

Annual Review of Scorecard Environmental Business Objectives for 2016

In 2016 three top level environmental objectives were identified as drivers for the company's management systems covering Environmental issues. These were:

- **Regulatory Compliance: No environmental breaches in 2016**
- **Scrap/waste reduction: <2.5% cost of production**
- **Energy reduction: 5% electricity use reduction in comparison with 2015 (KwH of electricity used/Ah of the blocs through formation.**

The scrap/waste reduction target was met with only two months, October and November being above target. This means that the amount of waste being sent off site for reprocessing/disposal has decreased. The vast majority of the waste from on-site processes is sent for smelting at Envirowales and is therefore recycled.

The electricity reduction target was met consistently from June through to January. This metric is measured in comparison to the Ah size of the number of batteries manufactured.

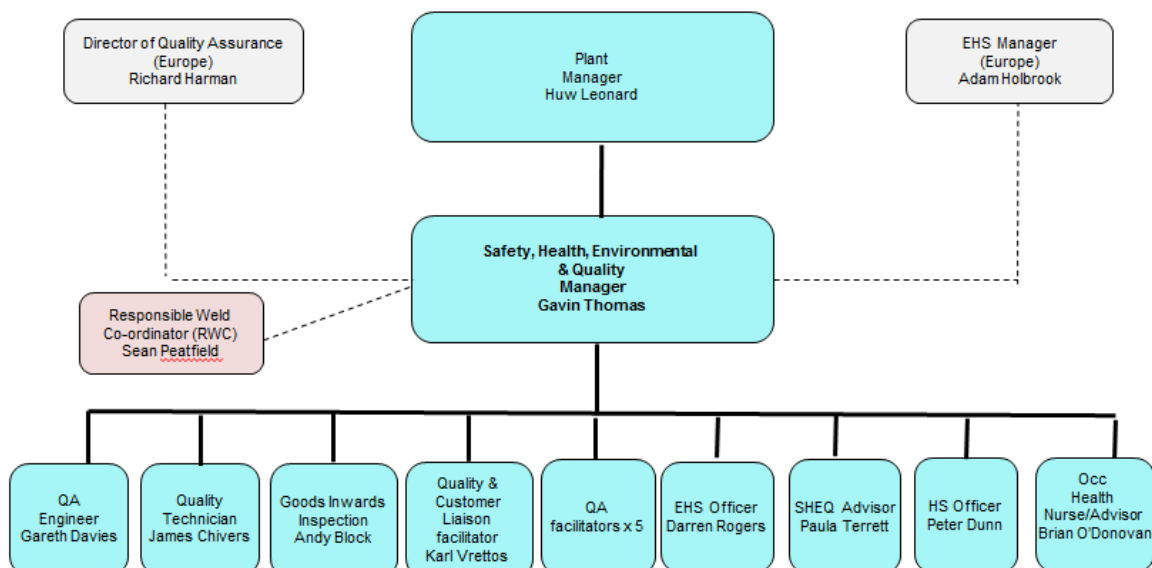
Two stack air emission breaches one on stack A4 and one on Mill (stack) A3 has resulted in the regulatory target of no breaches being missed. Both were reported to the Regulator and corrective actions taken.

Annual Review of Environmental Issues 2016

1. **Environment, Health and Safety Department Roles, Responsibilities, Structure and Resource**

The EHS department merger with Quality was completed at the start of 2016. Cross functional training has taken place for numerous employees to upskill them in the new disciplines they are now involved in. The graduate placement via Go Wales ended in 2016 with a replacement coming from inside the Company. Structure as below:

Safety, Health, Environmental & Quality



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As of December 31st 2016 there were 420 EnerSys employees across the Stephenson St and Nashmead sites. An upturn in Production volumes towards year end means that site is now running a four shift hybrid pattern across the majority of Production areas with battery manufacture volumes increasing to an average of 14000 per week.

2. **Training** – A large amount of Environmental training took place in 2015, so the focus in 2016 was geared to Quality and H&S. However, training on ISO14001:2015 transition has taken place together with legal change and update briefings twice in the year. The new SHE Officer will attend Foundation IEMA training in March 2017. The SHEQ Advisor attends IEMA Wales meetings, best practice visits and webinars.

New starters receive environmental training as part of their induction. This is currently delivered via a VOCAM Environmental Awareness video with question and answer sessions followed by more localised knowledge regarding waste separation, energy reduction and resource management when they reach their place of work.

3. **Communication** We have not made or received any complaints during 2016. Communication on an informal basis between EnerSys and our direct neighbour Tradebe continues to be in place.

Environmental communication within the Company is undertaken at a number of levels.

- On Newport site an Environmental Powerpoint Report is issued monthly which is displayed on all noticeboards for employees to read.
- The report is also presented at the monthly EHS Plant Meetings which are attended by operators from all over site and by Senior Management.
- Environmental matters are discussed at Sub Committee meetings that take place in all Departments. Any issues that cannot be resolved in a Sub Committee meeting are fed upstream to the Plant Meeting.
- Review of EMS effectiveness takes place annually in March.
- Reporting from Newport site up to EnerSys Group (EMEA) and EnerSys Head Office (USA) also takes place monthly.
- EnerSys EMEA conference calls between the factories take place every month and an annual meeting is held in changing factory venues to discuss joint ventures, best practice and changing requirements.

4. **Changing Circumstances – legal, business, ISO etc**

Business has improved over 2016 with the factory now manufacturing on average 14,000 batteries per week. This has resulted in extra staff being employed and the headcount is now circa 420.

