



**BUREAU  
VERITAS**

**Bureau Veritas Certification  
North America, Inc.  
SFI Audit Report**

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PQC Code	E01E

Contract Number:	US.1505842	Certification Audit:	X Stage 2	Re-Certification Audit:		Surveillance: (Indicate visit # or Pre-Assessment)	
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**Audit Summary**

**Introduction**

A certification audit for SFI Fiber Sourcing certification was undertaken of Verso Paper's wood procurement systems. The audit was undertaken October 25 in Michigan and November 25-26 2013 in Maine by Brian Callaghan RPF CEA(SFM) a senior lead auditor with Bureau Veritas Certification. The audit was preceded by a successful Stage 1 audit and document review on October 24 at the Quinessec Michigan paper mill.

**Audit Scope, Objectives and Process**

*The scope of this audit is the procurement of wood pulp for Procurement of Wood Pulp for Paper Manufacturing; cover mills at Quinissec Michigan, Androscoggin Maine, and Bucksport Maine. The two primary objectives of the SFI audit were to verify that the Program Participant's SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and any additional indicators that the Program Participant chooses, and verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. The audit was conducted against the "The SFI Standard 2010-2014" covering Principles 8 -12, 14-17, 19, and 20. There was no substitution of indicators Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.*

**Audit Plan**

An audit plan was prepared and provided to the Company prior to the audit. The audit process included opening and closing meetings, document review and systems check. A copy of the audit plan is on file at Bureau Veritas Certification's offices in Houston Texas.

**Company Information**

The Verso Paper Corporation is a leading producer of coated papers, including coated groundwood and coated freesheet, supercalendered and specialty paper products. Verso Paper Corp. owns and operates three paper mills in Maine (2), and Michigan (1). The company is a publically traded firm with a traditional structure of a president supported by seven vice presidents covering finance, sales,

manufacturing, human resources, information systems, legal, and sustainability. An independent board of directors is in place to protect governance of the Company. Each mill is led by a mill manager who along with their on-site team controls the day-to-day operations of the mill. Wood is procured by each mill from a variety of landowners and sources. The company does not purchase stumpage tracts, it only purchase wood directly to the mill(s).

### **Multi-Site Requirements**

As a certification audits were carried out at each of the three mills. Central office requirements were audited remotely utilizing Verso’s corporate information network. All multi-site requirements of the SFI standard were checked and found in conformance.

Sites	Sites Audited During this Event
Memphis, Tennessee (Central Office)	
Androscoggin Maine	X
Bucksport Maine	X
Quinnesec Michigan	X

### **Audit Results**

The SFI FS certification audit was examined the management information system developed by Verso Paper to meet the SFI 2009-2014 standard additionally site inspections were undertaken of seven sites where BMP site inspections had been undertaken in the initial inspections undertaken for this program.

#### **Objective 8: Landowner Outreach**

Verso Paper actively participates in four SFI State Implementation Committees (SICs) that have developed information packages for landowners and loggers. The Company encourages its suppliers to provide information packages to individual landowners. In 2012 the Company introduced the Verso Forest Certification Grant program aimed at small and medium sized land owners .

#### **Objection 9 : Use of qualified resource and qualified logging professionals**

The Company continues to sponsor Master Logger certification, providing grants to Wisconsin Master Loggers States. Each state they procure wood in have an on-line registry of master and trained loggers which is checked to confirm logger qualifications. Verso has a fiber supply program to assess the criteria by which wood is purchased each month, including whether the wood is produced by a certified logger.

#### **Objective 10: Adherence to Best Management Practices**

Verso Paper has implemented a clearly defined fiber sourcing policies to ensure fiber sourcing activities and facility inventories (system inventory) do not compromise adherence to the principles of sustainable forestry. The Company’s fiber sourcing policies includes certified logging professional as one criteria by which wood is purchased. Verso Paper master agreement contains the following “ *Seller certifies that logging professional working for the seller shall be in compliance with BMPs for forestry*”. Random site inspections will be undertaken to confirm conformance to BMPs.

Verso Paper has a program to address weather conditions. Each year Verso Paper builds a detailed purchase plan that takes into account market demand and the amount of supply that is typically available throughout the year. The plan takes into account that there will times of the year when harvesting will not occur (e.g. spring break-up). That plan is reviewed weekly and adjusted accordingly to assure there

are sufficient inventories so fiber-sourcing activities don't compromise adherence to the principles of sustainable forestry.

