



Canadian Association of Chemical Distributors

Securing Our Future Through Responsible Distribution

Presentation To:
**Auditing Association of Canada
AGM & Conference**

Toronto ON

- Inspiring Generations – Managing Risk -

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Company: Canadian Association of Chemical Distributors

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Agenda

“ Who Is The CACD?

- What is the Responsible Distribution Code of Practice?

“ Regulatory Landscape

- Regulatory Landscape
- Security Landscape

“ RD - Manage Risk

“ RD - Comply with Legal Requirements

- Chemical Diversion Regulations within Canada
- Theft & Unlawful Interference

“ Securing Our Future

- Regulatory Due Diligence

“ RD – Interact with Interested Parties

- Programs & Partnerships
- Regulatory Agency Relationships
 - “ Law Enforcement Partnerships
 - “ Regulatory Agencies
- CACD Outreach



Who is CACD ?

A Non-profit Trade Association for the Distribution Sector of the Canadian Chemical Industry, established in 1986.

- “ Today the CACD Represents (2011 survey data):
 - 47 Member Companies & 171 Sites across Canada
 - 72 Supplier Partners
 - Sales in excess of \$6 Billion annually
- “ 3,362 Employees servicing over 80,000 customers & Moving more than 100,000 Products
 - CACD’s Members are Safe: 667,000 Shipments (1 every 5 minutes)
 - 11 Reportable Dangerous Goods Incidents,
 - Transportation Incident Measurement : 1.65 (# of incidents per 100,000 shipments) - LOWEST IN CHEMICAL INDUSTRY ANYWHERE!!!
 - 0 Fires, 0 Fatalities.
 - LTIF = 0.59 (Per 200,000 Exposure Hours) CACD is the LOWEST!!! of any Reporting within ICCTA

SAFETY MATTERS





Commitment to Responsible Distribution

"The CACD and each of its Member Companies" are committed

- to taking every practical precaution towards ensuring that products and services do not represent an unacceptable level of risk to its employees, suppliers, customers, the public, or the environment



What Is Responsible Distribution? - Code of Practice -

1. General (includes the requirement for policies & procedures)
 2. Manage Risk
 3. Communicate Information (employees, customers, contractors, sub-distributors and suppliers)
 4. Comply with Legal Requirements
 5. Interact with Interested Parties (employees, organizations, governmental and community bodies)
 6. Manage Sub-distributors
 7. Manage Suppliers
- CACD is the only Chemical Association in the World being verified by an independent third-party audit firm (SAI Global, formerly QMI)
 - Every site must be verified on a 3 year cycle



Responsible Distribution - Code of Practice -

CACD has a foundational structure based on a set of Guiding Principles

“ Responsible Distribution (RDC) is a condition of membership.

The most senior person in the Company signs this Commitment.

The Company is considered as a Candidate Member until successful completion of a Verification by the Audit Firm.

