

Environmental, Health and Safety Compliance
and System EHSMS Audit in Response to:

Washington State Preferred Performance
Measures for Direct Processors

WAC 173-900-650

Facilities Audited: Electronic Recyclers International, Inc.
Auburn, WA and Fresno, CA

Auditor: Kelley Keogh, Bob Delich
Date: February 23rd, 2016

Scope of Audit

This audit was designed to meet the specific requirements of the State of Washington's "Environmentally Sound Management Performance Measures for Direct Processors – Preferred Status" qualification requirements. The WA State Standards, WAC 173-900-650. These were interpreted and a facility checklist was prepared to meet the standards requirements that related directly to the operations. The audit consisted of confirming the nexus between the two documents and the operations. This is the 7th annual audit of these two facilities and any changes in the operations and downstream vendors utilized will be noted.

In order to minimize documentation and audit costs – both facilities will be included in this document. The EHSMS is identical for the two and the operations complement one another in that the Washington facility will dismantle CEP's and ship to the CA facilities for first tier processing (shredding of metals, crushing of glass) utilizing a WA State DOE Certified transporter.

The ISO system manages non-conformances with the CAPA process. All of the issues that have been identified will be managed appropriately to resolution and to prevent recurrence.

The two sites that were audited were:

Electronic Recyclers International (ERI) facility located at 3243 S East Avenue, Suite 103, 104, and 105, 108 Fresno, CA

Headquarters - 7815 North Palm Ave Ste. 140, Fresno, CA

Trailer Lot - 2615 East Dorothy Ave, Fresno, CA

Trailer Lot - 2885 S East Ave, Fresno, CA 93725 and was performed on December 8 & 9, 2015.

The Electronic Recyclers International (ERI) facility located at 3901 150th Avenue Court East, Ste. 200 Sumner WA 98390 and was performed on February 1 & 2, 2016.

The facilities are well run and operating efficiently. Employees demonstrated proficiency in their job duties and the management system in general. The ERI staff demonstrated strong commitment to the management systems and the overall QEHS performance of the company.

Audit Summary

The following is a summary of a comprehensive review for compliance of operations in response to the Washington State Department of Ecology Preferred Performance Standards for Direct Processors of Electronics Processors - WAC 173-9000.

1. Responsible Management Priorities – Facility Maintains Compliance with Standards

Inherent in the ISO 14001, OSHAS 18001, R2:2013 and e-Stewards V2 Standards, which is what this company utilizes as an EHSMS, is the continuous improvement of operations through management and operation's evaluations.

2. Legal Requirements – Facility Maintains Compliance with Standards

Both facilities use Regscan, a subscription service that identifies local, state, federal and international regulations. An external audit of compliance is completed every two years by a third party. Internal audits are completed annually and the certification bodies do an annual surveillance audit as well.

At the WA facility material continues to be managed under Fed UW regulations (WA) and CA DTSC regulations. At the CA facility material is managed to UW and CA DTSC requirements. The company agrees to be completely transparent with the WM DOE in regards to non-compliant events. This is added to the Legal and Other Requirements register at both facilities.

3. Environmental, Health, and Safety Management System EHSMS - Facility Maintains Compliance with Standards

In Washington and California, Electronics Recyclers International is certified to ISO 14001:2004 and OSHAS 18001:2007. These are internationally recognized standards of excellence in Environmental, Health and Safety Management Systems. The company wide EHSMS is audited and updated, as new procedures are implemented or as new materials is accepted. The EHSMS contains a diligent "Plan, Do, Check" component, which manages change and issues through constant management review. The system is 3rd party reviewed annually during surveillance audits required by these certifications.

4. Recordkeeping – Facility Maintains Compliance with Standards

Records are managed well as noted during the audits and all material downstream dispositions to final destinations were confirmed through the R2 and e-Steward audit certification processes, which also meet the WA DOE requirements. They are currently sending circuit boards to LS Nikko in South Korea and Umicore in Belgium. CRT glass from the WA site is sent to URT in Portland, OR and then to Camacho in Spain. Glass from the CA site is sent to Camacho, Spain. The material tracking database enables auditors as well as clients to track all tonnage and materials to final destination.

5. On-site requirements - Facility Maintains Compliance with Standards

The internal site auditors observed material handled according to regulations and using acceptable industry standards. Housekeeping and material management was on par to industry standards. Material is inventoried and moved quickly throughout and managed in a database to ensure that none is kept over 3 months. Facility scale in Washington has been calibrated and certified. The Fresno facility scales are certified. Materials of Concern are not stored outside and

the security is adequate with visitor sign in, perimeter fencing, CCTV and 24/7 security guards. Worker safety is protected through training, OSHA required safety programs and housekeeping practices. Risk assessments have been done for each job station and auditor can verify that the appropriate PPE is worn. The health and safety training is consistent with requirements for the operation and the facility. IH monitoring and medical reviews have been conducted. There is no change in this regard from the 12/12, 1/13, 1/14, 11/15 internal site audit reviews.