Verso Paper has developed and implemented a verifiable monitoring program of its woods suppliers at each mill. During the audit eight sites were visited where Verso staff had undertaken inspections. The BMP monitoring program put in place utilizes a inspection form which covers all major aspects of forest harvesting and BMP implementation. The BMP form could be improved by identifying the "completeness" of the job (e.g. 50%, 90%, and 100%) an opportunity for improvement was issued.

The selection of the individual sites is currently subjective relying on staff to select, a more rigorous selection procedure is needed, and a nonconformance was issued. Additionally, the current process pools all three mills together for sampling which results in very low sample level, a nonconformance was issued.

#### **Objective 14: Legal and Regulatory Compliance**

Verso Paper has no recorded legal or regulatory compliance issues in its procurement of roundwood or chips for its mills. The Company has made a commitment to comply with the laws in each of the states it operates in. All locations maintain a checklist for applicable state and federal laws. The Company's Code of Conduct requires adherence to all laws and regulations. A progressive EHS policy and program is available at all mill locations which strives to "meet or exceed all relevant EHS laws and regulations".

#### **Objective 15: Forestry Research, Science, and Technology**

Verso Paper supports research into a variety of areas of forestry. They are members of NCASI and support a variety of research projects the Institute is undertaking (e.g. woodland Caribou). The company is currently supporting research in vernal pools in the Upper Peninsula of Michigan and the impacts of dams on a river in Maine. Verso Paper is an active member of several SICs that support research into sustainability and BMPs. They have partnered with the University of Maine and Michigan Tech to develop educational materials for private forest owners.

#### **Objective 16: Training and Education.**

Verso Paper's management information system contains all staff training records. All staff interviewed knows and understand their roles in the SFI system.

Written statement of commitment to the SFI 2010-2014 Standard Can be found on posted at all mills and wood yards, provided to fiber sourcing staff. All staff knows and understands their roles in the SFI system. : Staff was previously trained with previous owners and has rediscovered their knowledge through developing the system and participating in SIC activities.

#### **Objective 17: Community Involvement in the Practice of Sustainable Forestry**

The company is active in the Michigan, Wisconsin, Maine and New Hampshire SICs. They participate in state logger training initiatives in the areas they operate in. They support master logger programs in Maine and Wisconsin. Logger training in all four states includes meet the requirement of the standard/ Verso received the SFI Presidents Award in 2010 in Maine for its community outreach program. In 2012 the Company introduced the Verso Forest Certification Grant program aimed at small and medium sized land owners, with the objective to increase the availability of certified wood.

#### **Objective 19: Communications and Public Reporting.**

SFI annual reports have been prepared and supplied to SFI annually since the inception.

**Objective 20: Management Review and Continual Improvement.**

They have a well-established internal review team, which meets quarterly to review processes and results. First internal audit occurred in August 2013 that reviewed the system built to meet SFIS requirements. Annual review occurs quarterly review meetings to review system performance. Review the results of the BMP inspections.

**Findings**

**Previous non-conformances:**

*Not Applicable.*

**Non-conformances:**

1. PM 10.2, Ind. 1: The current system of selecting sites to be monitored is quite subjective and lacks a rigorous procedure for selection. During the audit a number of tracts were inspected well after the completion of operations had occurred in other cases low risk operators (those with a high level of proficiency) were selected rather than higher risk suppliers.
2. PM 10.2, Ind. 1: The current system pools all non-industrial private suppliers into one large pool across Maine, Michigan, Wisconsin, and New Hampshire to determine the appropriate number of samples to inspect. Sampling is typically done on a mill or woodshed basis.

**Opportunities for Improvement:**

1. PM 10.2, Ind. 1: It would be an improvement to include the “percent completed” of the BMP inspection form so that inspectors, auditors, and others understand when the inspection took place.

**Notable Practices:**

*None recognized.*

**Internal Audit Program**

Verso Paper has a rigorous internal audit and management review process. The Company has an internal review committee which meets quarterly to review company performance. The inaugural internal audit of the SFI fiber sourcing system was undertaken in August of 2013. Management Review occurs at the third quarter meeting of the internal review committee. Bureau Veritas can rely on the Verso internal audit system to monitor and report on system performance.

