

Sustainability Covenant

SUSTAINABILITY COVENANT

January 2004

Between Environment Protection Authority and the Plastics and Chemicals Industry Association Inc. under section 49AA of the *Environment Protection Act 1970*.

This voluntary SUSTAINABILITY COVENANT is a statutory agreement under section 49AA of the *Environment Protection Act 1970* made on the 12 day of January, 2004.

Between:

Environment Protection Authority (EPA Victoria) of 40 City Road, Southbank in the State of Victoria;

-and-

Plastics and Chemicals Industries Association Inc. (PACIA) of Level 2, 263 Mary Street, Richmond 3121 in the State of Victoria.

In which:

The parties agree to put in place a framework to enable the Plastics and Chemicals Industries to move their industries further towards sustainability by:

- increasing the efficiency with which PACIA and its members use resources to produce products and services; and
- reducing the ecological impact of those products and services throughout the life cycle.

EPA Victoria is of the opinion that this sustainability covenant is likely to be effective in increasing the resource use efficiency and reducing the ecological impact of the plastics and chemicals industries and as such is a signatory to this sustainability covenant.



Mike Dwyer
President
Plastics and Chemical Industry Association Inc.



Mick Bourke
Chairman
Environment Protection Authority Victoria



because this is our home



BACKGROUND INFORMATION

About this sustainability covenant

This sustainability covenant is an agreement between the Environment Protection Authority Victoria and the Plastics and Chemicals Industry Association (PACIA) to work together to protect the environment and contribute to a more sustainable Victoria.

Plastic and chemical products play a large and fundamental role in the way society operates. By entering into this covenant with EPA Victoria, PACIA is demonstrating its leadership and innovation by using its influence in the industry to achieve progress towards the development of more sustainable plastic and chemical products and services.

The parties of this covenant will work with the Victorian plastics and chemicals industries to achieve progress towards an industry that is not only managing its occupational health, safety and environmental risks but is also achieving improvements in resource efficiency and delivering sustainability outcomes, benefiting both the profitability of the industry and the Victorian environment. In doing this, the parties of the covenant recognise the diversity of industry members in terms of activities undertaken, environmental impacts at and beyond the site boundary, economic context, and capacity to be involved in environmental initiatives and address sustainability issues beyond regulatory compliance.

Acknowledging this diversity, this covenant will be viewed as successful if the parties assist PACIA members to trial and adopt innovative approaches to environmental issues, for example measuring the

resource usage of a product across its life cycle. Some of these initiatives may result in successful outcomes, such as significant gains in resource efficiency or reduced ecological impact, while also benefiting profitability.

For other initiatives, the learning outcomes from trialing new approaches will be equally important. Success is dependent on parties to the covenant and industry leaders sharing the learning, achievements and sustainability outcomes of the covenant initiatives throughout the industry. This transfer of knowledge and experience across the industry will influence actions and create a shift towards an industry sector that is more sustainable in the longer term.

The review and reporting components and, in particular, the involvement of industry and other stakeholders in this process, are paramount to demonstrating that this covenant is successful in delivering sustainability outcomes for the Victorian environment.

This covenant is primarily focused on achieving environmentally sustainable outcomes; recognising that improvements in this area contribute to improvements in economic and social performance. Future generations will be impacted by decisions made today by PACIA members, in terms of the availability of sustainable products and services, and the contribution of the industry to a safe, clean and sustainable environment.

ABOUT THE PARTIES

Plastics and Chemicals Industry Association

PACIA is the peak body representing Australia's plastics and chemicals industries, our fourth largest manufacturing sector.

PACIA assists its members to grow and develop the plastics and chemicals sector and improve its health and profitability, through key roles such as:

- representing members positively in dealings with government, regulators, and communities;
- promoting the survival and growth of the industry;
- providing benefits to members;
- ensuring that the plastics and chemicals industries are leaders in health, safety and environmental performance improvement, through such programs as Responsible Care[®] and Plascare[™]; and
- providing effective issues management and identifying opportunities and threats to growth.