“ Includes Verification of All Operating Sites

Expulsion from the Association, when necessary

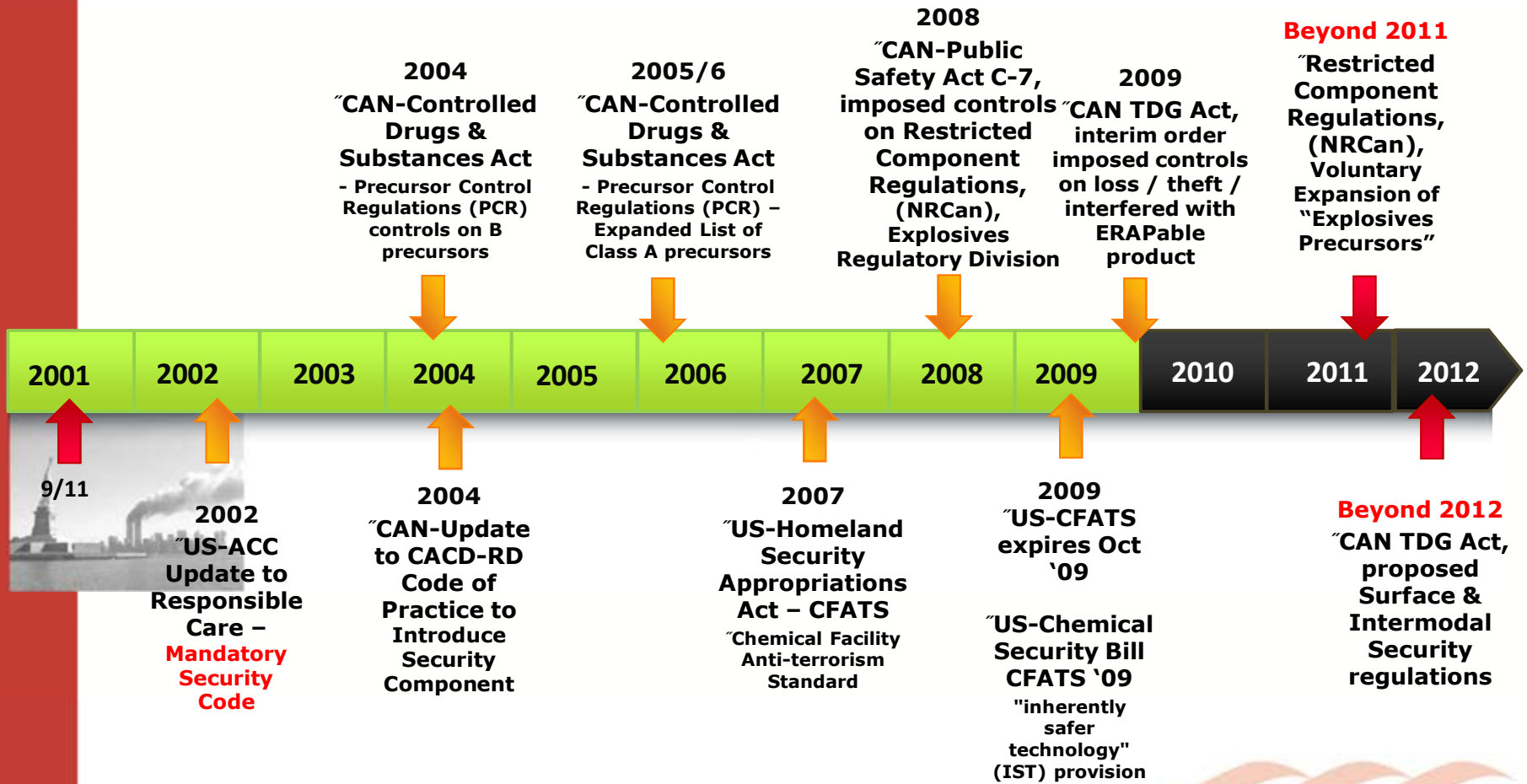
“ To-date, six-(6) member companies removed



