



## **TotalFinaElf Ethical Profile Report**

<b>Business Unit:</b>	Sartomer
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## Executive Summary

### Background and objectives

This report contains the ethical profile of Sartomer Inc which was completed in February 2003.

TotalFinaElf (TFE) has established a company-wide Code of Conduct (the Code) setting out overall principles and rules of behaviour for TFE businesses. The Ethics Committee, responsible for follow-up on embedding the Code in business practices across the globe, has commissioned GoodCorporation, a UK-based organisation with a recognised methodology and business standard for corporate responsibility, to assist in the development of a management system and reporting tool that can be used to measure, monitor and report on TFE's performance in this area. Using the GoodCorporation methodology as a base, a tailored system has been developed for TFE. Sartomer within the Atofina division was selected as one of the first batch of subsidiaries for evaluation following pilots in TFEEUK and Morocco and was the first subsidiary to be verified in North America.

### Methodology

The set of 77 Evidence Points developed during the pilot phase of the project and subsequently enhanced was used to translate the TFE Code of Conduct into day-to-day business practices for each category of stakeholder. This was based on existing GoodCorporation evidence points, and supplemented where necessary by a number of additional TFE-specific points.

Over a number of weeks prior to verification, work was carried out by Sartomer's Project Manager for this exercise, Ron Dawson, and colleagues, to prepare evidence relating to the subsidiary's practices for each evidence point. Verification took place between 10 and 14 February 2003. For each piece of evidence the verifiers followed the standard GoodCorporation methodology and checked four things: that a policy exists; that a system is in place to implement the policy; that records exist which show that the system works in practice; and that stakeholders, when asked, agree that the system works and is fair.

Paper-based evidence was examined where available, and a broad range of senior managers with responsibilities for various aspects of the business were interviewed, as well as representatives from each stakeholder category; this included seven customers, six suppliers and two distributors, and six community representative organisations. Some 29 employees (excluding functional managers) were interviewed representing all levels and at the unionised plant the union representative was interviewed. We carried out the work at the Exton PA headquarters and plants at West Chester PA, Stratford CT and Chatham VA. The organisation of the programme of meetings was carried out very successfully. All parties (both internal and external) participated willingly and were positive about the review process. External stakeholder interviews were carried out confidentially with only the verifiers present at the time of interview.



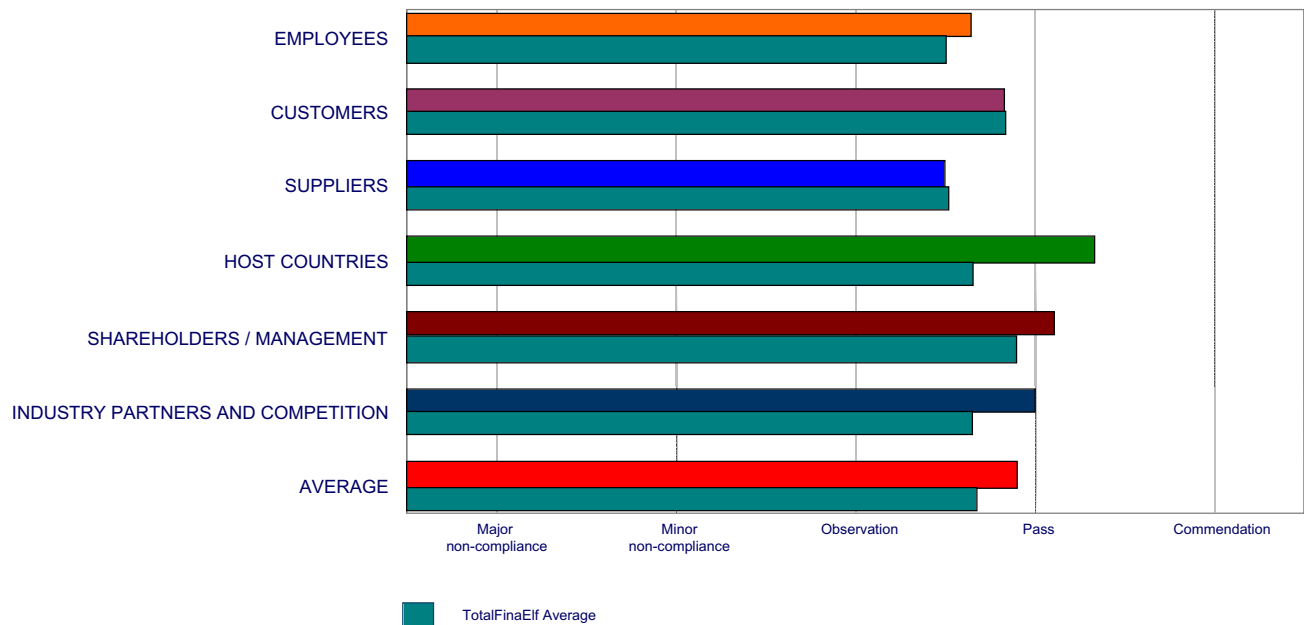
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Findings for each evidence point were assessed, and categorised in one of five ways:

