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## Dow Chemical: Investing in future

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## **Case 2: Dow Chemical: Investing in the future <sup>1</sup>**

In 1986, Dow launched its *Waste Reduction Always Pays* (WRAP) programme, whose charter is to generate economic benefit through waste reduction. Between 1986 and 1996 the WRAP programme yielded numerous cost-effective projects. For example:

- Process changes at an oxide derivatives plant in Midland, Michigan, resulted in an 88 per cent reduction in wastes to the incinerator, a 98 per cent improvement in yield, and annual savings of more than \$600,000 in raw material and incineration costs.
- Installing seal pots and double mechanical seals on feed pumps to the thermal oxidizer in a solvents plant in Plaquemine, Louisiana, eliminated a seal purge on the pumps as well as the need to incinerate perchlorethylene. This project led to waste reduction that saved Dow \$384,000 a year.

Based on this success, Dow decided in 1996 to set several important ten-year goals aimed at improving its environmental, health and safety performance worldwide. These goals will require a investment of about \$1 billion over ten years but should yield a 30-40 per cent return on investment by 2005 and more specifically result in the following projected savings:

- \$580 million in reducing energy use
- \$1.3 billion in reducing waste
- \$96 million in reducing process safety incidents
- \$50 million in reducing injury and illness rates
- \$34 million in avoiding costs incurred by business interruption, property damage or spill clean-up
- \$14 million in cutting by half the motor vehicle incident rate.

The total of these savings drawn from environmental improvements and protection of employee health and safety amounts to almost \$1.8 billion, i.e. 1.0 per cent of the company's total revenues over ten years.

In 1996 a team of environmental, health and safety (EH&S) managers identified areas where environmental improvement was needed and others which offered high potential for economic benefit. Only those projects that met both criteria — yielding environmental and economic gain — were selected.

The costs and potential benefits of further improving performance were calculated. Historical capital spending and the costs of managing waste, cleaning up spills, and paying workers' compensation claims were examined.

Preventing EH&S incidents increases plant reliability, minimizes risk exposure and maximizes asset utilization, all of which contribute to share value. Fewer spills and injuries mean less downtime, higher productivity and greater yield. Past experience shows

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<sup>1</sup> Source: WBCSD, 2000.

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that safety, quality and productivity in manufacturing are inextricably linked. These improvements can reduce Dow's costs by about \$200 million by 2005. For example, reducing the injury and sickness rate by 90 per cent will save about \$50 million by 2005. This money would otherwise be spent on meeting health claims and workers' compensation costs and on lost productivity due to absence. Additional cost savings will be achieved by halving the number of accidents involving Dow vehicles. If this goal is reached, about \$14 million will be saved by 2005 by reducing the cost of health claims, as well as vehicle repair and business interruption.

Progress on performance targets and cost reduction is routinely reported to the public. Finding economic benefit in EH&S progress is consistent with the principles of sustainable development. Dow has discovered that it can meet society's desire for sound and safe manufacturing, and its employees', shareholders' and other stakeholders' interest in a healthy, competitive enterprise.

The AIDS pandemic has forced employers to think more broadly about the health of their workers. The following case describes how employers in South Africa have responded to the HIV/AIDS crisis.<sup>2</sup>

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<sup>2</sup> We have already looked at a South African company that eliminated mandatory pre-employment HIV testing. In this chapter we discuss the HIV/AIDS problem primarily from the workers' health point of view.