

## Environmental Management System (EMS)

### Background

After the passage of major environmental laws in the 70's, companies had to develop and implement effective environmental management programs to ensure regulatory compliance. The consequences of a regulatory non-compliance, both from a penalty and public relations perspective, demanded that compliance programs be well defined and clearly supported by management. The term that evolved in the 80's to describe these compliance programs was "Environmental Management System".

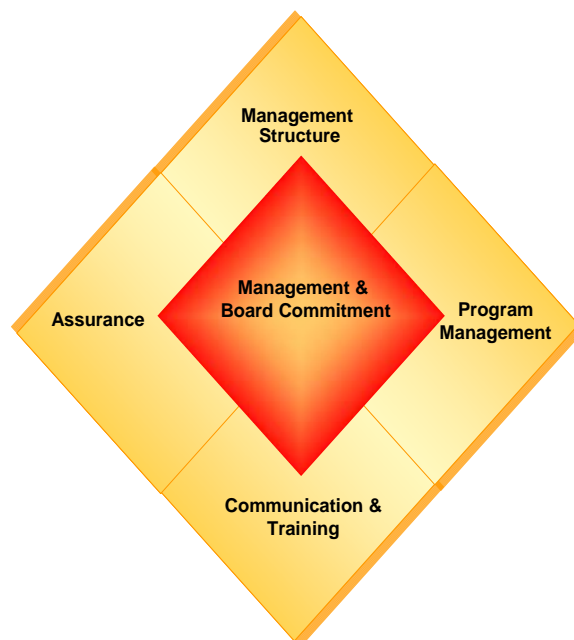
While Environmental Management System (EMS) became a generally accepted term both by industry and federal and state regulators, the essential elements that should comprise an effective EMS were slow to develop. Various industry groups and EPA issued guidance on what they considered to be critical elements; however, there was no clear consensus. Southern Company was one of the first electric utilities to formally describe a detailed Environmental Management System in the early 90's.

During the mid-90's, a number of consensus environmental compliance management system components emerged from several sources: Federal Sentencing Guidelines for Corporations, EPA Guidelines, and ISO 14001 Environmental Management System Standards. The Southern Company EMS was revised as necessary to reflect these consensus standards. These standards have continued to evolve into the 2000's and Southern has made appropriate EMS revisions to reflect these changes.

In respect to the Federal Sentencing Guidelines for Corporations that were enacted in 1991, these Sentencing Guidelines defined seven "due diligence" elements that must be in place in order for an organization to be viewed as having an effective compliance program. If an organization has a major violation of laws and regulations, the corporation's overall compliance with the "due diligence" elements will be considered in determining whether significant penalties should be considered. In formalizing its overall compliance program consistent with the "due diligence" elements, it was decided that a compliance management system model should be developed and implemented for all compliance risk areas (safety and health, antitrust, accounting, finance, & tax, copyright, etc. Because we already had a successful management system model for environmental - our EMS - that model was adapted to apply to all compliance risk areas. The term given to that model is "**Compliance Governance Model**". The Compliance Governance Model and EMS contain all the same core components. The EMS contains a few additional elements unique to environmental. While we continue to use the term "EMS", both internally and externally, in reference to our overall environmental compliance program; the EMS and Compliance Governance Model are interchangeable terms.

## Southern Company EMS

The EMS consists of five primary success factors, with sub-elements for each primary factor. Each of these success factors must be established and maintained to ensure an effective compliance program. In analyzing the compliance problems of other companies, the reasons for their failures can be easily attributed to the lack of one or more of these critical elements.



The five primary success factors are:

- Management and Board Commitment
- Management Structure
- Program Management
- Communication and Training
- Assurance

A complete list the sub-elements for each primary factor is presented in **Exhibit No. 1**.

While each of these five components must be established and maintained to ensure an effective overall environmental program, the *Management Commitment* component must be in place and working effectively for the other components to be successful.

