

NSF International Forestry Program Public Summary Audit Report

SFI Fiber Sourcing

The SFI Program of KapStone Kraft Paper Corporation of Northbrook, IL has demonstrated conformance with the SFI 2015-2019 Standard and Rules®, Section 3 – Fiber Sourcing Standard, according to the NSF certification process.

NSF initially certified KapStone Kraft Paper Corporation to the SFIS on April 30, 2009 and recertified them in 2012 and in 2015. This report describes the next Surveillance Audit designed to focus on changes in the standard, changes in operations, the management review system, and efforts at continuous improvement. This audit included a detailed review of all of the applicable SFI requirements.

KapStone operates the Longview Paper Mill, Charleston Paper Mill, Roanoke Rapids Paper Mill, Summerville Lumber Mill and chip mills at Andrews, Elgin, Hampton, Kinards, and Canadys, SC. Sources of fiber in the Pacific Northwest include conifer chips, hardwood chips, sawdust, and OCC/DLK. Fiber is procured through open market transactions. For the mills in the Southeastern US, fiber is procured through direct purchase from landowners and from open market suppliers and originates in South Carolina, Georgia, North Carolina, and Virginia. Southern pine and hardwoods are used at the Charleston Paper Mill, while the Roanoke Rapids Paper Mill and Summerville Lumber Mill only use Southern yellow pine. KapStone employs a staff of procurement foresters and personnel to procure fiber directly from landowners and also open market suppliers. KapStone's SFI Program is managed by Eric W. Smith, Forest Certification Manager.

The audit was performed by NSF on April 11-15, 2016 by an audit team headed by Tucker Watts, Lead Auditor. Audit team members fulfill the qualification criteria for conducting audits contained in SFI 2015-2019 Standards and Rules, Section 9 - Procedures and Auditor Qualifications and Accreditation.

The scope of the SFIS Audit included the SFI program of KapStone Kraft Paper Corporation's procurement operations supplying timber and wood fiber to its manufacturing facilities. Procurement operations occurring in the past 12 months were reviewed to ensure that SFI Procurement Standards were met, in addition to SFI obligations to promote sustainable forestry practices, to seek legal compliance, and to incorporate continual improvement systems were within the scope of the audit.

Several of the SFI Section 3 requirements were outside of the scope of KapStone Kraft Paper Corporation's SFI program and were excluded from the scope of the Audit as follows:

- Indicator 5.1.2 - KapStone Kraft Paper Corporation does not support or conduct research on genetically engineered trees.
- Indicator 6.2.3 - South Carolina, North Carolina, Virginia, Oregon, Washington, and Georgia do not have a logger certification program.
- Objective 8 - KapStone Kraft Paper Corporation does not have forest management responsibilities on public lands.
- Objectives 11 - 13 KapStone Kraft Paper Corporation does not purchase fiber outside Canada and the US

Audit Process

During the audit NSF reviewed a sample of the written documentation assembled to provide objective evidence of conformance. NSF also selected field sites for inspection based upon the risk of environmental impact, likelihood of occurrence, special features, and other criteria outlined in the NSF protocols. NSF selected and interviewed

stakeholders such as contract loggers, landowners and other interested parties, and interviewed employees within the organization to confirm that the SFI Standard was understood and actively implemented.

The possible findings of the audit included Full Conformance, Major Non-conformance, Minor Non-conformance, Opportunities for Improvement, and Practices that exceeded the Basic Requirements of the standard.

Overview of Audit Findings

KapStone Kraft Paper Corporation was found to be in conformance with the standard. NSF determined that there were no minor non-conformances.

No opportunities for improvement were identified.

The next Surveillance Audit is schedule for the week of April 10, 2017.

General Description of Evidence of Conformity

NSF's audit team used a variety of evidence to determine conformance. A general description of this evidence is provided below, organized by SFI Objective.

Objective 1 Biodiversity in Fiber Sourcing

To address the practice of *sustainable forestry* by conserving *biological diversity*.

Summary of Evidence: *Review of records, interviews with landowners and participation in the State SIC.*

Objective 2 Adherence to Best Management Practices

To broaden the practice of sustainable forestry through the use of best management practices to protect water quality.

Summary of Evidence: *The Company requires all direct logging contractors working on purchased stumpage tracts to complete an SFI recognized training program. Direct logging contractors are also contractually obligated to follow the State BMPs. Field observations did not identify any BMP issues.*

Objective 3 Use of Qualified Resource and Qualified Logging Professionals

To encourage forest landowners to utilize the services of *qualified logging professionals, certified logging professionals* (where available) and *qualified resource professionals*.