PACIA's vision is to have a vibrant, diverse and sustainable industry in Australia; valued and respected by its customers, suppliers, employees, shareholders, the wider community and government.

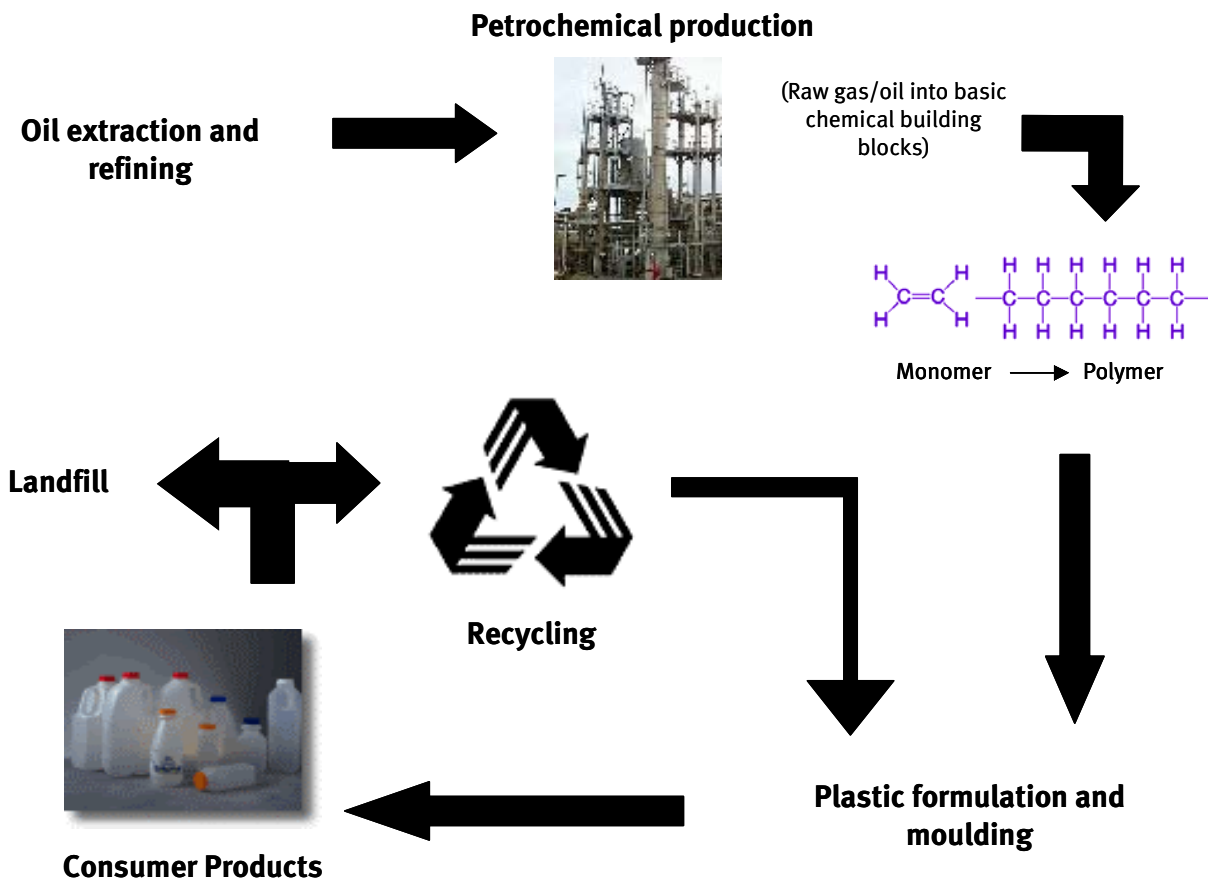
The plastics and chemicals sectors represent a major segment of Australia's manufacturing base, with a combined annual turnover of \$22 billion and employing 77,000 Australians, of which 40 per cent (29,000) are Victorians. The products of these sectors are an integral part of many other industries including automotive, construction, furnishings, packaging and information technology.