- **Major non-compliance:** A policy doesn't exist, or the system is completely broken down (score 1)
- **Minor non-compliance:** The system exists, but it doesn't always work (score 2)
- **Observation:** The system works but it could be improved (score 3)
- **Pass:** The system works well (score 4)
- **Commendation:** The system works very well – it is an example of best practice (score 5).

### Summary outcomes

Results were tabulated by stakeholder category in accordance with the Code.

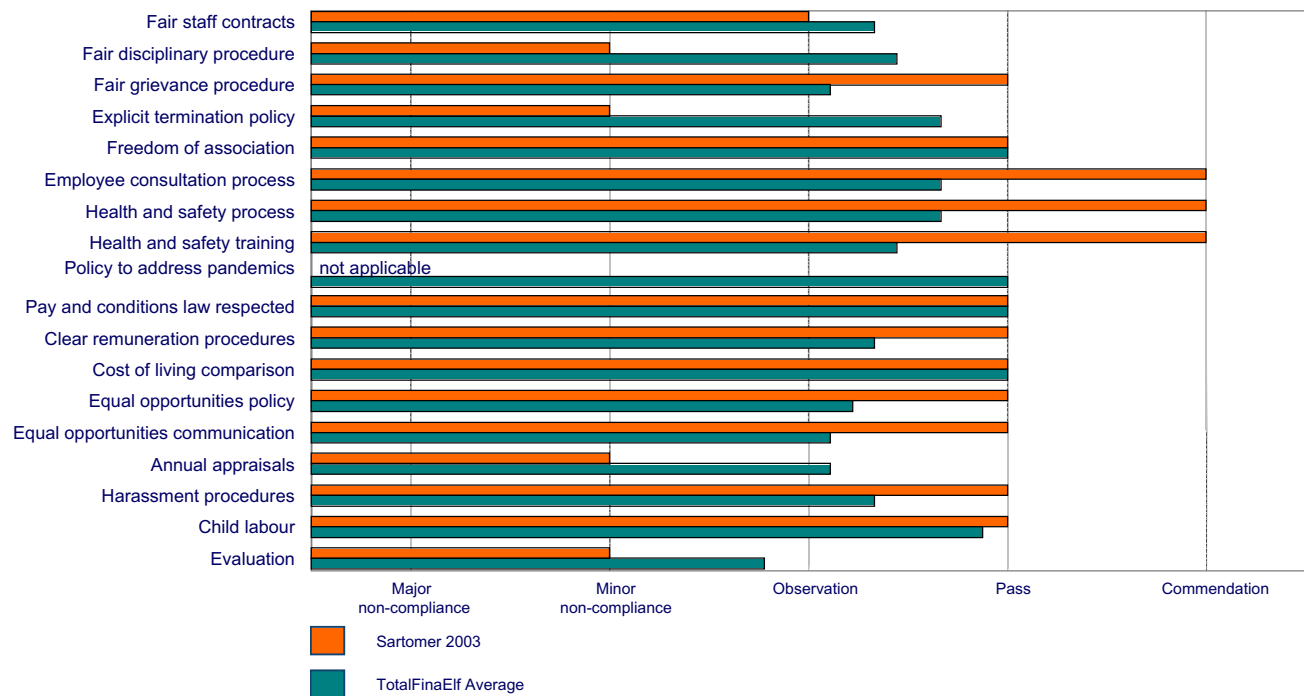


Overall there were 10 commendations, 41 passes, 7 observations, 6 minor and no major non-compliances.



