State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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April 21, 2008

John Johnson – Plant Manager
Phillips Medical – New Richmond
705 Wisconsin Dr.
New Richmond, WI 54017

Subject: Acceptance Letter for Tier 1 of Green Tier

Dear Mr. Johnson:

Congratulations! Following a 30 day public comment period, the Wisconsin Department of Natural Resources (DNR) has approved your application as a participant in Green Tier. This letter of acceptance covers the Phillips Medical – New Richmond facility, located in New Richmond, Wisconsin, and the activities outlined by your application. This letter is issued in accordance with the Environmental Results Program Act as authorized by Wisconsin Statute section 299.83, effective May 1, 2004, when 2003 Wisconsin Act 276, commonly referred to as the "Green Tier Law", was signed into law.

This letter of acceptance recognizes your previous achievements in environmental management and your future projects and goals as described in your application (see attached). Your participation in the Green Tier program reflects your commitment to improving Wisconsin's environment through superior environmental performance. This letter serves as an acceptance of the commitments your facility agreed to in your application. Should circumstances arise that may prevent the fulfillment of these commitments, please notify us.

By entering the Green Tier Program, you have agreed to develop and pursue goals to improve your environmental performance beyond compliance while utilizing an Environmental Management System (EMS). The Department recognizes that you have fulfilled the requirement of implementing an EMS and that the system is currently registered to the ISO 14001 standards. You have also committed to perform an annual audit of your EMS, with every third audit performed by an outside environmental auditor approved by the department.

As a part of your commitments, you have agreed to submit, to the DNR, an annual report regarding your participation in the program. These reports should provide an update of your current objectives and targets, as well as discuss any measured progress made toward those objectives and targets stated in your EMS or on your application. You should also present the results of your annual EMS audit, describing any non-conformances discovered by it and identifying actions taken or proposed to correct them. As we discussed your first report will be submitted no later than March 15 of each year.

We also ask that you consider addressing the attached list of generic environmental indicators in your annual report, especially those related to the objectives and targets established in your application for the New Richmond facility. This additional reporting is completely voluntary, but it can help to quantify your successes beyond those explicitly outlined in your application or

EMS. This information will also help document the overall successes of the Green Tier program.

Our experiences have shown that organizations realize significant benefits from working regularly with an external group of interested stakeholders. As your participation in Green Tier matures, we would encourage you to consider collaborating with the department to develop such a group. We also ask that you describe this or any other communications with concerned entities in your annual report.

In recognition of Phillips Plastics' diligent environmental stewardship as a Green Tier participant, you are entitled to Deferred Civil Enforcement as described in Wisconsin Statute section 299.83(6m)(d). In brief, if you discover either a non-conformance with your EMS or a violation of an existing environmental requirement, provide us notice of your discovery along with a corrective action plan that conforms to the requirements in the statute. DNR will not seek to impose penalties on Phillips Medical – New Richmond facility for the non-conformance or violation provided the facility successfully implements the corrective action plan in a timely manner. Please note that nothing in this acceptance letter replaces any obligation that you have to report and correct any violations of law or regulation.

In addition, this letter authorizes your use of the Green Tier logo on written materials related to your facility. Please see the attached guidelines for further information regarding the use of the logo. Furthermore, you will receive a certificate that recognizes Phillips Medical – New Richmond participation in Green Tier. The department has committed to annually celebrating your participation in the program through a press release, and will publicize Phillips Medical – New Richmond as a Green Tier participant on the DNR website.

Finally, ~~Mark Harings~~ has been assigned as your single point of contact. ~~He can be reached at 715-831-3263 or at Mark.Harings@wisconsin.gov.~~ Please contact ~~Mark~~ with any questions concerning communications with the department, approvals you may be required to obtain, or for any technical assistance you need. UPDATE: Gina Keenan is Phillips-Medisize's SPOC. Phone: 715-839-3765 Email: Gina.Keenan@wisconsin.gov

I want to welcome you as a Tier 1 participant in Green Tier and encourage you to work toward Tier 2 status in the future.