Regulatory Landscape

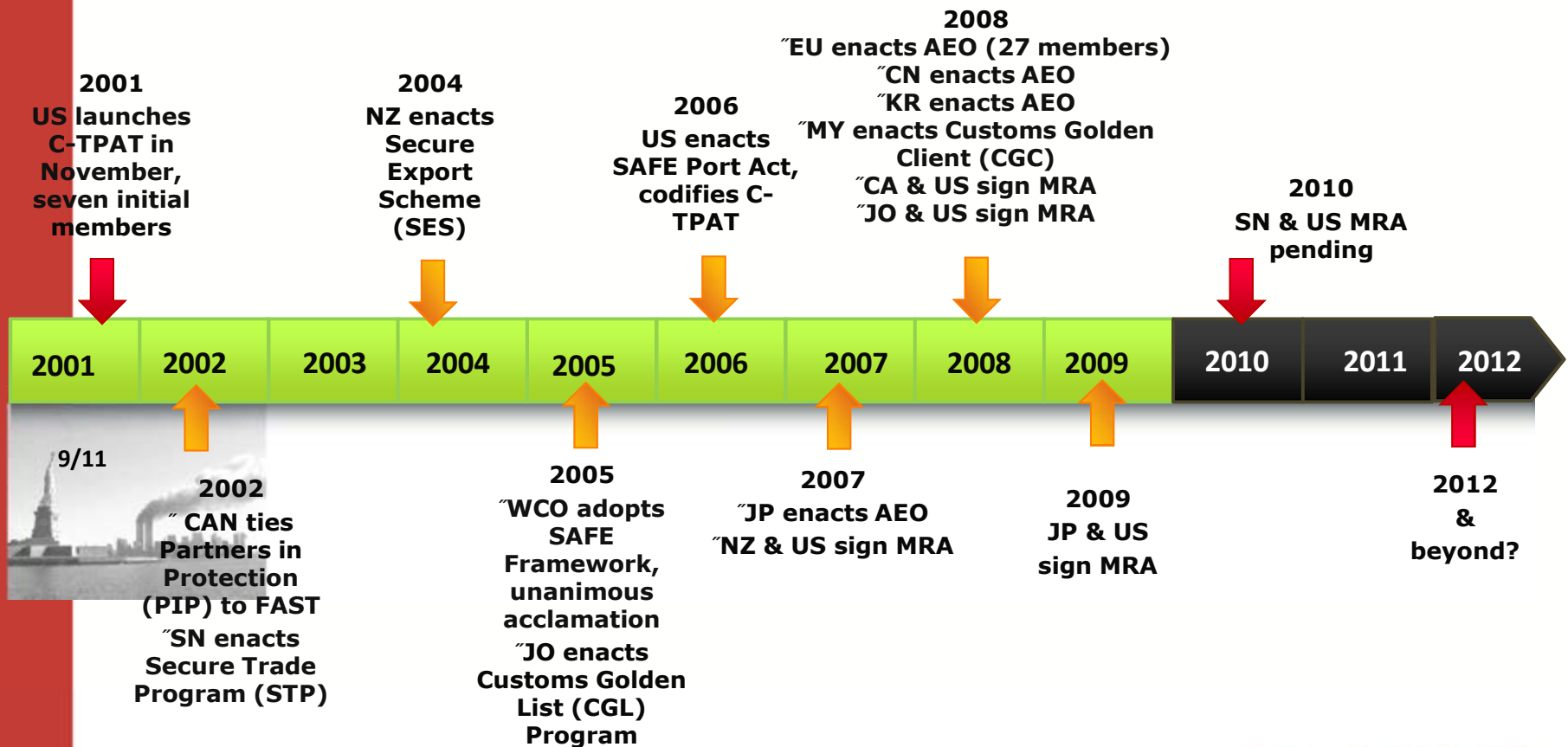
Regulatory Landscape

- Chemical Control & Risk Strategy -



Security Landscape

- Supply-Chain Security & Risk Strategy -



US-based Chemical & Supply Chain Environment

- “ **CFATS (Chemical Facility Anti-Terrorism Standards)**
 - . US-DHS has regulatory authority over security at high-risk chemical facilities
 - . Homeland Security Appropriations Act:
 - “ Congress instructed DHS to require all high-risk chemical facilities to complete
 - . security vulnerability assessments,
 - . develop site security plans, and
 - . implement protective measures necessary to meet DHS-defined risk-based performance standards
 - . “Inherently Safer Technology” (IST) provision

- “ **C-TPAT (Customs-Trade Partnership Against Terrorism (C-TPAT))**
 - . C-TPAT recognizes the complexity of international supply chains and security practices, and endorses the application and implementation of security measures based upon risk
 - . Foreign manufacturers shall have a documented and verifiable process for determining risk throughout their supply chains based on their business model (i.e., volume, country of origin, routing, C-TPAT membership, potential terrorist threat via open source information, having inadequate security, past security incidents, etc.).
 - “ “Importers” must have written and verifiable processes for the selection of business partners including manufacturers, product suppliers and vendors; and,
 - “ “Importers” must require their business partners to demonstrate that they are meeting C-TPAT security criteria via written / electronic confirmation





Canadian Chemical & Supply Chain Environment

“ Canadian Chemical & Facility Security

- . In Canada, there is no single ‘broad-spectrum’ Act or Regulation that off-sets or addresses similar requirements to the US-DHS CFATS (Chemical Facility Anti-Terrorism Standards)

“ PIP (Partners In Protection)