Half of PACIA's 260 members are based in Victoria. These companies encompass the entire supply chain including the manufacture, processing, importation and trading of plastics and chemicals, and recycling and recovery. Member companies range from large multinationals to small one and two person operations in both the plastics and chemicals industries. Many PACIA companies are EPA licensed facilities.

Ultimately, basic chemicals and plastics are made almost entirely from oil and natural gas, which form the building blocks for a range of every day products, including bumper bars for cars, soft drink bottles, detergents, adhesives, cushions, clothes and personal care products. It is difficult to identify many daily activities or industry sectors that do not use chemicals and plastics products in one form or another.

Figure 1 is an illustrative supply chain for plastics. Similar flowcharts can be drawn for other products such as solvents or adhesives.

Figure 1: Illustrative Supply Chain for Thermoplastics



Since the lowering of tariff barriers many of PACIA's members operate in a globally competitive environment and supply companies in other industries that also face intense competitive pressures. Exchange rate fluctuations and other manifestations of an increasingly globalised economy can have marked and relatively sudden effects on the financial health of the Australian industry. These factors affect the economic justification of projects and can delay or prevent capital expenditure to achieve desirable business outcomes, including sustainability.

Moreover, competitive pressure to minimise costs means that staffing levels are tightly controlled. Desirable projects may not be evaluated because other activities have better or more immediate impact and therefore higher priority. These pressures are especially pronounced among small to medium enterprises.

PACIA is committed to achieving the highest standards of health, safety and environmental performance by its members. PACIA views the incorporation of sustainability principles into core business decision making processes as fundamental to the long term survival of the industry

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in Victoria. In particular, PACIA's member companies accept that the amount of waste our society is sending to landfill must be reduced. As such, PACIA views this covenant as a driving force behind creating a shift towards a more sustainability focused plastics and chemicals industry in Victoria, while recognising that a successful, profitable industry is required to generate both the commitment and funds to pursue sustainability outcomes.

EPA Victoria

EPA Victoria has a charter to protect Victoria's environment. EPA works alongside the community to achieve its aims; involving and empowering individuals, communities and businesses and encouraging them to take shared responsibility and action. EPA's task as Victoria's environmental watchdog is to help establish environmental benchmarks, report on progress and alert the community when environmental quality is threatened.

EPA operates having regard to the principles of environment protection identified in the *Environment Protection Act 1970*. These principles balance integrated sustainable economic growth objectives with social development and environmental stewardship. In particular, these principles reflect the integration of triple bottom line approaches into EPA's decision making.

Traditionally, EPA and PACIA member interaction has focussed on regulating site based environmental impacts of chemical processes, and engaging both industry and the community in working towards better social and environmental outcomes. This has

translated into improved site based environmental performance, and greater interaction between industry and the community.

EPA recognises the importance of maintaining strong site based controls for this industry. However, the prevalence of plastics and chemical products in modern society highlights a significant opportunity for EPA, PACIA and the community to work together to achieve improved environmental outcomes across the entire lifecycle. EPA and PACIA have been working together with other stakeholders through the National Packaging Covenant (NPC) to achieve sustainability outcomes with the packaging segment of the plastics sector (approximately 35 per cent of plastics).

This sustainability covenant enhances EPA and PACIA's ability to achieve sustainability outcomes across the entire plastics and chemicals supply chain, while not duplicating initiatives under the NPC. As such, EPA is committed to this sustainability covenant to assist the industry and Victoria to progress towards sustainability.

A sustainability covenant enables PACIA to drive and shape its own sustainability agenda in a public forum. It also enables EPA to provide statutory recognition to PACIA's environmental and sustainability leadership.