For the CA facility the internal auditor reviewed Industrial Hygiene Survey and concluded it was more than adequate to meet the standards and Cal and Fed OSHA requirements. Training logs, Job Hazard Analysis and training records were also reviewed as part of the OHSAS 18001 audit and confirmed to be more than adequate to meet the company obligations to protect worker health and safety.

At the WA facility a Certified Industrial Hygienist completed noise monitoring and air sampling for: mercury, cadmium, lead and beryllium at the hard drive punch area, and noise levels and fiberglass dust particulate near baler. The results indicated no exposures.

6. Materials of Concern - *Facility Maintains Compliance with Standards*

The CB auditors observed Materials of Concern (MOC) being handled in accordance with standards. A MOC flow chart is attached. The auditors verified that all downstream vendors for MOC's handle material according to the WA State DOE Standards. The CB auditor has reviewed the Authority of Consent to ship to Mexico. Comprehensive on site audits were reviewed by the CB auditor while on site and found to be well managed and detailed. ERI agrees to notify the WA State DOE of vendor changes for all MOC's and will build this into their EHSMS.

Material Of Concern	Recycling Process	EOL	End of life Destination Country
CRT Glass	It is removed from CEP and screen and metal gun removed.	Glass to tile manufacturing.	For processing: USA For final use: Spain
Circuit Boards	Boards are removed from CEP by manual separation. They are then sent to our Fresno facility for shredding.	Precious Metals Recovery	USA Belgium South Korea
Batteries	Removed manually and sorted by type	Metal Recovery	All types: USA
Other Materials	Recycling Process	EOL Process	Destination
Mercury devices	Removed manually managed as universal waste.	Mercury Recovery	USA
Steel	Removed manually sent to Fresno to be shredded.	Metal Recovery	USA
Plastics	Removed manually and baled.	Plastics Recovery	ASIA
Insulated Wire	Removed manually.	Metal Recovery	Belgium or Korea
Aluminum	Removed manually.	Metal Recovery	USA

7. Recycling - Facility Maintains Compliance with Standards

Materials managed to ANSI and OSHA standards - observed during the internal audit site visit. CA auditor observed dismantling and separation to the highest marketable levels. **(No change 11/15)**

8. Reuse - Facility Maintains Compliance with Standards

The Fresno facility has a security protected asset management area with DOD level hard drive wipes being conducted on all asset computers and laptops. The WA facility has a security protected asset management area with DOD level hard drive wipes being conducted on all asset laptops – software is Blanco. At the ERI WA facility there is testing and EOL management depending on test results. **(No Change 11/15)**

9. Disposal of Residuals - Facility Maintains Compliance with Standards

Facility waste management follows state and federal guidelines as observed by the certification auditors. No materials of concern go to non-HW landfills or incineration. Site waste is managed and separated to minimize material going to landfill and nothing from the recycling process goes to the landfill. Glass fines and the filters from the glass cutting and cleaning process is managed as a HW and sent to US Ecology for encapsulation, as is metal dust from bag houses. Wood pallets are recycled and used in energy recovery. **(No Change 11/15)**

10. Refurbishment - Facility Maintains Compliance with Standards

See reuse section.

11. Transport – Facility Maintains Compliance with Standards

All trucking is handled by outside contractors. Trucking into the State of CA is provided by WA State DOE certified transporters. Other trucking companies used by the facilities go through a transportation audit that includes 3 years of compliance certification, insurance requirements, ownership and company identification and annual vendor form updates. The auditor has reviewed the completed audits. **(No change here 11/15)**

12. Prison Labor – Facility Maintains Compliance with Standards

Electronics Recyclers International does not use prison labor.

13. Facility Access – Facility Maintains Compliance with Standards

Electronics Recyclers International allows WA State DOE full record and site access – auditor discussed with management team. **(No Change 11/15)**

14. Notification of Penalties and Violations – Facility Maintains Compliance with Standards

Electronics Recyclers International (ERI) agrees to notify the WA DOE within 30 days if they receive a Notices of Violation at any of the four facilities included in this audit. The facility has listed this requirement into the Legal and Other requirements to manage.