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## Employees



Sartomer excels in its relationship with, and management of, its employees. We have awarded 3 commendations, 9 passes, 1 observation and 4 minor non compliances.

A commendation is awarded for employee consultation. Management recognises the importance of two-way communication and achieves this in a variety of direct and indirect ways. The teamwork approach achieves high levels of employee involvement and employee appreciation of the value of the consultation achieved is spontaneously conveyed. However it also seems that the teamwork approach may be overdone in some cases and certain existing teams may be superfluous. We found examples of teams which were meeting infrequently and in the view of team members had somewhat lost direction and focus. There is a case therefore for reviewing some of the less active teams and considering a process for reviewing the role and life-time of new and existing teams.

Terms and conditions for employees are in most cases comprehensive and well documented. However access to the formal written conditions is imperfect (observation). There is not a consistent high awareness of the employee handbook and it is sometimes only available by request rather than being readily to hand. As a result we found some employees were unclear about the conditions. Most knew who to ask but some doubted that policies were applied evenly. Sartomer should consider giving staff copies of the employee handbook as a matter of routine.

There are some deficiencies as a result of the handbook applying to plant staff while administrative, salaried staff are subject to a similar but not identical employee policies document. For example the disciplinary procedures are not documented for salaried staff (minor non-compliance).



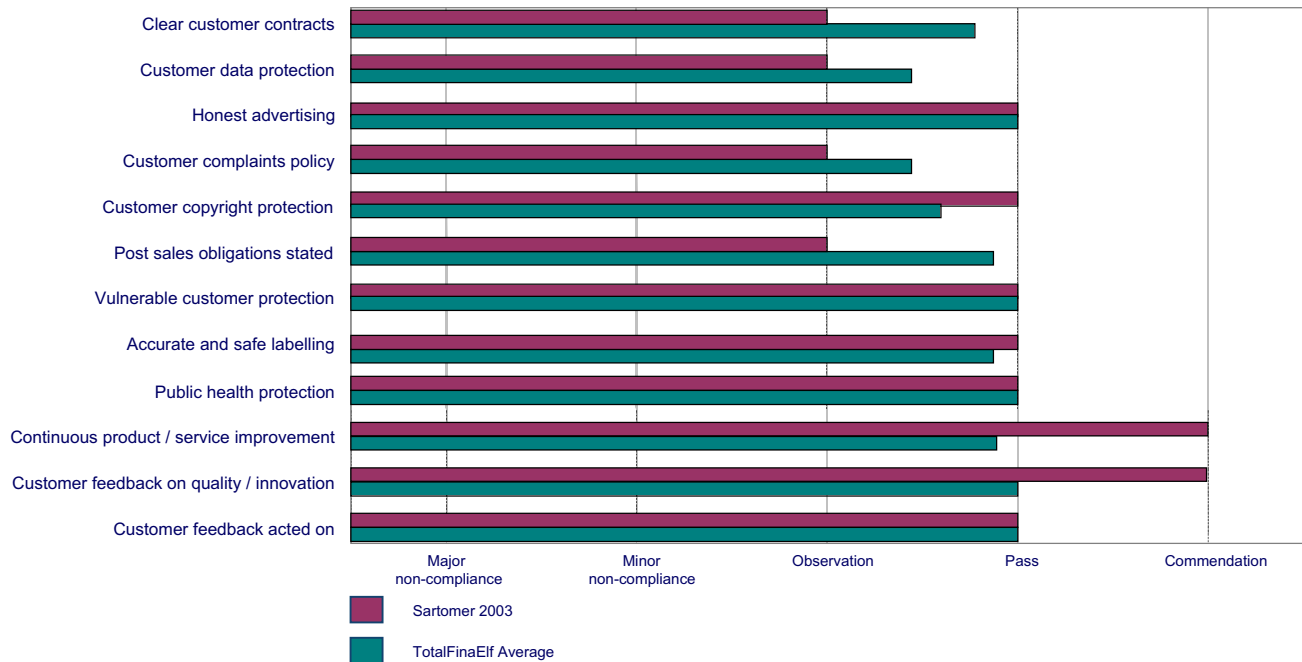
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Commendations are awarded for health and safety policy and training. Health and safety policy and practices are exemplary and set standards above industry norms. The training is comprehensive, routinely updated (often annually) and accepted as standard practice by all staff. It is also extended to the local community via the Local Emergency Planning Committee (LEPC). There is a systematic and soundly based annual performance appraisal system. However it is not being carried out annually for all employees (minor non-compliance). Coverage is estimated at around 65% for non-union staff while unionised employees are not appraised as it falls outside the union contract.