OBJECTIVE OF THE COVENANT

This sustainability covenant is entered into between PACIA and EPA Victoria to put in place a framework to enable the plastics and chemicals industries to move further towards sustainability through:

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- increasing the efficiency with which PACIA and its members use resources to produce products and services; and
- reducing the ecological impact of those products and services throughout their life cycle.

The parties plan to accomplish the objective by working together and with PACIA's members to:

- integrate sustainability principles and concepts into the industry's core business practices;
- build capacity;
- foster innovation;
- recognise leadership and excellence; and
- achieve outcomes.

SUSTAINABILITY IN THE PLASTICS AND CHEMICALS INDUSTRY

The chemicals and plastics industries have achieved continuous improvement in safety, health and environmental standards. Accidents, gross environmental pollution and adverse human health effects, coupled with rising community expectations, have required the development of improved health, environment and safety standards to identify, assess and manage risks.

Health and environment standards and regulations have traditionally been focused on reducing point source pollution and waste. During the 1980s, to respond globally to greater demands for improvement and to solve more complex environmental and ecological problems, Responsible Care® was initiated as an innovative

management system to proactively deal with the issues of concern to both communities and regulators. Responsible Care® has now been adopted in 46 countries, including Australia.

Responsible Care® aims to improve the health, safety and environmental performance of chemical facilities through its six codes of practice.

Adherence to Responsible Care® is a condition of PACIA membership for the chemical companies in Australia. The program has been instrumental in achieving improved risk management in the industry. Plascare™ is an analogous safety based system developed in Australia to meet the specific needs of the plastics sector.

More recently, with site-based environmental problems largely being managed effectively, issues of concern have shifted from short-term hazards to those that cause environmental degradation over time; for example climate change resulting from greenhouse gas emissions, and the depletion of raw materials and ecological resources. It is becoming increasingly apparent that our society is far from sustainable, due to resource inefficiencies and the limited capacity of the natural systems to manage the pollution we produce. Given the extent to which plastics and chemical products permeate society, it is important to ensure the continual improvement in the efficiency of their production, management and use.

To achieve sustainability outcomes, creative and innovative approaches addressing product supply chains and life cycles, and consumer preferences are required. Partnerships between government and industry have greater potential to achieve sustainable environmental, economic and social

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outcomes than the further application of site-based regulations.

There are both opportunities and challenges in moving towards sustainability. Sustainability covenants provide an innovative way for EPA and PACIA to respond cooperatively to these challenges. Industry can take advantage of market opportunities that arise from the community’s increasing willingness to make investment and purchasing decisions based on corporate responsibility. However, it is important to realise that the structures of supply chains (markets, technologies and corporations) that have evolved over many years are sometimes not amenable to rapid change without

undue disruption. In some cases, industry can best make progress towards sustainability at a pace that is not disruptive and which allows the industry to prosper and supply the products desired by its customers.

Programs designed to improve sustainability need to be sufficiently flexible to accommodate new knowledge. The commitments and proposed actions in this covenant are based on the current best judgement of the parties for fostering sustainability improvement, but are sufficiently adaptable to accommodate improved knowledge during the term of the covenant.

COMMITMENTS OF THE PARTIES

PACIA Commitments

Within the foregoing context, PACIA makes the following commitments.

Commitment	Proposed Actions
<p>Enhance the development and application of sustainability measurement tools in the industry.</p>	<ul style="list-style-type: none"> • Assist EPA to identify, and where appropriate, develop guidance materials and decision support tools (including, for example, life cycle assessment and environmental management accounting) that will assist the industry to: <ul style="list-style-type: none"> ▪ measure resource efficiency and potential ecological impact across the lifecycle of products; and ▪ identify opportunities to increase resource efficiency and reduce ecological impacts throughout the lifecycle of products. • Establish a pilot program involving companies to test and refine guidance materials and tools to best meet member companies needs. • Use the results of the pilot program to promote the materials to member companies through workshops, national conference and other forums.