15. Due Diligence Downstream - Facility Maintains Compliance with Standards

Electronics Recyclers International has implemented comprehensive audit criteria for downstream vendor audits in order to assure that they are compliant with all applicable international, US, EU and WA State DOE Standards. All current vendors have been audited and the CB auditors reviewed the documents for completion and compliance with the R2 and e-Steward standards during the certification audits. ERI's audit protocol also includes the WA State DOE MOC's handling requirements as well. **(No change 11/15)**

16. Exporting – Facility Maintains Compliance with Standards

As confirmed during the R2 and e-Steward certification audits, ERI is in compliance with WA DOE and FED EPA standards as the final destination for the CRT glass is Camacho in Spain, an OECD country that allows clean, separated CRT glass into the country as a commodity for recycling. Circuit Boards are sent to LS Nikko in South Korea and Umicore Precious Metals in Hoboken, Belgium and the facility has audits of these facilities on file, which were reviewed by the CB auditors during the certification audits. (

17. Insurance - Facility Maintains Compliance with Standards

Electronics Recyclers International, Inc. maintains more than adequate insurance to cover their employees, operations and pollution liability. The CB auditor has reviewed the coverage. **(No change 11/15)**

18. Closure EHSMS and Financial Responsibility - Facility Maintains Compliance with Standards

As noted during the certification audits:

- Reviewed closure plan. Plan was created in 03/2012 and is reviewed yearly and includes closure cost estimate, a full decontamination process (performed by a contractor), and removal of waste resulting from the decontamination process, a confirmation plan, and remediation. Money is held in an ERA Operating Account to cover the costs of the closure process. This account contains enough funds to cover the California and Washington locations. **(No change 11/15)**

19. Facility Security - Facility Maintains Compliance with Standards

Electronics Recyclers International's warehouses are managed by a security firm 24/7. CCTV monitors all operations. The CA facility is perimeter fenced. The CA facility has 39 cameras in the EOL building and 40 cameras in the shredder building. Additional facility security includes metal detectors; EOL & Shredder buildings have an onsite guard, card access proxy readers, random car checks, and hand scanners. At the WA facility there are 6 CCTV cameras on DVR – tapes are kept 90 days, there are inside glass break sensors and doors locks monitored by Broadview – the security cage/asset management cage is monitored with a card access proxy reader. **(No change 11/15)**

Findings

ERI's third party internal auditor, Bob Delich noted the following Non-Conformances during the February 1, 2016 internal audit at the Auburn, WA facility:

Non-Conformances

NC-01 The Dismantling area had several walking areas with Gaylords that were blocking egress.

NC-02 Fire extinguisher signs were not visible or were not posted for several fire extinguishers.

Areas of Concern

AOC-01 The Financial assurance record, which is covered by a \$30,000 Irrevocable Line of Credit from Comerica Bank, was not signed. Signed copy was sent to Washington State Department of Ecology.

AOC-02 The Facility Security Program for all sites dated 11/19/2015 needs to be updated. The Sumner site came online in December of 2015, and is in the process of implementing the security program.

For the CA Fresno facility the auditor noted the following Non-Conformances during the onsite audit conducted December 8 and 9, 2015:

NC-01 At the time of the audit there was no record of the CRT equipment annual inspection.

AOC-01 The communication boards in the lunchroom and glass building were not organized.

- Auditor viewed a Plant Safety Policy dated 06-19-15 in the lunchroom and a Plant Safety Policy dated 1-13-11.
- Auditor viewed the Objectives and Targets for 2013 posted in the lunchroom.
- Several documents were on top of other documents making them hard to view.
- There was a refrigerator blocking the view of required posters.

AOC-02 The Approved Downstream Vendor list is no longer used and should be replaced with the downstream vendor flow chart in the management system.

AOC-03 Unauthorized Waste log shows that there is still some Unauthorized Waste from March 2015 that is "waiting for pick up".

Electronic Recyclers International, Inc. is a well-managed company with a commitment of working towards excellence in their operations and transparency and compliance with all regulatory bodies. The management team shows a strong commitment to the principles of the EHSMS and have designated above average resources to this purpose. In all of the company operations, as well as document review, complete transparency was observed on behalf of the organization to the auditor.

These non-conformances were self-identified and will be managed through the CAPA system inherent in the ISO procedures and that none of the non-conformances were major. The system requires that the non-conformances be addressed with a Corrective Action Plan to prevent recurrence. All of these issues will have been managed before the facility surveillance audits scheduled for May 2016.

Auditor Qualifications

The auditor is certified by the State of WA DOE to perform this audit. Kelley Keogh is the Co-Founder/Managing Director of Greeneye Partners, LLC., for whom Bob Delich works. Their main body of work is in the electronics processing and recycling fields. The State of Washington's DOE maintains the auditor qualifications on file.