- . Enlists the cooperation of private industry to enhance border and trade chain security, combat organized crime and terrorism and help detect and prevent contraband smuggling.
- . Focus on Improvement of physical, infrastructure and procedural security
- . Prerequisite to participate in the Free and Secure Trade (FAST) program for expedited border clearance into Canada and the United States
- . CBS (Canada Border Services) - PIP program has been recognized as compatible with that of the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT)
- . Companies must ensure that business partners develop security procedures consistent with the security criteria as per the PIP profile to enhance the integrity of the shipment at the point of origin.
- . CBS entered into a Mutual Recognition Arrangement in June 2008 based on the similarity between the function of the two programs, enabling them to negotiate mutual recognition arrangements with other programs that have the same goals



Responsible Distribution Code of Practice
Element 2.0
- Manage Risk -

Risk Management and the RD Code - 2.0 - Manage Risk -

Code Requirement:

- *“The member company shall have an active program to continually improve safety and environment performance.”*
 - . Identify and evaluate, on a regular scheduled basis, hazards and associated risks
 - . Monitor and measure safety and health performance with the objective to identify and minimize actual or potential safety and health problems
 - . Establish written standards and procedures for
 - “ Bulk and packaged storage and handling of chemicals including,
 - “ Containment and mitigation of spills, segregation of products,
 - “ Operation and maintenance of on-premise vehicles,
 - “ Selection, labeling and management of containers and shipping vehicles,
 - “ Packaging and labeling of chemicals and chemical products in liquid, solid or gaseous form
 - “ Maintain emergency response capability and provide support to incidents involving its chemical, chemical products, and chemical services



Risk Management and the RD Code **- Risk Definition -**

Strategies for Risk Mitigation

- Avoidance
 - Terminate Activity or Operations completely
 - Discontinue Product or Service
- Reduction
 - Improve Controls - Operational and/or Management Systems
 - Initiate Preventative Actions
 - Organization Change
- Transfer
 - Outsource Activity or Operation to Others
- Retention
 - Residual risks retained after risks have been Reduced or Transferred

Risk Management and the RD Code - 2.0 - Manage Risk -

Code Requirement:

- *“The member company shall have an active program to continually improve safety and environment performance.”*
 - ***“Include customers in a risk management process”***
 - ***“Include suppliers in a risk management process”***
 - Customer and Supplier ‘risk’ management was First Introduced with the RDC-21:2004 edition of the Code

Risk Management and the RD Code

- Applicability of Risk Management Programs -

Customer Risk Approaches

- Essential Characteristics of the Customer,
 - Basic Knowledge of Customer, their Business and Industry sector
- Product Stewardship - Product Application or end-use Knowledge, including;
 - Requirements Not Stated by the Customer but Necessary for Specified Use or Known and Intended Use, where known (ISO 9001), this includes for example
 - Environmental, Health, Safety Information,
 - Risk & Hazard Information,
 - Legal and Statutory Requirements Related to Products

Risk Management and the RD Code

- Applicability of Risk Management Programs -

Customer Risk Approaches

- Method to Qualify 'Risk Potential' of Customers
 - Product hazard-based Risk Approaches
 - Consideration of High Risk Products
 - Associations such as CIAC, The Chlorine Institute, and the CACD
- Prioritize Customer Risks
 - Method based on Product, Customer and Product/Customer Combinations
 - Determine Actions According to Identified Risk

Factor In Known Regulatory Requirements

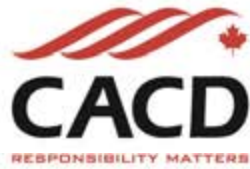
- Chemical Precursors :
 - Drug,
 - Explosives,
 - Chemical Weapons,
 - New Substances, etc.?

Risk Management and the RD Code **- Customer Risk Strategies -**

Customer Risk-based Management Approaches

- “ Communication: Know Your Customers!
 - Essential Characteristics of the Customer, such as Basic Knowledge of Customer, their Business and Industry sector
 - Know the Business of Your Customers!
 - ✓ Know Who They Are!
 - ✓ Know What They Do!
 - ✓ Know Where They Do It!

- “ This Information is Critical!