The connection between the appraisal results and both compensation and career progression is not clear. The company is very thorough in its on the job training on processes and training for longer term skills development is willingly supported when applied for. However the company could be more proactive in identifying and pushing training opportunities for skills and career development (minor non-compliance). The appraisal process does not consistently produce actions in this area and most employees identify their own skills development needs and appropriate training modules and classes. More information could be provided on what is available and its relevance to employees' development needs.

Sartomer performs well on all matters relating to grievance and problem solving, harassment and equal opportunities and compensation.

### Customers



Sartomer has very good relationships with its customers, often based on long-term associations with companies and individuals. We have awarded 2 commendations, 6 passes, and 4 observations.

A commendation is awarded for continuous improvement of products, services, technology and manufacturing procedures. Sartomer's approach to satisfying customer needs is at the heart of its



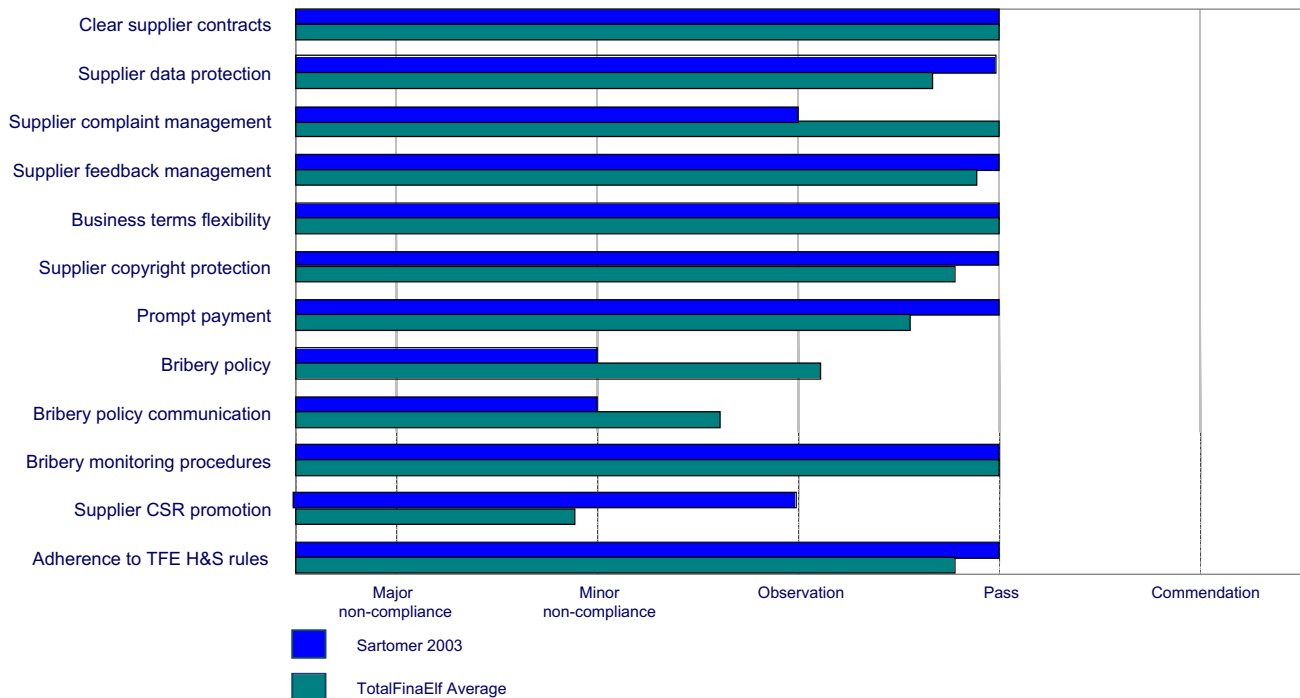
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specialty chemicals business, and has made a considerable contribution to its success and growth. Partnership teams forge close relationships that connect at many levels, allowing rapid resolution of issues. Moreover, even customers without a partnership team still describe Sartomer as very responsive and customer-focused – “one call does it all”. The many methods that the company uses to interact with customers to get feedback, both actively and reactively, on quality, safety and innovation was also commended.