Summary of Evidence: *Training records of selected personnel, records associated with harvest sites audited, and landowner interviews were the key evidence for this objective.*

Objective 4 Legal and Regulatory Compliance

Compliance with applicable federal, provincial, state and local laws and regulations.

Summary of Evidence: *Field reviews of ongoing and completed operations were the most critical evidence. Regulatory organizations contacted included the State Forestry Commission.*

Objective 5 Forestry Research, Science, and Technology

To support forestry research, science, and technology, upon which sustainable forest management decisions are based.

Summary of Evidence: *Confirmed via review of records on file and interviews that the SFI team is aware of the effects of climate change of forest and wildlife and that the Company has funded forestry research.*

Objective 6 Training and Education

To improve the implementation of *sustainable forestry* practices through appropriate training and education programs.

Summary of Evidence: *Confirmed by the Company's financial and physical support of the State SIC and its development of education and logger training programs.*

Objective 7 Community Involvement and Landowner Outreach

To broaden the practice of *sustainable forestry* through public outreach, education, and involvement and to support the efforts of *SFI Implementation Committees*.

Summary of Evidence: *Confirmed by the Company's financial and physical support of the State SIC and its development of handouts for forest landowners.*

Objective 9 Communications and Public Reporting

To broaden the practice of sustainable forestry by documenting progress and opportunities for improvement.

Summary of Evidence: *Confirmed audit report was filed on time with SFI Inc. and that the Company maintains copies of previous reports.*

Objective 10 Management Review and Continual Improvement

To promote continual improvement in the practice of sustainable forestry, and to monitor, measure, and report performance in achieving the commitment to sustainable forestry.

Summary of Evidence: *The Company's SFI Team annually meets to review the Sustainable Forestry Policy and Procurement Program to evaluate their effectiveness and has a system for annually collecting, reviewing and reporting information addressing progress in achieving the SFI Standard.*

Relevance of Forestry Certification

Third-party certification provides assurance that forests are being managed under the principles of sustainable forestry, which are described in the Sustainable Forestry Initiative Standard as:

1. Sustainable Forestry

To practice *sustainable forestry* to meet the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates *reforestation* and the managing, growing, nurturing and harvesting of trees for useful products and *ecosystem services* such as the *conservation* of soil, air and water quality, carbon, *biological diversity*, *wildlife* and *aquatic habitats*, recreation and aesthetics.

2. Forest Productivity and Health

To provide for regeneration after harvest and maintain the productive capacity of the forest land base, and to protect and maintain *long-term* forest and soil *productivity*. In addition, to protect forests from economically or environmentally undesirable levels of wildfire, pests, diseases, *invasive exotic plants and animals* and other damaging agents and thus maintain and improve *long-term forest health* and *productivity*.

3. Protection of Water Resources

To protect water bodies and *riparian areas* and to conform with forestry *best management practices* to protect water quality.

4. Protection of Biological Diversity

To manage forests in ways that protect and promote *biological diversity*, including animal and plant species, *wildlife habitats*, and ecological or natural community types.

5. Aesthetics and Recreation

To manage the visual impacts of forest operations, and to provide recreational opportunities for the public.

6. Protection of Special Sites

To manage lands that are ecologically, geologically or *culturally important* in a manner that takes into account their unique qualities.

7. Responsible Fiber Sourcing Practices in North America

To use and promote among other forest landowners *sustainable forestry* practices that are both scientifically credible and economically, environmentally and socially responsible.

8. Legal Compliance

To comply with applicable federal, provincial, state, and local *forestry* and related environmental laws, statutes, and regulations.

9. Research

To support advances in sustainable forest management through *forestry* research, science and technology.

10. Training and Education

To improve the practice of *sustainable forestry* through training and education *programs*.

11. Community Involvement and Social Responsibility

To broaden the practice of *sustainable forestry* on all lands through community involvement, socially responsible practices, and through recognition and respect of *Indigenous Peoples'* rights and *traditional forest-related knowledge*.

12. Transparency

To broaden the understanding of forest certification to the *Fiber Sourcing* Standard by documenting certification audits and making the findings publicly available.

13. Continual Improvement

To continually improve the practice of forest management, and to monitor, measure and report performance in achieving the commitment to *sustainable forestry*.

14. Avoidance of *Controversial Sources* including *Illegal Logging* in Offshore *Fiber Sourcing*

To avoid wood fiber from *illegally logged* forests when procuring fiber outside of North America, and to avoid sourcing *fiber from countries without effective social laws*.

Source: Sustainable Forestry Initiative® (SFI) Standard, 2015-2019 Edition

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