How to Use Downstream Vendor Programs to Manage EHS Risks

September 19, 2019
Welcome to NAEM

NAEM delivers actionable strategies that empower corporate EHS&S leaders to make an impact
NAEM is a community for EHS&S leaders
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DOWNSTREAM VENDOR AUDITS
A TOOL FOR EHS AND ESG RISK MANAGEMENT
TODAY’S AGENDA

Define: Define downstream vendors

Identify: Identify risks inherent to the use of these vendors

Review: Review drivers for establishing audit programs

Review: Review case studies and benchmark data

Create: Create a value proposition
DOWNSTREAM VENDORS - DEFINED

- Hazardous waste treatment, storage and disposal facilities
- Universal waste destination facilities
- Lead-acid battery recyclers
- Used oil recyclers
- Scrap metal recyclers
- Electronic waste handling facilities
- Medical waste facilities
- Cardboard, plastic, aluminum recyclers
- Municipal waste landfills
- Waste to energy/incinerators
Resource Conservation and Recovery Act (RCRA) Liability

Generator retains **strict liability** for any mismanagement of hazardous waste

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) Liability

Generator liability is strict, **joint and several**
LOOKING BEYOND CERCLA LIABILITY

• Reputation/Brand Management
• Zero Waste to Landfill Certification
• Electronic Waste/Basel Convention
• Compliance with the ISO 14001: 2015 Standard
• Operational Continuity
86% of the S&P 500 publish a sustainability report

65% of Americans say that when a company takes a stand on a social or environmental issue, they will do research to see if it is being authentic

(2017 Cone Communications CSR Study)

76% of Americans would refuse to purchase from a company upon learning that it supported an issue contrary to their beliefs

(2017 Cone Communications CSR Study)
Section 14.2.2: Reviewers should take a risk based approach regarding when to assess processing at a downstream diverting entity to assure the diverting entity is processing the material being sent there.

Section 14.2.3: Validations performed to verify non-landfill processing should be based on how likely the diverting entity will landfill waste....Where possible, perform a site visit to any diverting entity that is likely to landfill waste at a higher rate...
ZERO WASTE TO LANDFILL CERTIFICATION

RECYCLE Credit 2: Acquire written documentation from every service provider on where recyclable commodities from the facility are sent for final processing.

RECYCLE Credit 2 – Potential Strategies: Identify all recycling vendors and locations, and understand their operations, processes and end products. Compile documentation for recyclable commodities including the type of processing and the end product they produce. Communicate directly with the vendor and consider visiting their operations center.
ELECTRONIC WASTE AND THE BASEL CONVENTION

• End-of-Life Electronic and Electrical Equipment Policies
  • Managed in accordance with applicable laws/regulations
  • No EEE may be sent to landfill or incineration
  • May not be exported to developing countries/Comply with the Basel Convention
  • Recycling/disposition vendors must meet supplier codes of conduct for EEE
    • E-Stewards, R2 and other certifications
    • Submit to audits and review downstream vendor performance
# E-Waste Recycler Certifications – ESG Elements

<table>
<thead>
<tr>
<th>Performance Criteria</th>
<th>R2 Responsible Recycling</th>
<th>e-Stewards</th>
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<tbody>
<tr>
<td>EHS Management Systems</td>
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<tr>
<td>Reuse and Refurbishment</td>
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<tr>
<td>Legal Requirements</td>
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<td>On-Site EHS</td>
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<td>Downstream vendor due diligence</td>
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<tr>
<td>Data Destruction</td>
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<td>X</td>
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<tr>
<td>Security</td>
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<tbody>
<tr>
<td>Insurance Requirements</td>
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<tr>
<td>Closure Plan, Financial Review</td>
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<tr>
<td>Transportation</td>
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<tr>
<td>Tracking of toxic ‘focus’ materials</td>
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<td>X</td>
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<tr>
<td>Ethical Labor</td>
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<td>X</td>
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<tr>
<td>Restrictions on export</td>
<td></td>
<td>X</td>
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<tr>
<td>Landfill/Incineration Prohibition</td>
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"Consistent with a life cycle perspective, the organization shall:

(a) Establish controls...to ensure that its environmental requirement(s) are addressed in the design and development process for the product or service, considering each stage of its life cycle;

(b) Determine its environmental requirement(s) for the procurement of products and services, as appropriate;

(c) Communicate its relevant environmental requirements to external providers;

(d) Consider the need to provide information about potential significant environmental impacts associated with the transportation or delivery, use, end-of-life treatment and final disposal of its products and services. "

ISO 14001 – LIFE CYCLE PERSPECTIVE
HOW DO VENDOR AUDITS FIT IN?
CLIENT SURVEY

DOES YOUR COMPANY HAVE A FORMAL WASTE VENDOR AUDIT PROGRAMS?