The company’s relationship with risk-sharing distributors (as opposed to third party sales agents) is maturing. Concerns were raised by one of the distributors that their risk and profit positions (vis-à-vis Sartomer products) were not always reviewed at the appropriate decision-making level in Sartomer.

Some customers describe their terms and conditions of business as based on a verbal formula. While this may be based on many years of successful custom and provides for flexibility, the company is continuing to grow over time and individuals controlling these relationships may change (observation). Sartomer’s after-sales obligations or otherwise for products once sold were not clearly and consistently understood. There seemed to be some discrepancy in the understanding of procedures for returning product and how that would be treated. For some the process was straightforward and streamlined, for others it was more uncertain (observation).

### Suppliers



Sartomer has close working relationships with many of its suppliers, many of whom are critical to meeting the company’s customer demands. We have awarded 8 passes, 2 observations and 2 minor non-compliances. Overall a lot of work has been done to formalise long-term relationships which are based on a good understanding of each others’ business requirements. There is a high awareness of safety issues. Maintaining a separation between the role of the partnership teams and the business

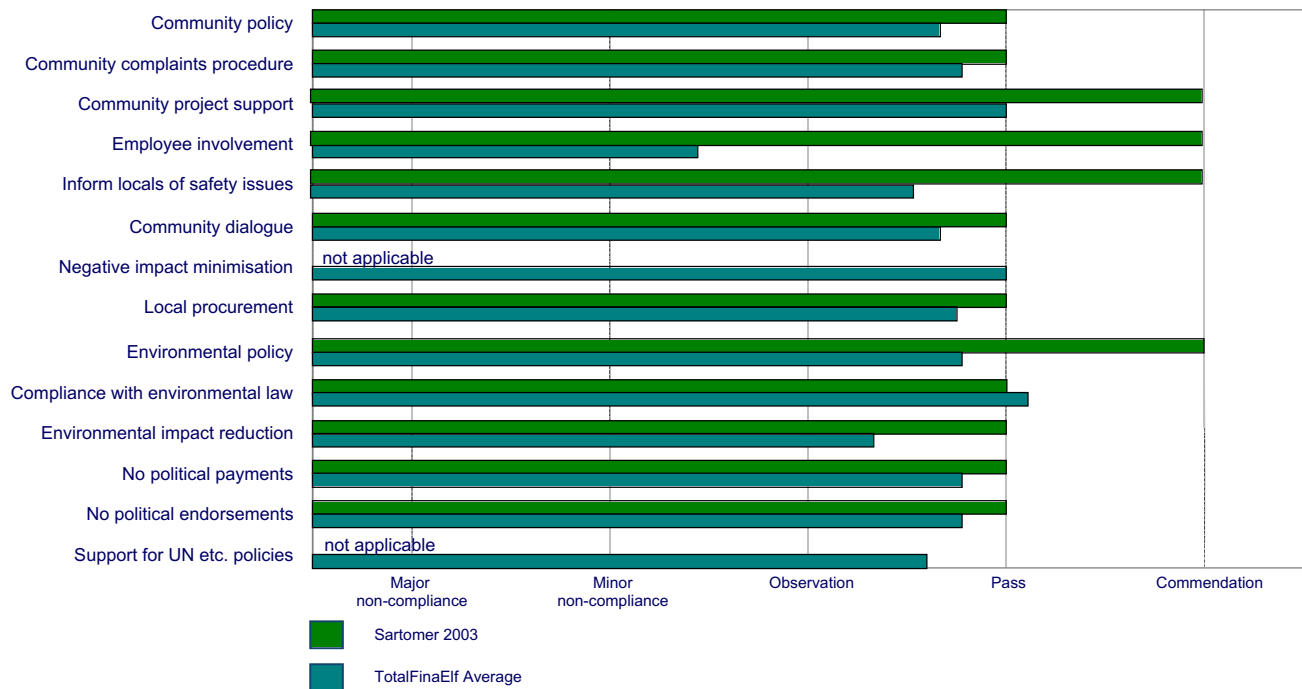


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relationship (i.e. regarding rates and terms) has been effective at focusing the teams on operational issues. Sartomer’s feedback to suppliers in cases of non-conformance was very clear with the SNN process. However where issues are raised by suppliers, and there is no partnership team, there could be a clearer timescale for resolving issues (observation).

Responsible Care® had been communicated to most suppliers and some were being encouraged to look at implementing this themselves, though in some cases there was a feeling that this had limited value for their business. Both the company’s own Operating Philosophy and the TFE Code of Conduct seemed less widely recognised by suppliers (observation). Gifts and hospitality are received from time to time primarily from existing customers. While a common-sense approach was evident, there did not seem to be a clear policy that was communicated to employees, suppliers and customers stating what was deemed acceptable (minor non-compliances).