Responsible Distribution Code of Practice
Element 3.0
Comply with Legal Requirements



Risk Management and the RD Code

- 3.0 - Comply with Legal Requirements -

Code Requirement:

- *“The member company shall have a program to comply with legal requirements and to ensure employees work in accordance with the law.”*
 - Identify and meet (or exceed) all legal requirements related to the distribution of chemicals
 - Ensure actions of employees demonstrably meet or exceed the legal requirements
 - “ establish procedures that will ensure legal compliance
 - “ ensure consequences of departing from specified procedures is made known
 - Establish a process to review changes to legislation for applicability to the business, and to train employees and/or update procedures as appropriate, and to periodically evaluate compliance with relevant legal requirements

Canadian Chemical Supply Environment

Chemical Diversion Regulations within Canada

- “ Health Canada under the Controlled Drugs & Substances Act (Precursor Control Regulations)
 - Recognizes the Potential Uses of Specified Materials in the Production of Illegal Drugs



– Class A Drug Precursors

- ✓ Acetic anhydride
- ✓ Anthranilic acid *and its salts*
- ✓ Ephedra; Ephedrine, *its salts and any plant containing ephedrine or any of its salts*
- ✓ Ergometrine *and its salts*
- ✓ Gamma-Butyrolactone
- ✓ Hypophosphorous acid, *its salts and derivatives*
- ✓ Isosafrole
- ✓ 3,4-Methylenedioxyphenyl-2-propanone
- ✓ Norephedrine (Phenylpropanolamine) *and its salts*
- ✓ 1-Phenyl-2-propanone
- ✓ Piperidine *and its salts*
- ✓ Potassium permanganate
- ✓ Phosphorus (White)
- ✓ Safrole *and any essential oil containing 4% or more safrole*
- ✓ N-Acetylanthranilic acid *and its salts*
- ✓ 1,4-Butanediol
- ✓ Ergotamine *and its salts*
- ✓ Hydriodic acid
- ✓ Lysergic acid *and its salts*
- ✓ Phenylacetic acid *and its salts*
- ✓ Piperonal
- ✓ Pseudoephedrine *and its salts*
- ✓ Phosphorus (Red)



Canadian Chemical Supply Environment

Chemical Diversion Regulations within Canada

- “ Health Canada under the Controlled Drugs & Substances Act (Precursor Control Regulations)
 - Recognizes the Potential Uses of Specified Materials in the Production of Illegal Drugs
 - Class B Drug Precursors
 - ✓ Acetone
 - ✓ Ethyl ether
 - ✓ Hydrochloric acid
 - ✓ Methyl ethyl ketone
 - ✓ Sulphuric acid
 - ✓ Toluene



Canadian Chemical Supply Environment

Chemical Diversion Regulations within Canada

“ *Ministry of Natural Resources* under the Explosives Act (Restricted Components Regulations)

- Recognizes the Use of Potential Precursors in the Creation of Explosives for purposes of Terrorism.
 - Ammonium, Potassium & Sodium Nitrate
 - Hydrogen Peroxide
 - Nitric Acid
 - Sodium Chlorate, Potassium Chlorate & Perchlorate



“ *Organization for the Prohibition of Chemical Weapons (OPCW)* - Chemical Weapons Convention

- Recognizes the Use of Certain Toxic & Precursor Chemicals that can either be used as Weapons themselves or used in the Manufacture or Production of Chemical Weapon Agents for the purposes of Terrorism

“ *Transport Canada* - Transportation of Dangerous Goods

- Recognizes the Need to Identify Lost, Stolen or Unlawfully Interfered with Dangerous Goods in Transit

Chemical Diversion Requirements

- Regulatory Diligence – Theft & Unlawful Interference -

Health Canada – Legal Requirements

- “ Lost, Stolen, Tampered With, or Attempt to Steal
 - Any Discrepancies in Quantity are Immediately Reported
 - Co-ordinated Reporting Channels to the RCMP Drug Diversion and the Federal Minister

Natural Resources Canada – Legal Requirements

- “ Lost, Stolen, or Attempt to Steal
 - Any Discoveries are Immediately Reportable
 - Co-ordinated Reporting Channels to the Local Police within 24 hrs of the Discrepancy, and to the Chief Inspector