• 9 out of 10 company respondents indicated that their organizations have formal waste vendor policies and programs

WHAT TYPE OF WASTE VENDORS ARE INCLUDED?

• Hazardous Waste
• Electronic Waste
• Universal Waste
• Lead-acid Battery Recyclers
• Used Oil/Nonhazardous Waste Liquid Recyclers
• Scrap Metal Recyclers
• Solid Waste and Compost
## VENDOR AUDIT SCOPE CONSIDERATIONS

### Survey: Typical Vendor Audit Scopes

<table>
<thead>
<tr>
<th>Audit Scope</th>
<th>RCRA</th>
<th>ESG</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contamination</td>
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<tr>
<td>EHS Compliance</td>
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<tr>
<td>Financial Performance</td>
<td>X</td>
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<td>X</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td>X</td>
<td>X</td>
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<tr>
<td>Labor</td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Security</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Downstream vendor vetting practices</td>
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<td>X</td>
<td></td>
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### Audit Program Considerations

- Desktop vs. In-Person
- Internal or Third-Party
- Frequency
- Scope: Uniform or Risk Based
- **Financial Performance Review**
- Risk Ranking System
- Criteria for Rejection
CORE SERVICES

TRUCK LEASING
Is a leading transportation services provider in North America, offering:
- Full-Service Leasing
- Contract Maintenance

TRUCK RENTAL
Operates one of the newest and most diverse truck rental fleets in North America providing both:
- Commercial Rental
- Consumer Rental

LOGISTICS
Serves companies in North America, South America, Europe, and Asia, offering:
- Dedicated Contract Carriage (DCC)
- Transportation Management (TM)
- Distribution Center Management (DCM)
Waste Management – Vehicle Wastes

Penske’s waste management program is designed to minimize waste generation, recycle the wastes that are generated, and ensure proper disposal to limit the impact on the environment. Penske handles waste generated from vehicle maintenance as follows:

- **Used Oil** - Approved vendors collect used oil from our locations and it is re-refined into new motor oil or used as a fuel for industrial applications. Penske recycles nearly 3 million gallons of used oil annually.
- **Used Oil Filters** - Approved vendors collect filters from our locations and recycle the metal for reuse in other applications. Penske recycles over 13,000 drums of used oil filters annually.
- **Used Antifreeze** - Approved vendors collect our used antifreeze and recycle it for reuse. In addition, the use of extended life antifreeze decreases the amount of waste we generate.
- **Spent Batteries** - These are picked by the original vendor who then sends them to a battery recycling facility.
- **Scrap Tires** - Tires are picked up by the original vendor and retreaded or recycled into other products such as mud flaps or conveyor belts.
- **Parts Washing Solvent** - Approved vendors collect our spent parts washing solvent and recycle it for reuse.
Waste Management – Solid Wastes

In 2018 Penske successfully diverted 34% of our total trash from landfills to a recycler.
Waste Audit Programs

• Annual internal desktop audit of env. programs including waste:
  • Objective to ensure 800 locations are implementing corporate programs

• Triennial third-party waste audits:
  • Objective is to identify new regulations, data gaps, programmatic deficiencies, and implementation deficiencies within operations.

• Triennial third-party waste vendor audits:
  • Review CHWMEG reports for vehicle fluid waste vendors (transfer, recycling & disposal facilities) every three years.
  • Review compliance records, housekeeping, operational risks, and financial status.
  • Created internal scoring system to compare all facilities amongst each other.

• Semiannual Solid Waste audits:
  • Third-party waste broker review recycling/diversion data.
  • Rightsizing to maximize efficiency of cost of all services.
Emerson is a global technology, engineering and manufacturing company with a 129-year legacy of providing innovative solutions for customers in industrial, commercial and residential markets.

Through our two business platforms – Automation Solutions and Commercial & Residential Solutions – we develop and deliver advanced technologies, software and services that enhance productivity, efficiency and safety for our customers.

https://www.emerson.com/en-us
Waste Management Program

Global and Domestic Policy

Waste Management:

Waste Minimization: Long-term pollution prevention (and sometimes even short-term) is less expensive than proper treatment and disposal of generated wastes or emergency response for release of hazardous material or waste. It can result in new material savings, increased production efficiencies, better product quality, reduced emissions to the environment, and reduced environmental costs. Re-use or recycling of packaging and packaging waste is more economical than proper treatment and disposal of generated packaging waste. Many countries have statutory obligations requiring proper management of packaging and packaging waste.