Sincerely,

/s/ Matthew Frank

Matthew J. Frank, Secretary
Wisconsin Department of Natural Resources

Attachments:
- Tier 1 Application
- Certificate of Recognition
- Environmental Results Program Logo
- Functional Equivalency Guidance
- Generic Suite of Green Tier Indicators

Proving EMS Functional Equivalency

Draft Final Guidance

Environmental Management Systems (EMS) are the foundation for Green Tier participation. Participants are expected to utilize an EMS that either meets the requirements of the ISO 14001:2004 standard or has been determined to be functionally equivalent to an ISO 14001 EMS. If an applicant has an ISO 14001 EMS, conformance to this requirement can be demonstrated by providing an ISO 14001 certificate of registration issued by a certification body that has been accredited by an International Accreditation Forum (IAF) member. If an applicant has a functionally equivalent EMS, they shall choose one of the options below.

For Tier 1:

At the time of application to the Green Tier program, if a Tier 1 applicant has an EMS in place that is not an ISO 14001 EMS, it shall document that its EMS is functionally equivalent under either Option A or Option B below. If the applicant does not have an EMS in place at the time of application, it will need to develop an EMS within one year from the date of application to the program, and either submit a certificate of registration under the ISO 14001 standard or document that their EMS is functionally equivalent under either Option A or B below. It is important to understand that in order to demonstrate functional equivalence, a Green Tier participant must demonstrate both "equivalency", meaning that each component of an environmental management system is present, and also "functionality", meaning that each component of the system is actually being implemented. For instance, an audit procedure must exist (the equivalency piece), and the EMS must, in fact, have been audited (the functional piece).

Wis.Stats. §299.83(1)(dg)

(dg) "Functionally equivalent environmental management system" means an environmental management
system that includes all of the following elements and any other elements that the department determines are essential elements of International Organization for Standardization standard 14001:

1. Adoption of an **environmental policy** that includes a commitment to compliance with environmental requirements, pollution prevention, and continual improvement in environmental performance.
2. An analysis of the **environmental aspects and impacts** of an entity's activities.
3. Plans and procedures to achieve **compliance** with environmental requirements and to maintain that compliance.
4. Identification of all **environmental requirements** applicable to the entity.
5. A process **for setting environmental objectives** and **developing appropriate action plans** to meet the objectives.
6. Establishment of a structure for **operational control** and responsibility for environmental performance.
7. An employee **training program** to develop awareness of and competence to manage environmental issues.
8. A plan for taking actions to prevent environmental problems and for taking **emergency response** and **corrective actions** when environmental problems occur.
9. A **communication plan** for collaboration with employees, the public, and the department on the design
of projects and activities to achieve continuous improvement in environmental performance.
10. Procedures for **control of documents** and for keeping records related to environmental performance.
11. Environmental management system **audits**.
12. A plan for **continually improving environmental performance** and provision for senior **management review** of the plan.

Tier 1 – Option A:

The applicant provides documentation that the components in its EMS satisfy each of the 12 components identified under Wis.Stats. §299.83(1)(dg) (see box). The applicant documents both equivalency and functionality and has the responsibility for supplying evidence that demonstrates conformance to each requirement. All of the documentation supplied under this option will be a matter of public record and may be put on the DNR web site. The

documentation is to be accompanied by a declaration from the senior manager that signed the Green Tier application. This declaration shall include the following, *"I have reviewed the information provided. I find that the information provided conforms to each of the 12 requirements in Wis.Stats. §299.83(1)(dg) as a functionally equivalent environmental management system."*

Tier 1 – Option B:
The applicant shall submit to an outside environmental auditor (see DNR guidance on auditor qualifications) evidence that their EMS conforms to the 12 components identified in the statute. The auditor will then submit to the DNR a declaration that they have examined the evidence provided by the applicant and that the EMS has procedures that satisfy each of the 12 components, and that the procedures for each of the 12 components are in deed being implemented. This declaration shall include the following: *"I have reviewed the information submitted by the participant, and as an outside environmental auditor, I find that the information provided conforms to each of the 12 requirements in Wis.Stats. §299.83(1)(dg) as a functionally equivalent environmental management system."* All of the documentation supplied under this option will be a matter of public record and may be put on the DNR web site.

For Tier 2:
At the time of application to the Green Tier program, if a Tier 2 applicant has an EMS in place that is not an ISO 14001 EMS, they shall document that their EMS is functionally equivalent under either Option A or Option B below.