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Commitment	Proposed Actions
	<ul style="list-style-type: none"> • Encourage the consideration of sustainability issues by promoting the use of sustainability tools to the industry generally, through conferences, newsletters, websites and other media.
<p>Foster innovation in the industry to achieve sustainability outcomes.</p>	<ul style="list-style-type: none"> • Encourage waste avoidance, and more efficient use of resources and raw materials through a culture of shared responsibility throughout plastics and chemicals product supply chains by activities such as the following: <ul style="list-style-type: none"> ▪ Foster product design that considers usage, service life, durability and end of life issues; ▪ Identify barriers and opportunities to facilitate the development of new markets and technologies for products that currently have no recycle or reuse incentive, system, or available technology in place; ▪ Work with appropriate partners to develop and pilot a resource map of the types and geographic distribution of waste materials to foster development and innovation in new products from waste materials and to increase the use of waste materials in existing products; ▪ Establish a program to support innovation and cleaner production in small and medium enterprises; and ▪ Identify, publicise and utilise available funding and grants to expedite waste recovery and reprocessing programs.
<p>Build capacity among members to integrate sustainability principles into core business practices.</p>	<ul style="list-style-type: none"> • Enhance the ability of members to achieve sustainability outcomes via regular initiatives and programs on topics such as: <ul style="list-style-type: none"> ▪ greenhouse and energy management; ▪ efficient transportation of goods; ▪ cleaner production and waste minimisation and management; and ▪ efficient water use and re-use. • Build networks to identify sources of excellence in sustainability tools, and to share information, experiences and outcomes of integrating sustainability into core business practices. • Make sustainability a regular feature of PACIA annual National Conference.

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Commitment	Proposed Actions
Recognise industry leadership and excellence in achieving sustainable outcomes.	<ul style="list-style-type: none"> • Establish annual PACIA Sustainability sustainability Awards awards for chemicals and plastics members. • Ensure that sustainability initiatives and leadership receive ongoing support through publicity, and promotion to the industry, government and other stakeholders.
Inform industry and the community about the beneficial role of plastics and chemicals products in society and the importance of their sustainable use.	<ul style="list-style-type: none"> • Promote consumer purchasing choices that support sustainable plastics and chemical products and services through: <ul style="list-style-type: none"> ▪ the provision of appropriate information; and ▪ working with appropriate partners, for example consumer groups and retailers.
Enhance existing industry management systems to ensure delivery of sustainability outcomes.	<ul style="list-style-type: none"> • Assist members to incorporate sustainability principles into existing policies such as Responsible Care[®], Plascare[™], Health and Safety, and Environmental Protection. • Establish a joint EPA/PACIA working group, where appropriate involving other regulatory agencies, to identify opportunities for enhancing sustainability outcomes in industry through regulatory efficiencies. • Assist PACIA members in the chemicals sector to implement the Responsible Care[®] Codes relevant to their business. • Develop and implement a program of independent verification to test that sites are correctly assessing their compliance with Responsible Care[®] Codes, progressively over a three-year timeframe. • In consultation with stakeholders, investigate the value of developing a Responsible Care[®] Certification Program to independently audit all or part of the program.
Improve the environmental performance of PACIA's own operations	<ul style="list-style-type: none"> • Enhance and promote PACIA's office based environment management system, for example by purchasing Greenpower.
Develop self-sustaining skills in the industry by utilising the abilities and experience of retrenched, retired and unemployed people for mutual benefit.	<ul style="list-style-type: none"> • Design, implement and publicise a pilot volunteer program to utilise their talents, experience and interests for mutual and equitable benefit on appropriate projects, including mentoring, related to achieving increased resource efficiency or reduced ecological impact.

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EPA Commitments

EPA makes the following commitments.