**CONTRACT FOR DIRECT PROCESSING SERVICES 2016
BETWEEN THE
WASHINGTON MATERIALS MANAGEMENT AND FINANCING AUTHORITY
AND**

This Contract for Processing Services ("Contract") is made and entered into by and between the Washington Materials Management and Financing Authority, hereinafter referred to as the "AUTHORITY," and the below-named firm, hereinafter referred to as "CONTRACTOR."

CONTRACTOR Name: Electronic Recyclers International, Inc. Washington
Address: 3901 150th Avenue Court East

City, State & Zip Code: Sumner, WA 98390
Phone: 559-442-3968
E-mail Address: ablum@electronicrecyclers.com
Washington State UBI No.: 602848416
Federal ID No.: 263019250

SECTION 1: SERVICES

1.1 Scope of Work. CONTRACTOR agrees to provide services and staff, and otherwise do all things necessary for or incidental to processing covered electronic products (or "CEPs") provided by the AUTHORITY or an authorized representative. This Contract is not a guarantee of Work or any level of Work during the term hereof. The AUTHORITY reserves the right to procure services from any qualified CONTRACTOR on the basis of the price, quality and convenience of services provided. The scope of this Agreement shall be interpreted to be consistent with applicable law, now and during the term of this CONTRACT.

1.2 Definitions.

1.2.1 Collector. The term "collector" means an entity that is licensed to do business in Washington state and that gathers unwanted covered electronic products from households, small businesses, school districts, small governments, and charities for the purpose of recycling and meets the registration and collector performance standard requirements set forth in WAC 173-900.

1.2.2 Covered Electronic Products. The term "covered electronic products" includes any one of the following four types of products that has been used in Washington state by any covered entity, regardless of original point of purchase: (a) any monitor having a viewable area greater than four inches when measured diagonally; (b) a desktop computer; (c) a laptop or portable computer; or (d) any video display device having a viewable area greater than four inches when measured diagonally including a portable DVD player, e-reader or tablet device.

The term "covered electronic products" does not include: (a) a motor vehicle or replacement parts for use in motor vehicles or aircraft, or any computer, computer monitor, or television that is contained within, and is not separate from, the motor vehicle or aircraft; (b) monitoring and control instruments or systems; (c) medical devices; (d) products including materials intended for use as ingredients in those products as defined in the federal Food, Drug, and Cosmetic Act (21 U.S.C. Sec. 301 et seq.) or the Virus-Serum-Toxin Act of 1913 (21 U.S.C. Sec. 151 et seq.), and regulations issued under those acts; (e) equipment used in the delivery of patient care in a health care setting; (f) a computer, computer monitor, or television that is contained within a clothes washer, clothes dryer, refrigerator, refrigerator and freezer, microwave

oven, conventional oven or range, dishwasher, room air conditioner, dehumidifier, or air purifier; automatic teller machines, vending machines or similar business transaction machines; or (g) hand-held portable voice or data devices used for commercial mobile services as defined in 47 U.S.C. Sec. 332 (d)(1).

1.2.3 Covered Entity. The term "covered entity" means any household, charity, school district, small business, or small government located in Washington state.

1.2.4 Direct Processor. The term "direct processor" means a processor contracted with a CEP recycling plan to provide processing services for the plan.

1.2.5 Processing Facility. The term "processing facility" means a facility where the processing of CEPs for a plan is conducted by a direct processor.

1.2.6 Processor. The term "processor" means an entity: (a) engaged in disassembling, dismantling, or shredding electronic products to recover materials contained in the electronic products and preparing those materials for reclaiming or reuse in new products in accordance with processing standards established by this chapter; and (b) that may salvage CEPs, components, and parts to be used in new products.

1.2.7 Processing. The term "processing" means disassembling, dismantling, or shredding electronic products to recover materials contained in the CEPs received from registered collectors or transporters and preparing those materials for reclaiming or reuse in accordance with the performance standards for direct processors set forth in this Contract.

1.2.8 Transporter. The term "transporter" means an entity that transports covered electronic products from collection sites or services to processors or other locations for the purpose of recycling, but does not include any entity or person that hauls their own unwanted electronic products.

SECTION 2: PERIOD OF PERFORMANCE

The period of performance under this Contract will be from January 1, 2016, through December 31, 2016. The AUTHORITY shall have the option of renewing the Contract for additional annual periods.