### Host Countries



The host country section covers environmental and community responsibilities. Relationships with the community at all levels are generally excellent and reflect Sartomer’s long history in their locality (in particular, in PA) and the efforts to engage the communities in which they establish operations. 4 commendations and 8 passes are awarded for this section (two points were not applicable).

A Commendation is awarded for guidelines and procedures to inform local residents on safety issues of relevance to them. In interviews with verifiers, community members in the West Chester (PA) and Chatham (VA) areas emphasised that Sartomer has routinely provided full and frank explanations of safety hazards, incidents and planned developments.



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Because the verification only extended to three localities in which Sartomer has a presence, these comments may not reflect the full range of effort and experience across the Sartomer plants. The strongest local community linkages exist where the company borders a residential zone; it is more difficult to get local community interest where Sartomer is one of many companies located in an industrial zone. Nevertheless, the company should encourage wherever possible the development of a CAP, albeit predominantly comprising local government officials (including not only economic issues but also environment and safety).

Commendations are awarded for community projects and activities in localities where Sartomer has operations. Members of local government, charitable organisations and the community regard the company as an active leader in community building. The financial contributions made by the company and its employees relative to the size of business are very high. Sartomer has been very responsive to local charitable organisations (in particular via the United Way) and to local emergency preparedness. Moreover, there is significant practice of employee involvement in projects themselves. Widespread employee involvement in volunteer activities to support the locality has been recognised by all community groups and there is an established practice of providing employees time off during the working week to participate in volunteer events taking place in their local community.