As new projects come on line in 2017 it is key for SHEQ involvement to be included from the start of the project as safety, health, environment and quality factors need to be considered.

Transition to the new ISO14001:2015 standard will be completed by September 2018. The annual ISO 14001 audit in September 2017 will be completed by a new team who will provide a gap analysis to highlight areas for improvement prior to the transition audit in 2018.

The five areas of the standard that are changing are:

- Context – determine the issues and the interested parties that could impact or affect the ability of the business to achieve its intended environmental performance. Determine the needs and expectations of the interested parties.
- Leadership – Top management must embed the environment within the strategic thinking of the business and be accountable for results. Environment cannot be an 'add on' – must be intrinsic. The role of a management representative has been removed.
- Risk based thinking – determine the risks and opportunities facing the business that could impact on the ability of the business to meet its environmental objectives and take actions to prevent negative effects.
- Communication with all stakeholders –employees, neighbours, regulators, customers.

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- Life Cycle Thinking – consider the whole business chain not just manufacturing. All elements of the business that are part of the Newport site scope need to have been considered. This will include product design and supply chain.

Company conformance with legal changes is carried out annually by a legal review completed by external consultants. This is completed annually with the next in May 2017. Three minor non-conformances and five improvement opportunities were raised. There were no major non conformities. The approach of using external consultants to complete the review has been adopted for Environmental over the last five years and has proved very beneficial in driving environmental improvements on site. Because of this the scope of the review has now been widened to also cover Health and Safety.

5. **EHS Sub-Committee Performance** – The plant EHS committee met on eight occasions in 2016. The sub committees in all the Departments meet monthly and feed the issues they are unable to resolve up to the Plant Meetings.

The sub-committees complete a fortnightly walk inspection using a high level audit sheet that covers 30 areas of EHS. The senior management team also complete audits in each area using the same format. The results of the two poorest scoring high level audits are discussed at the plant meeting. The target score for all audits is 90% or above.

6. **Non Conformance**

ISO Audit Actions – An ISO14001 (Environmental) audit was completed in September 2016. In summary the auditors raised four category 3 findings (observations) and one category 2 finding (minor non-conformance). No major non-conformances were raised.

The next audit in September 2017 will be the last one carried out against the 2008 standard although a gap analysis against the 2015 version will be completed. We will then have a list of actions necessary to comply with the new requirements and a further year to close them out.

One minor non-conformance was raised against the MCERTS SIRA system for discharge of effluent to sewer. The next audit from SIRA will be in October 2016 to check that the minor non-conformance has been closed out.

Air Emissions – The annual ambient lead in air for the downstream monitor of the site over 2016 was 0.10ug/m³ - well within the consent limit of 0.25ug/m³. The upstream monitor measured an average of 0.04ug/m³ over 2016. Both results are lower than those reported in 2015.

There were two breaches in 2016 from stack emissions. The first breach occurred in July on stack A4 and the second in November on stack A3. All of the information was reported to the regulator Natural Resources Wales (NRW) on a Schedule 1 Notification who accepted the corrective actions that had been put in place.

Emissions to Sewer and Controlled Waters – There were no emissions to controlled waters (reen) or Dwr Cymru sewer that were outside of consent limits. All of Welsh Waters separate effluent sample testing were also within consent limits.

Groundwater and Soil Sampling – Testing was completed in April and December 2016. The results showed that lead levels above the European Quality Standard of 25ug/l in groundwater were found in only three boreholes situated at the rear of the site where lead manufacturing has been ongoing since the site was established in 1953. Groundwater testing across site is completed annually so will next be completed in April 2017 together with soil sampling. (This is in line with the requirements of the Industrial Emissions Directive that soil sampling is done every ten years.) The results will be submitted to NRW by June 30th 2017.

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NRW sent us a Regulation 60 notice at the end of July 2016. This required us to assess our performance against the BAT conclusions for the non-ferrous metals industries. The assessment has been completed and submitted together with a permit variation that also rolls up minor process changes. EnerSys is currently waiting for the draft decision document and draft permit to be written by the Permitting Team at NRW and for it to be returned to us for comment and discussion. The new permit with associated testing requirements for lead and particulate from the stacks and effluent and surface water testing is expected in March/April.

The key area for improvement is control of fugitive emissions of lead in Metallics, Assembly, Maintenance and Waste Management areas. Massive progress has been made on this in recent years but in 2017 projects will commence in each of these areas focussing on further opportunities for reducing fugitive emissions of lead to escape into the environment. These will be recorded as individual improvement projects for the areas involved.

8. Improvement Projects – Eleven new projects were raised in 2016. These covered a range of SHEQ areas but for environmental specifically included chemical inventory reduction, BAT Conclusion Review and energy reduction projects such as the introduction of LED lighting, high efficiency oven burners and variable speed drives. A new contract was signed with Energy Consultants RUMM at the end of 2016 and will run to the end of 2019.**9. Environmental opportunities for improvement in 2017 are:**

- No environmental compliance issues – zero breaches in 2017.
- Implement new emissions monitoring in line with new permit requirements following the Regulation 60 notice from NRW.
- 14001:2015 Audit September 2017. Gap analysis with transition to new requirements.
- Fugitive emissions reduction across site to improve conformance with BAT Conclusions 5 and 6.
- Energy reduction projects – Engineering projects across both sites and employee energy behaviour training.
- Resource use, waste hierarchy and lean – lead should only be seen within the product and as raw materials. If it is present in other forms must challenge and ask why? Beneficial from environmental, health and safety and business perspectives.

2017 Environmental business objectives will be set in the March annual review meeting ready for the new financial year which commences in April.

Paula Terrett
February 28th 2017