## EMS Assessment and Documentation

The overall Southern Company and subsidiary compliance programs are periodically assessed to EMS criteria. The results of these assessments are documented in a “*EMS / Governance Model Matrix*”. This matrix is illustrated to the right.

The *Matrix* has three columns: (1) the EMS element that should be in place, (2) the actual programs / practices / controls in place that meet each element, and (3) action items or enhancements that should be considered to strengthen that element’s overall effectiveness.

The first EMS assessments, documented in a matrix for each subsidiary, were presented to the Compliance Officers in 1997. These matrixes have been updated at least every two years by the System Environmental Compliance Governance Team.

**Southern Company**  
**Environmental Governance Program Matrix**

Governance Element	Current Practice	Action Items
<b>Management and Board Commitment</b>		
Compliance Policies / Procedures	Southern Style SOCO Code of Ethics SOCO Environmental Policy SOCO Environmental Management System SOCO Environmental Audit Policy Corporate Policies / Guidelines	
Incentives to Instill Environmental Compliance Commitment & Accountability	System Environmental Performance Indicators (EPis) Power Generation Environmental Goals Environmental Affairs Organizational and Individual Goals	
Demonstrated Senior Management Commitment	Southern Style SOCO Code of Ethics SOCO Environmental Policy SOCO President of External Affairs Senior VP's of Research and Environmental Affairs, and VPs of Environmental Affairs at APC & GPC Environmental Affairs Organization for each operating company and SCS Full-time, environmental compliance resources in most major business units Company Compliance Officers Quarterly Compliance Officer Meetings	

## **Formal EMS Evaluations**

Formal evaluations or audits of the EMS have been performed by both internal and external resources. Internal evaluations have been periodically performed by the System Environmental Compliance Governance Team and Internal Auditing. External evaluations have been performed by third party consultants. The overall Compliance Program was evaluated in 2000 and 2007. In 2008, a third-party evaluation focused exclusively on the EMS.

These evaluations have concluded that our environmental management programs are well defined, in compliance with Sentencing Guideline criteria for an effective compliance program, and have functioned successfully to meet our environmental commitments and obligations. These evaluations have identified areas where our EMS can be enhanced, and these improvements have been successfully implemented. We fully expect our EMS to continue to evolve – to address future environmental challenges and to meet the changing needs of the company and society.

# Environmental Management System Detail Elements

## Management & Board Commitment

- Company Policies & Procedures
- Incentives to Instill Compliance Commitment and Accountability
- Demonstrated Senior Management Commitment
- Oversight by Board of Directors
- Periodic Updates to Compliance Officer, Senior Management & Board of Directors
- Consistent Program Enforcement
- Appropriate Disciplinary Action
- Environmental Stewardship and Promotional Activities

## Management Structure

- Program Oversight Independent from Major Line Functions
- Clear Responsibilities & Accountability at Corporate and Business Unit Level
- Sufficient and Qualified Resources at Corporate and Business Unit Level
- Due Diligence in Selection of Management & other Key Personnel
- Adequate Reporting Levels
- Interaction with Responsible Senior Management



## Program Management

- Risk Appraisal
- Interpretation of Laws & Program Development
- Program Implementation & Compliance Communication to Business Units
- On-going Regulatory Tracking, Interface and Reporting
- Appropriate Information Management Systems/Recordkeeping
- Programs to Prevent Violation Reoccurrence
- Monitoring of Industry Compliance Program Trends and Best Practices
- Specific Program Management
  - Air, Water & Land Quality
  - Property Transfers
  - Waste Disposal Vendors
  - Emergency Preparedness & Response

## Communication & Training

- On-going Awareness Programs at all Levels
- Targeted Compliance & Ethics Training
- Measurements of Training Effectiveness

## Assurance

- Periodic Reviews of Program Effectiveness
  - Self-Monitoring by Business Units
  - Independent Internal Audits
  - Proactive Involvement of Corp. Oversight Function with Business Unit
  - Periodic Third Party Review
- Workplace Ethics and Concerns Program