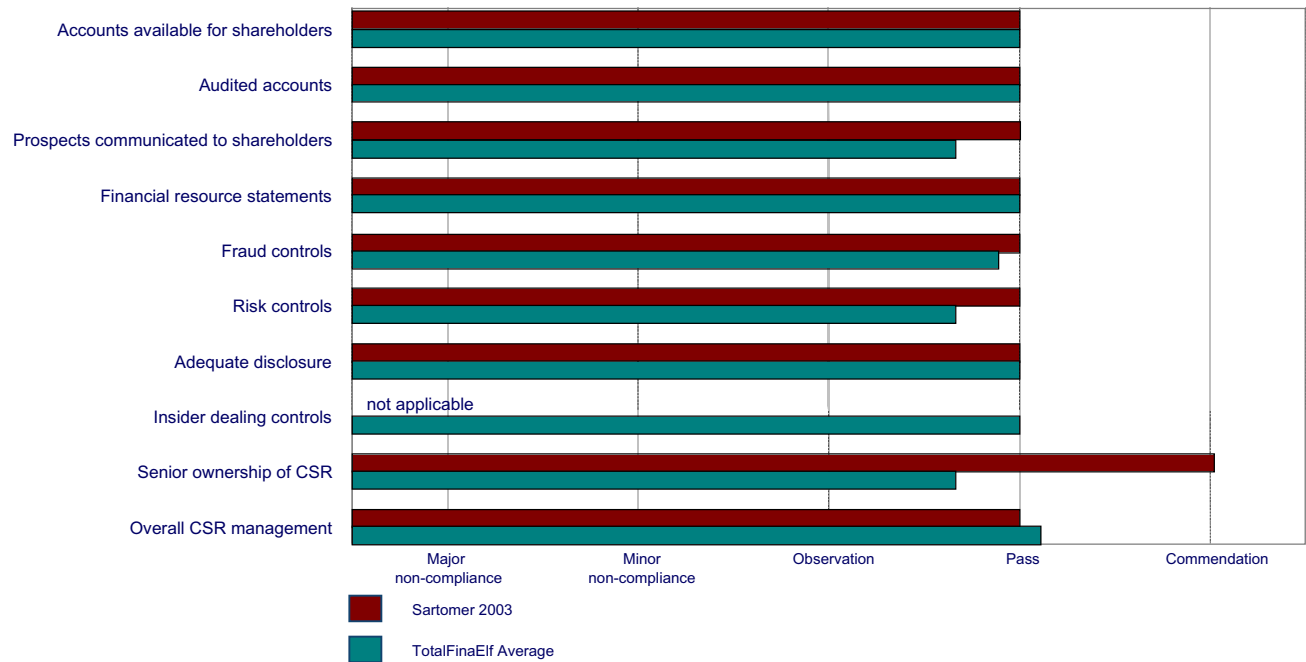
A commendation is given to environmental policy committing Sartomer to compliance, process and product stewardship, waste reduction, continuous improvement and reporting. Sartomer is notable as one of the smallest chemical companies in the American Chemistry Council to have successfully implemented Responsible Care® (with the exception of the latest Security Code which is underway) and to have undergone a voluntary Management Systems Verification conducted entirely by a third party. Suppliers, customers and employees repeatedly emphasised in interviews the extraordinary care and attention paid to environmental and safety concerns at Sartomer. In an industry faced with daily environmental risk, Sartomer maintains effective mechanisms (through training and process design) to control risk wherever possible. According to customers, appropriate and very informative Material Safety Data Sheets (MSDS) and labels always accompanied products, along with training and technical support for customers. Attention to detail in this respect was noted by employees as well as customers.

Much of the reporting on environment and safety indicators was being prepared not only to meet regulatory requirements but also to provide requested information to the local CAPs, as encouraged by the Responsible Care® programme. In localities where the CAPs have developed less, Sartomer is encouraged to communicate its message on the environment and safety through wider public relations campaigns organised by government at the State level.



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## Shareholders



Sartomer performs very well in all matters relating to the responsibilities towards TFE Group. We award passes on all shareholder points, apart from one which is not applicable. The performance in the quality, accuracy and timeliness of its financial reporting is well appreciated by the Group. Protection of assets, risk assessment and internal controls are very competently implemented.

## Management Commitment

A Commendation is awarded for the leadership displayed in championing responsible business practices in Sartomer. The operating philosophy has been practised since 1987, well before the establishment of the TFE Code. The performance of the company relative to the Code’s principles and practices is at a commendable level.