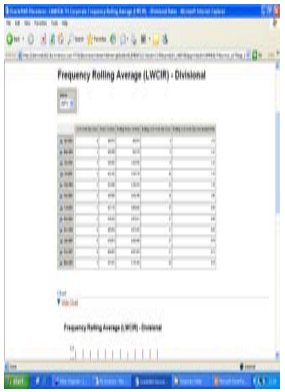
- 1st January
  - > business unit issues letter to all customers advising our products are RoHS compliant, in accordance with plan
- Early February alerted to the fact that the paint used in a spring, supplied out of Asia, incorporated in a small controller contains lead
- Quantity of lead would make product non-compliant with RoHS in July 2006
- Contacted all customers who received the controllers since letters went out and negotiated replacements on a ‘case-by-case’ basis

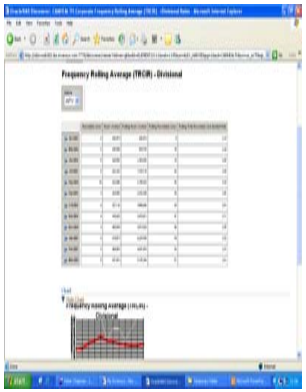
EHS Risk Management: The Strategic Approach

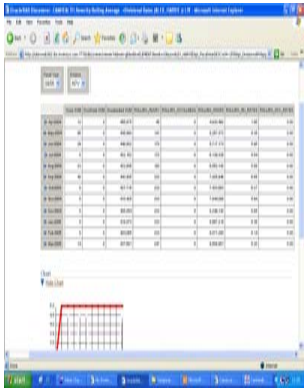
- Corporate to lead on those issues
  - > across multiple business units;
  - > affecting key customers;
  - > that link to business strategic objectives
- Strategic risk management requires an integrated IT system to distribute, collect, analyse and report data (we use EnvironmentIQ)
- Increased transparency between functions to avoid “silo mentality”
- Corporate to act as facilitators between business groups
- Increased recognition of EHS issues in Product Lifecycle assessments (e.g. cost of take back now factored into profitability analysis of new products)

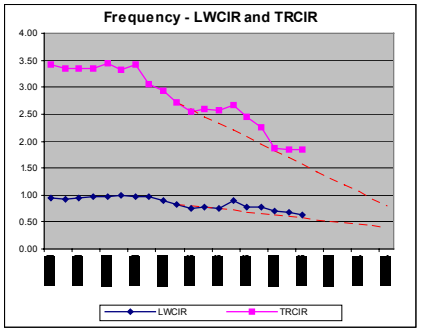
2020 VISION – EHS DASHBOARD

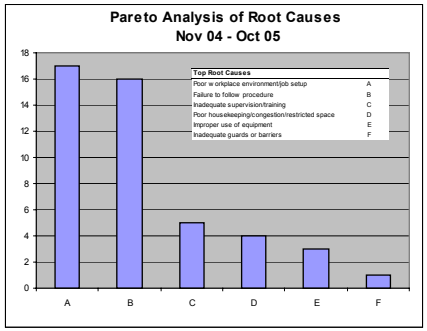


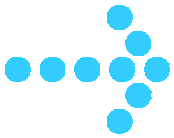












Thank you for your attention