- Ensure all containers are properly closed and labeled appropriately with contents of the container.
- Minimize drip time for drip operations.
- Segregate waste materials to the extent practical (such as aluminum, stainless steel, copper, hazardous waste, office trash, and packaging waste). ([Page 23-25])
- Identify and substitute less toxic materials for more toxic materials whenever possible.
- Evaluate each discrete production unit within the facility for potential improvements in the process which could minimize waste volume, reduce toxicity, or reduce other emissions.
- Ship hazardous waste offsite for disposal at least every six months.
- Use licensed or government-recognized vendors for the disposal of hazardous waste.
- Solvent management training (including management of cleaning rags and paper towels) should be provided to all applicable employees.
- Keep containment and work areas clean to maximize the possibility of recovering and reusing spilled materials.
- Remember that metal wash/chips are recyclable materials, not waste.
- Packaging and packaging waste should be minimized and should be recycled and reused, if possible. Document instructions in packaging and packaging waste as necessary.

1. Question: What types of TSD facilities require environmental liability reviews and how frequently should reviews be performed?

Answer: It is Emerson’s policy that environmental liability reviews be performed for TSD facilities that manage hazardous and certain nonhazardous industrial wastes generated by an Emerson facility.

Environmental liability reviews are performed to limit the potential for liability under CERCLA, CERCLA (or Superfund) liability applies to current and former owners of a site presenting a hazard. Trasporters of hazardous substances, and persons who arranged for hazardous substances to be brought to a site (i.e., generators).

Section 101(14) of CERCLA broadly defines “hazardous substances” as any element, compound, mixture, solution, or substance which, when disposed of in the environment, may present a substantial danger to public health, welfare, or the environment. It includes any substance designated under Section 311(b)(1)(A) of the Federal Water Pollution Control Act, any hazardous waste having the characteristics identified under or listed pursuant to RCRA Section 3001, any hazardous air pollutant listed under Section 112 of the Clean Air Act, and any inherently hazardous chemical substance or mixture for which the government has taken action under Section 7 of the Toxic Substances Control Act.

The following are types of TSD facilities and whether the facility requires a liability review under the Emerson policy.

<table>
<thead>
<tr>
<th>Type of TSD Facility</th>
<th>Liability Review (Yes or No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste TSD</td>
<td>Yes</td>
</tr>
<tr>
<td>Municipal landfill</td>
<td>No</td>
</tr>
<tr>
<td>Scrap metal recycler</td>
<td>Yes</td>
</tr>
<tr>
<td>Uranium pile producer</td>
<td>Yes</td>
</tr>
<tr>
<td>Wooden pallet recycler</td>
<td>No</td>
</tr>
<tr>
<td>Lead-acid battery recycler</td>
<td>Yes</td>
</tr>
<tr>
<td>Used oil recycler</td>
<td>Yes</td>
</tr>
<tr>
<td>Used crankcase recycles</td>
<td>Yes</td>
</tr>
<tr>
<td>Blatantly caused treatment works receiving industrial wastewater</td>
<td>No</td>
</tr>
<tr>
<td>Privately-owned treatment works receiving industrial wastewater</td>
<td>Yes</td>
</tr>
<tr>
<td>Computer recycler</td>
<td>Yes</td>
</tr>
<tr>
<td>Office paper recycler</td>
<td>No</td>
</tr>
<tr>
<td>Industrial container containing cloth rags and uniforms</td>
<td>Yes</td>
</tr>
<tr>
<td>Medical waste TSD</td>
<td>No</td>
</tr>
<tr>
<td>Fluorescent light bulb recycler</td>
<td>Yes</td>
</tr>
<tr>
<td>Nickel-cadmium battery recycler</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Common Waste streams

**Most Common Types of Waste**

- Used Oil, Grease & Oily debris
- Paint related waste
- Aerosols
- Lightbulbs & Batteries
- Solvents
- Solvent rags
- Electronic waste
Audit Program – Waste & TSDF’s
Managing Risk

Written Agreements

Don’t Forget these Sections:

- Non-conforming waste
- Title
- Representations & Warranties
- Indemnification
- Have internal legal council review

Use EPA Guidance

https://www.epa.gov/sites/productio
gen/files/documents/apcol-rcratsdf.pdf
CREATING A VALUE PROPOSITION