Tier 2 – Option A:
The applicant provides documentation that its EMS is both equivalent and functional so that each of the 12 components identified under Wis.Stats. §299.83(1)(dg) (see box) are satisfied. The applicant is responsible for demonstrating how its system satisfies each of the twelve components of the statute, and for documenting the effectiveness of its system. Baseline information must be provided, along with at least one year of additional results to indicate effectiveness and performance. All of the documentation supplied under this option will be a matter of public record and may be put on the DNR web site. The documentation is to be accompanied by a declaration from the senior manager that signed the Green Tier application. This declaration shall include the following, *"I have reviewed the information provided. I find that the information provided conforms to each of the 12 requirements in Wis.Stats. §299.83(1)(dg) as a functionally equivalent environmental management system."*

Tier 2 – Option B:
Prior to submitting an application, the applicant shall provide evidence to an outside environmental auditor (§299.83(9)(1)(dr) and §299.83(7m) (see box and DNR guidance on auditors) that their EMS conforms to the 12 components identified in §299.83(1)(dg) (see above). The outside environmental auditor shall review the evidence submitted and evidence of the effectiveness of the EMS and certify that each of the 12 components are satisfied. This certification should accompany the application, and will become part of the public record and may be included on the DNR's Green Tier web site. This certification shall be signed by the outside environmental auditor and shall include the following: *"I have reviewed the information submitted by the participant, and as an outside environmental auditor, I find that the EMS conforms to each of the 12 requirements in 299.83(1)(dg) as a functionally equivalent environmental management system."*

Wis.Stats. §299.83(9)(1)(dr)
§299.83(9)(1)(dr) "Outside environmental auditor" means an auditor who is functionally or administratively independent of the facility or activity being audited, but who may be employed by the entity that owns the facility being audited or that owns the unit that conducts the activity being audited.

Wis.Stats. §299.83(7m)
§299.83(7m) ENVIRONMENTAL AUDITORS. The department may not approve an outside environmental auditor for the purposes of sub. (3) (d) 4. or (5) (c) 2. unless the outside environmental auditor is certified by the Registrar Accreditation Board or meets criteria concerning education, training, experience, and performance that are equal to the criteria in International Organization for Standardization guidance 19011.

Upon receipt of a certification of functional equivalency for either a Tier 1 or a Tier 2 application,, the DNR project manager shall review the certification and determine whether the environmental management system is a functionally equivalent environmental management system.

The following Indicators are proposed for all Green Tier participants. In addition to this Generic List, it is expected that other indicators/metrics will come out of your Environmental Management System and would be used to document accomplishments. This Generic List is meant to help Phillips Plastics Corporation – Phillips Medical – New Richmond and the DNR document the relative success of the program.

Environmental Indicators

Some of the environmental indicators are already provided to the DNR. You would not be asked to report this information again if you have already reported it.

1.1 Water
1.1.1 Total water use
1.1.2 Total amount of phosphorous released into water
1.1.3 Total waste water produced

1.2 Air Emissions
1.2.1 Total greenhouse gas emissions
1.2.2 Total emissions of ozone-depleting substances
1.2.3 Total air emissions

1.3 Waste
1.3.1 Total solid waste produced
1.3.2 Total percentage of material ending up as waste
1.3.3 Amount/percentage of waste that is hazardous
1.3.4 Amount of mercury lost or released into the environment
1.3.5 Amount/percentage of waste recycled

1.4 Energy
1.4.1 Total energy used, listed by source
1.4.2 Amount/percentage of energy from renewable resources

1.5 Transportation
1.5.1 Total fuel consumption
1.5.2 Amount/percentage of vehicles using alternative fuels

1.6 Spills
1.6.1 Number of spills
1.6.2 Total amount of hazardous substances released due to spills

1.7 Land Use
1.7.1 Total amount of land owned and percentage that is permeable (not paved or covered)

1.8 TRI
1.8.1 Total TRI emissions

Economic Metrics

2.1 Total sales – revenue brought in from annual sales before subtracting any costs.

2.2 Profit or loss – Quantify the profit or loss during the most recent fiscal year

2.3 Workforce changes – number of people employed, and the change over the previous year (using Jan 31 as the baseline date)

Social Metrics

3.1 Amount provided to support alternative transportation options for employees

3.2 Income inequality – the multiple between lowest paid employee and highest paid employee

3.3 Percent of purchases made from companies in the state