**Logo/label use:**

The Company does not use the Bureau Veritas trademark. The Company does use the SFI label for promotional uses. The Company maintains a file containing all trademark approvals granted by SFI Inc.

**SFI reporting:**

Verso Paper has been reporting on their activities to SFI Inc. since its inception. Procedures are in place to ensure on-time reporting.

**Conclusions**

Verso Paper has met all the requirements of a SFI Fiber Sourcing standard 2009-2014 and should be granted full certification..

**Surveillance Audit Schedule**

Annual surveillance audits will alternate between Michigan and Maine starting in 2014.

**SEE SF61/SF71 FOR AUDIT NOTES**

<b>Summary of Audit Findings:</b>						
Audit Date(s):	From: Oct. 25, 2013 Nov. 24, 2013			To: Oct. 26, 2013 (Michigan) Nov.25 2013 (Maine)		
Number of SF02's Raised:	Major:		0	Minor:		2
Is a follow up visit required:	Yes	No	X	Date(s) of follow up visit:		
Follow-up visit remarks:						
<b>Team Leader Recommendation:</b>						
Corrective Action Plan (s) Accepted	Yes	X	No	Date:	Nov. 9, 2014	
Proceed to/Continue Certification	Yes	X	No	Date:	Nov. 22, 2014	
All NCR's Cleared	Yes	X	No	Date:	Nov. 22, 2014	
Standard audit conducted against:						
1)	SFI 2010-2014	3)				
2)		4)				
Team Leader (1):		Team Members (2, 3, 4...)				
Brian Callaghan		2)				
		3)				
		4)				
		5)				
Scope of Supply: (scope statement must be verified and appear in the space below)						
<i>Procurement of Wood &amp; WOOD Pulp for Paper Manufacturing</i>						
Accreditation's	ANAB					
Number of Certificates	3					
Proposed Date for Next Audit Event						
Date	Oct 2014					
Audit Report Distribution						
Greg.barrows@versopaper.com						
Melani.potts@us.bureauveritas.com						

Clause	Audit Report
<p>Opening Meeting</p> <p>Oct 25 8:00 AM Quinessec MI</p>	<p>Participants: Greg Barrows, Syd Dye, Dave Griswold</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>➤ Introductions</li> <li>➤ Scope of the audit</li> <li>➤ Audit schedule/plan</li> <li>➤ Nonconformance types – Major / Minor</li> <li>➤ Review of previous nonconformances - 0.</li> <li>➤ Process approach to auditing and audit sampling</li> <li>➤ Confidentiality agreement</li> <li>➤ Termination of the audit</li> <li>➤ Appeals process</li> <li>➤ Closing meeting timing</li> </ul>
<p>Closing Meeting</p> <p>Nov, 25 4:00 PM Jay Maine</p>	<p>Participants: Greg Barrows, Syd Dye, Dave Griswold, Butch Barberi</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>➤ Introductions and appreciation for selecting Bureau Veritas Certification.</li> <li>➤ Review of audit process - process approach and sampling.</li> <li>➤ Review of OFIs (1) and System Strengths</li> <li>➤ Nonconformances - 0</li> <li>➤ Oct 25, Nov 24, 25.</li> <li>➤ Reporting protocol and timing</li> </ul>