Transport Canada - Transportation of Dangerous Goods

- “ Lost, Stolen or Unlawfully Interfered with Dangerous Goods in Transit
 - Any Discoveries are Immediately Reportable
 - Reportable to CANUTEC

Securing Our Future - Regulatory Due Diligence -

Compliance to Legal Requirements

“ Internal Conformity Assessment

- Organizations conduct Internal Assessments to the Requirements of various standards, including the ISO Standards
 - ISO 9001:2008 – Legal & Statutory Requirements related to Product
 - ISO 14001:2004 – Monitoring & Measurement – Evaluation of Compliance
 - RC 14001 – Responsible Care Technical Specification of the American Chemistry Council
- Organizations conduct Internal Assessments to the Requirements of the RD C-21 Code of Practice

“ Third-party Compliance Audits

- Contracting of Organizations to conduct Audits
 - Target Specific Areas of Compliance, such as;
 - National & Provincial Fire Codes
 - Hazardous Chemical Handling, Storage & Disposal (i.e., HazWaste , Pesticides, etc.)
 - Boilers, Pressure Vessels and Storage Tanks
 - Emissions to Atmosphere, Sewer Use & emergency Response & Spills (i.e., E²)⁵
 - Transportation of Dangerous Goods (ERAP)



Responsible Distribution Code of Practice
Element 5.0
- Interact with Interested Parties -

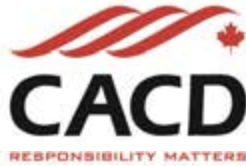


Risk Management and the RD Code **- 5.0 – Interact with Interested Parties -**

Code Requirement:

- *“The member company shall implement a program to assist and work actively with interested parties (employees, organizations, governmental and community bodies) to identify issues and set standards for continual improvement of chemical distribution.”*
- *“Interact with specified publics to promote and educate them on the existing industry practices and planned improvements.”*





Chemical Diversion Outreach - Programs & Partnerships -

Law Enforcement Partnerships

- Local Law Enforcement Assists Organizations with Training in Dealing with Suspicious Transaction and Related Incidents
 - RCMP *ChemWatch* Program
 - Partnership between the National Chemical Diversion Program and the Chemical Industry which includes Chemical Associations, Producers, Distributors and Retailers.
 - The Goals are to:
 - » raise the level of awareness across the country of the clandestine drug laboratory problem;
 - » educate and train company employees to recognize the telltale signs of individuals that are obtaining the necessary precursors to illegally produce controlled substances; and
 - » limit the accessibility of precursors.





Chemical Diversion Outreach - Programs & Partnerships -

Regulatory Agency & Industry Relationships

- Mutual Recognition & Memorandums of Understanding with Key Government and Industry Agencies
 - Objective to reduce the Regulatory Burden
- Agencies Can Assist Organizations with Training in Dealing with Compliance Requirements and Related Interpretations
 - Transport Canada Surface and Intermodal Security
 - New Security Requirements related to Road & Rail Transportation
 - NRCan Explosives Regulatory Division outreach
 - “Chemicals of Concern” – Regulating the Sale of Restricted Components
 - “A Growing Concern” – Regulating the Sale of Ammonium Nitrate
 - Introducing a Voluntary Program for ‘chemicals of concern’ without the Burden of New Regulations





CACD Outreach

Lesson plans created by the Chemical Educational Foundation (CEF)

Program introduced in Canada and promoted by Canadian Association of Chemical Distributors (CACD) to foster a greater understanding of Chemistry and the benefits of chemicals.

A PROGRAM DEVELOPED TO:

Inspire the youth of today to pursue a future in the Science of Chemistry

“ highlight the exciting job and career opportunities that exist within the Chemical Industry

Enhance science education

“ through the use of innovative techniques, and hands-on activities; and,

Promoting Acceptance towards long-term change in the general public's understanding

“ general acceptance towards chemistry and the chemical industry as a whole.

EDUCATION MATTERS





Thank You for the Opportunity to Share Our Industries Experiences with You!



COMMUNICATION MATTERS