SECTION 3: RECEIPT OR DELIVERY OF COVERED ELECTRONIC PRODUCTS

3.1 Delivery. The AUTHORITY shall deliver covered electronic products to CONTRACTOR at those times and places, in those quantities, and in the manner agreed to by AUTHORITY and CONTRACTOR. CONTRACTOR's receipt of covered electronic products at its processing facilities and CONTRACTOR's taking of possession and control of covered electronic products at the point of delivery shall constitute acceptance of covered electronic products for the purpose of processing.

3.2 Examination of Materials. The AUTHORITY shall permit CONTRACTOR reasonable access to delivered covered electronic products for purposes of examining and sampling prior to accepting the covered electronic products. CONTRACTOR shall accept conforming covered electronic products which have been tendered and delivered in conformance with this Contract.

3.3 Documents. For each delivery of covered electronic products to the CONTRACTOR, the AUTHORITY or its authorized representative shall provide CONTRACTOR those completed documents, shipping papers or manifests as are required for lawful transfer of the covered electronic products to CONTRACTOR at the point of delivery. Such documents shall meet applicable federal, state or local rules and regulations, including, but not limited to, the Electronic Products Recycling Act, RCW 70.95N, et seq., Hazardous Materials Transportation Act, 49 U.S.C. §§1801, et seq., as amended, the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq., as amended, and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901 et seq., as amended.

8.1 **Termination.** The AUTHORITY may, in its sole discretion, terminate the Contract, without incurring any termination charges or penalties to the AUTHORITY, by giving CONTRACTOR thirty (30) days' written notice of cancellation. The notice of termination shall specify the date when this Contract or services terminates. The AUTHORITY shall have no responsibility to CONTRACTOR for any services performed by CONTRACTOR after the effective termination date.

8.2 **Termination for Breach.** Either party may terminate this Contract or any services under this Contract upon five (5) days prior written notice if the other party (i) has breached any material provision of this Contract, including non-payment and/or improper partial payment of invoices; or (ii) has violated applicable federal, state, or local laws, ordinances, or regulations. The notice of termination shall specify the date when this Contract terminates and the reason for termination.

SECTION 9: CONTRACT MANAGEMENT

The Contract Manager designated below for each party shall be the contact person for all communications and billings regarding the performance of this Contract.

CONTRACTOR Contract Manager	AUTHORITY Contract Manager
Aaron Blum Chief Compliance Officer Electronic Recyclers International, Inc. P.O. Box 2428 Fresno, CA. 93745 O: 559-442-3988 C: 858-337-7363 Email: ablum@electronicrecyclers.com	John Friedrich, Executive Director Washington Materials Management and Financing Authority 116 N. Oakes Ave. Ste B Cle Elum, WA 98992 Phone (509) 674-5871 Fax: (509)-674-5350 Cell: (360) 442-1106 E-mail: info@wmmfa.net or jfriedrick@wmmfa.net

SECTION 10: NOTICE

Except where otherwise expressly authorized, notice shall be by fax, by first class certified or registered mail, or by commercial delivery service issuing a receipt for delivery and addressed as set forth above, unless changed in writing by the party to whom the notice is being sent. Notice shall be effective upon delivery.

SECTION 11: INDEMNIFICATION

To the fullest extent permitted by law, CONTRACTOR shall indemnify, defend, and hold harmless the AUTHORITY, the State, agencies of State and all officials, agents and employees of State from all liability of any nature or kind, including costs, expenses, and attorney's fees, for all actions or claims, losses, personal injuries or property damages sustained by any person or property, resulting from or arising out of, directly or indirectly, any error, omission, or negligent or wrongful acts of CONTRACTOR, or any SUBCONTRACTOR, employee, agent, or representative of CONTRACTOR or anyone directly or indirectly employed by them, in the performance of this Contract.

CONTRACTOR expressly agrees to indemnify, defend, and hold harmless the AUTHORITY and State for any claim, expense, fee or penalty arising out of or incident to CONTRACTOR's or any subcontractor's performance or failure to perform the Contract. CONTRACTOR's obligation to indemnify, defend, and hold harmless the State shall not be eliminated or reduced by any actual or alleged concurrent negligence of State or its agents, agencies, employees and officials.

CONTRACTOR waives its immunity under Title 51 RCW to the extent it is required to indemnify, defend and hold harmless State and its agencies, officials, agents or employees.

THIS CONTRACT is executed by the persons signing below, who warrant they have the authority to execute the Contract.

CONTRACTOR

Washington Materials Management and Financing Authority

ARL
Signature
Chief Compliance Officer 12/22/15
Title Date

[Signature]
Signature
EXEC. DIRECTOR 12/28/15
Title Date