Commitment	Proposed Actions
<p>Enhance the development and application of sustainability measurement tools in the industry.</p>	<ul style="list-style-type: none"> • Identify and, where appropriate, develop tools and guidance material to assist the industry to: <ul style="list-style-type: none"> ▪ measure resource efficiency and potential ecological impact across the lifecycle of products; and ▪ identify opportunities to increase resource efficiency and reduce ecological impacts throughout the lifecycle of products. • Assist PACIA with the establishment of a pilot program to test and refine the guidance materials and tools so that they best meet the needs of member companies. • Assist PACIA to promote the materials to its members.
<p>Assist PACIA to build internal capacity on sustainability issues.</p>	<ul style="list-style-type: none"> • Provide funding for the appointment of sustainability resources within PACIA. • Provide funding for PACIA to establish a program to support innovation and cleaner production in small and medium enterprises • Provide regular secondments to PACIA and PACIA members; and from PACIA and PACIA members to EPA. • Provide access to selected EPA training courses for members. • Assist PACIA to improve its internal environmental performance.
<p>Work with PACIA to enhance existing industry management systems to ensure delivery of sustainability outcomes.</p>	<ul style="list-style-type: none"> • Assist PACIA and its members to incorporate sustainability principles into existing policies such as Responsible Care[®], Plascare[™], Health and Safety, and Environmental Protection. • Establish a joint EPA/PACIA working group, involving other regulatory agencies where appropriate, to identify opportunities for enhancing sustainability outcomes in industry through regulatory efficiencies. • Assist PACIA with the establishment of an independent verification program for Responsible Care[®].

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<p>Publicise the leadership PACIA has shown on sustainability for the industry and reinforce the positive benefits of becoming a signatory to a covenant.</p>	<ul style="list-style-type: none"> • Ensure EPA resources are available for providing information about sustainability issues and sustainability covenants. • Facilitate discussion and sharing of information with parties of other sustainability covenants. • Highlight sustainability covenant initiatives in EPA publications, website and appropriate business functions. • Utilise staff from PACIA and its members to make presentations to appropriate business and training activities on the progress and benefits of its covenant programs.
<p>Inform the community about the environmental impacts of every day lifestyle choices, in particular with respect to the use and recycling of plastics and chemicals products.</p>	<ul style="list-style-type: none"> • Promote the ecological footprint calculators to schools, householders and businesses to increase environmentally responsible purchasing. • Investigate opportunities to work with consumer groups and PACIA to develop initiatives that promote environmentally responsible purchasing.
<p>Increase awareness within Government of the leadership that PACIA is demonstrating in the sustainability area.</p>	<ul style="list-style-type: none"> • Investigate options to involve other parts of Government (for example, Sustainable Energy Authority Victoria, EcoRecycle Victoria, Department of Innovation, Industry and Regional Development) to expand opportunities for PACIA members. • Increase awareness within Government of the leadership that PACIA is showing in the sustainability area. • In conjunction with other government agencies, and PACIA members, investigate the development of a resource map that aims to foster development and innovation in new products from waste materials through identifying the types and geographic distribution of waste materials

LIFE OF THE COVENANT

The parties have agreed that this sustainability covenant will operate for a period of three years from the date of this agreement.

STAKEHOLDERS OF THE PARTIES

For the purpose of this covenant stakeholders of the parties include PACIA members, their employees, the National Community Advisory Panel, suppliers, customers and service providers to PACIA, the Victorian community, and other Government agencies.

PACIA members include:

- manufacturers of chemicals, petrochemicals and resins;
- importers and distributors of chemicals and chemical products;
- manufacturers and distributors of adhesives and sealants;
- plastics processors; and
- manufacturers of plastics products.

PACIA management arrangements include several committees (Councils) to manage issues and activities relating to health, safety, environment, trade, commercial affairs and reputation management.

The Councils provide input to the PACIA Board for final decision making on issues that are sufficiently important to warrant the attention of the Board.

PACIA members' employees include individuals, their representatives, and contractors.

The PACIA National Community Advisory Panel

(NCAP) is a voluntary advisory panel to the PACIA Board consisting of invited representatives from a wide range of backgrounds, including academia, social sciences, community, law and environment.