<b>SF02/NA NONCONFORMITY REPORT</b>									
Company Name and Site:								<u>SF02#:</u>	
Verso Paper – Quinnesec, Bucksport & Androscoggin								1	
Contract #:		Type of audit (e.g., initial, surveillance):				Team Leader:			
US1261009		SFI – FS - initial				Brian Callaghan			
Date:		Standard and Clause #:				Team Member:			
Oct. 12, 2012		SFI 2010-2014 10.2.1							
Major	Minor	Other Documents (if applicable):				Company Representative:			
	X					Greg Barrows & Butch Barberi			
REQUIREMENT OF AUDITED STANDARD:									
1) A verifiable monitoring system to: <ul style="list-style-type: none"> <li>a) Monitor the use of best management practices by wood producers supplying the Program Participant; and</li> <li>b) Evaluate use of best management practices across the wood and fiber supply area.</li> </ul>									
OBSERVED NONCONFORMITY AND, for FSC only, CORRECTIVE ACTION REQUEST:									
The current system of selecting sites to be monitored is quite subjective and lacks a rigorous procedure for selection. During the audit a number of tracts were inspected well after the completion of operations had occurred in other cases low risk operators (those with a high level of proficiency) were selected rather than higher risk suppliers.									
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (To be completed by the Company. Plan to be submitted in 30 days)									
Corrective Action Plan Date:		60 days after CB accepts CAP.		Company Representative:		Greg Barrows			
Root Cause Analysis and Corrective Action									
<p><u>Root Cause:</u> The SFI Manager promoted a process whereby field inspectors were instructed to use their professional judgment selecting sites that would yield valuable BMP information, while avoiding sites likely to have better than average results. The judgment used by field inspectors was inconsistent.</p> <p><u>Corrective Action Plan:</u> Develop a rigorous procedure for selecting sites whereby field inspectors have little or no opportunity to introduce subjectivity in selecting sample sites. Update Documented Control System and related files. Inform affected employees of the changes.</p>									
ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)									
Root Cause: Acceptable Corrective Action Plan: Accepted									
Plan Accepted:	Yes	X	No		Comments:				
Auditor:	Brian Callaghan				Date:	January 9, 2014			
CORRECTIVE ACTION IMPLEMENTATION									
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days SFI, PEFC <input checked="" type="checkbox"/> ; 1 year FSC <input type="checkbox"/> ; other <input type="checkbox"/> X Days									
Corrective Action Completion Date:		Jan. 20/14		Company Representative:		Greg Barrows			
Corrective Action Implementation: Revised the DCS and prepared appropriate procedures Method used to verify effectiveness of action taken: Auditor reviewed the DCS and procedures for site selection									
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)									
Accepted:	Yes	X	No		Nonconformance Closed:		Yes	X	No
Follow Up Comments:									
Auditor:	Brian Callaghan				Date:	January 20, 2014			

<b>SF02/NA NONCONFORMITY REPORT</b>										
Company Name and Site:								<u>SF02#:</u>		
Verso Paper – Quinnesec, Bucksport & Androscoggin								2		
Contract #:		Type of audit (e.g., initial, surveillance):				Team Leader:				
US1261009		SFI – FS – initial				Brian Callaghan				
Date:		Standard and Clause #:				Team Member:				
Oct. 12, 2012		SFI 2010-2014 10.2.1								
Major	Minor	Other Documents (if applicable):				Company Representative:				
	X					Greg Barrows & Butch Barberi				
REQUIREMENT OF AUDITED STANDARD:										
2) A verifiable monitoring system to: c) Monitor the use of best management practices by wood producers supplying the Program Participant; and d) Evaluate use of best management practices across the wood and fiber supply area.										
OBSERVED NONCONFORMITY AND, for FSC only, CORRECTIVE ACTION REQUEST:										
The current system pools all non-industrial private suppliers into one large pool across Maine, Michigan, Wisconsin, and New Hampshire to determine the appropriate number of samples to inspect. Sampling is typically done on a mill or woodshed basis.										
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (To be completed by the Company. Plan to be submitted in 30 days)										
Corrective Action Plan Date:		60 days after CB accepts CAP.		Company Representative:		Greg Barrows				
Root Cause Analysis and Corrective Action										
Root Cause: The SFI Manager interpreted the intent of the sample size calculation requirements of a multi-site system to mean that sample size formula used (square root of N) is based on the entire population of the combined sites, rather than the population of individual mills or mill basins. This resulted in too few samples. Corrective Action Plan: Recalculate sample size based on mill and wood drains. Calculate one sample size for Quinnesec and one for the Maine mills. Update Documented Control System and related files. Inform affected employees of the changes.										
ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)										
Root Cause: Acceptable Corrective Action Plan: Accepted										
Plan Accepted:		Yes	X	No		Comments:				
Auditor:		Brian Callaghan				Date:		January 9, 2014		
CORRECTIVE ACTION IMPLEMENTATION										
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days SFI, PEFC <input checked="" type="checkbox"/> ; 1 year FSC <input type="checkbox"/> ; other <input type="checkbox"/> X Days										
Corrective Action Completion Date:		Jan. 20/14		Company Representative:		Greg Barrows				
Corrective Action Implementation: Revised the DCS and prepared appropriate procedures Method used to verify effectiveness of action taken: Auditor reviewed the DCS and procedures for sampling intensity										
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)										
Accepted:		Yes	X	No		Nonconformance Closed:		Yes	X	No
Follow Up Comments:										
Auditor:		Brian Callaghan				Date:		January 20, 2014		