Suppliers, customers and service providers to PACIA members

Many companies are suppliers, customers and service providers to PACIA members and have a role in working towards sustainable practices in the industry.

Victorian community

Victorians use a multitude of plastics and chemicals in day-to-day life, and have an important role to play in the use and management of these products.

Where appropriate, PACIA members, local communities and regulators have established community advisory panels to provide forums for communication and issues management. Examples of these in Victoria include the Altona and Coode Island Community Advisory Panels.

Other Government agencies

Both EPA and PACIA work with other government agencies on programs that aim to enhance environmental performance in the plastics and chemicals industry.

MANAGEMENT OF THE COVENANT

The following management framework for decision-making and management of the covenant has been agreed between the two parties. It has been established to utilise the abilities and knowledge of

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people throughout EPA, PACIA and its members, and to actively involve them in decision-making and implementation. It also seeks to empower all of the parties to identify and implement initiatives that result in sustainability outcomes.

The covenant steering group will comprise of the PACIA CEO, EPA Director of Sustainable Development, the PACIA Manager - Sustainability Covenants, and one other appropriate EPA staff member.

The Steering Group is responsible for:

- endorsing and directing implementation action;
- reviewing implementation progress;
- ensuring appropriate resourcing;
- interfacing with their respective organisations; and
- reporting and making recommendations on the progress of the covenant to both the PACIA Board and the EPA Chairman.

The parties agree to the following mechanisms for member involvement during the development and operation of the covenant:

- Regular reporting and review of the progress of the covenant to the PACIA Plastics Health, Safety and Environment Issues Council and the Chemicals Health, Safety and Environment Issues Council; and
- Providing information to members and facilitating member involvement in the covenant programs.

The parties agree to the following mechanisms for public involvement during the development and operation of the covenant:

- regular reporting and review of the progress of the covenant to the PACIA National Community Advisory Panel; and
- regular website updates on the implementation of programs under the covenant.

Details of the covenant and progress reports will be made available to the public on the EPA Victoria website.

EPA is accountable and responsible for the commitments made by EPA in this agreement.

PACIA is accountable and responsible for the commitments made by PACIA in this agreement.

EPA reserves the right to withdraw from this sustainability covenant if, in the opinion of EPA, the covenant is no longer effectively driving initiatives that increase the resource use efficiency or reduce the ecological impact of PACIA's members.

This covenant is entirely voluntary and, despite any commitment given in this covenant, PACIA can withdraw at any time upon giving notice to the EPA.

In the event that a termination clause looks likely to be activated, both parties agree to initiate discussions about why this might have to occur.

REVIEW AND REPORTING

The parties have agreed to the following review and reporting framework.

The steering group will meet on a quarterly basis to review progress on implementing the commitments.

The outcomes of these reviews will be reported to the EPA Chairman and PACIA Board.

At the end of the first and second years of the term of this covenant, the steering group will assess progress against the commitments and outcomes over the preceding year. This review will also identify areas of focus for the following year. The review will involve the parties to this covenant, NCAP and other stakeholders. The outcomes of the review will be reported to the EPA Chairman, the PACIA Board and will be made available to the public through the EPA website.

At the end of the term of the covenant, the steering group will undertake a full review of the outcomes of the covenant, involving the PACIA board, representative PACIA members, NCAP and other stakeholders. This review will address the extent to which the covenant has been successful, has met the expectations of all stakeholders and whether there is a need for a further covenant. Following this review, the steering committee commit to the following:

- prepare a report containing a summary of the achievements by both parties over the term of the covenant; and
- publish the report and outcomes of the review on the EPA website.

MORE INFORMATION

In accordance with section 49AC(c) of the Act, the parties authorise the copying of all or any part of the covenant by any person who wishes to do so. The parties also authorise the use by such a person of any copies made by the person.

Contact Details

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