



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

390 Benmar Drive, Suite 100
Houston, TX 77060
Phone (281) 986-1300: Toll Free (800) 937-9311

| | |
|----------------|---------------------------------------|
| Company Name | Ponderay Newsprint Company (PNC) |
| Contact Person | Jason Sappington- Wood Supply Manager |
| Address | 422767 SR 20, Usk, WA 99180-9771 |
| Phone / Fax | 509-445-2165 |
| PQC Code | E01E |

| | | | | | | | |
|------------------|------------|----------------------|--|-------------------------|---|---|--|
| Contract Number: | US.1274810 | Certification Audit: | | Re-Certification Audit: | X | Surveillance: (Indicate visit # or Pre-Assessment) | |
|------------------|------------|----------------------|--|-------------------------|---|---|--|

Audit Summary

Introduction

This report summarizes the results of a SFI 2010-2014 Fiber Sourcing Re-Certification Audit conducted at Ponderay Newsprint Company (PNC), in Usk, WA. Jack Ward, Bureau Veritas Certification Lead Auditor conducted the audit on Nov. 13 & 14, 2012. Mr. Ward is a Certified Forester and EMS Lead Auditor.

Audit Scope, Objectives and Process

The scope of the audit was *“The wood fiber procurement system for the newsprint mill in Usk, Washington.”*

The purpose of this Re-Certification Audit was to review documentation and sample field operations in order to assess conformance of PNC’s SFI program against all applicable Fiber Sourcing indicators of Objectives 8-20 of the SFI 2010-2014 Standard. Specifically, two objectives of the SFI audit were to:

1. *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*
2. *Verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground.*

The opening meeting of the audit occurred on November 13, 2012 and took place at the PNC headquarters office in Usk, WA. During the opening meeting the objectives for the certification audit were outlined and the audit process for collecting evidence and making audit findings was explained. Findings of non-conformance, opportunities for improvement and notable practice were also explained. The audit plan was discussed and agreed to, and the time and date of the closing meeting was also confirmed. There were no substitutions or modifications of SFI indicators. The field portions of the audit took place on November 14. Jason Sappington, PNC’s Wood Supply Manager, was present throughout the audit.

The 2012 versions of PNC’s policies, procedures and records were reviewed to document the management system. 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

The following Audit Plan was submitted to PNC on October 16, 2012 and was accepted as submitted:

Audit Schedule

Date: Tuesday, Nov. 13, 2012

| Time | Activity | BV Rep. | Company Rep. |
|----------|---|-----------|---|
| 7:45 AM | Arrive on Site – PNC Office | Jack Ward | Jason Sappington & other designated PNC representatives |
| 8:00 AM | Opening Meeting – review of scope, overview of operation, review of field site selections and itinerary | Same | Same |
| 8:30 AM | Office Documentation Review and Interviews of applicable Objectives 8-20, PMs and indicators | | |
| Noon | Lunch | | |
| 12:30 PM | Resume Office Documentation Review and Interviews of applicable Objectives 8-20, PMs and indicators | Same | Same |
| 4:15 PM | Review of day's findings | Same | Same |

Date: Wednesday, Nov. 14

| Time | Activity | BVQI Rep. | Company Rep. |
|----------|---|-----------|---|
| 8:00 AM | Commence field audit of selected sites | Jack | Jason Sappington & other designated PNC representatives |
| Noon | Lunch | | |
| 12:30 PM | Resume field audits | Same | Same |
| 3:15 PM | Return to PNC office for Auditor report entries and preparation of findings | Same | |
| 4:15 PM | Closing Meeting | Same | Same |

Company Information

Ponderay Newsprint Company, a subsidiary of Resolute Forest Products, is a private company that produces newsprint paper. PNC has been represented on the Idaho SFI State Implementation Committee since its original Registration Audit in June 5, 2005 and is now also represented on the Washington SFI State Implementation Committee. PNC's fiber sourcing management program is guided by internal policies/procedures and applicable WA, ID and MT forest practices legal requirements and best management practices

Audit Results

The audit consisted of document reviews (evidence files), interviews and review of centrally controlled PNC fiber sourcing data on Nov. 13. During the field portion of the audit on Nov 14, four field sites were reviewed in the immediate fiber sourcing area. The sourcing sites reviewed were all gatewood suppliers who sourced the wood from non-certified, non-industrial private land owners. One of the four sites harvested was logged by non-professionally trained loggers. All four of the sites had been formally inspected and inspection

recorded by PNC's Procurement Forester. The 4 field sites audited included review of the following fiber sourcing related harvesting and monitoring procedures: WA State approved Forest Practice Permits and PNC Gatewood BMP Inspection Reports. Field reviews of operations included, stream side management zone protection, soil erosion protection measures, residual tree selection and protection, utilization and retention of stand level wildlife habitat structures. All of the reviewed Washington State, BMP monitoring records, any follow-up actions and field review of operational environmental impacts verified conformance to applicable indicators. The PNC representatives and a contract logger interviewed demonstrated adequate knowledge of both the SFI 2010-2014 requirements and PNC related policies and procedures.

Findings

Previous non-conformances: Not applicable

Non-conformances: No non-conformances were issued during the audit.

Opportunities for Improvement: No Opportunities for Improvement were issued during the audit.

Notable Practices: Two (2) notable practices were identified during this audit. These Notable Practices represent SFI program strengths that Bureau Veritas found to be exemplary practices.

- Objective 8, PM 8.1; Indicator 1- Ponderay Newsprint Company distributes a very comprehensive information packet to landowners/suppliers.
- Objective 10, PM 10.2, Indicator 1: Ponderay Newsprint Company has a robust BMP monitoring system in place.

Logo/label use:

PNC is using the SFI Fiber Sourcing label/logo for promotional purposes only and is not using the Bureau Veritas logo

SFI reporting:

The audit verified that PNC posted its 2011 audit findings on the SFI website.

Conclusions

The closing meeting was held in the field on November 14, 2012. The notable practices were reviewed, and the confidentiality of audit results assured. There were no non-conformances or opportunities for improvement issued during the audit. The closing meeting attendees were advised that the results of the surveillance audit indicate that the SFI Forest Management System of the Ponderay Newsprint Company is suitable and effective and a recommendation for Re-Certification to the SFI 2010-2014 Fiber Sourcing Standard will be forwarded to Bureau Veritas..

Surveillance Audit Schedule

It is recommended that the 12-Mont Surveillance Audit take place during October of 2012 and the audit will address the applicable Objectives, Performance Measures and Indicators of the SFI 2010-2014 Fiber Sourcing Standard as identified at the attached SF-17. There was discussion however, of possibly moving the audit to the spring of 2013. PNC will notify Bureau Veritas if it wishes to do so

SEE SF61/SF71 FOR AUDIT NOTES

| Summary of Audit Findings: | | | | | | |
|---|---|--------------|------|-----------------------------|-------|----------|
| Audit Date(s): | From: Nov. 13, 2012 | | | To: Nov. 14, 2012 | | |
| Number of SF02's Raised: | Major: | | None | Minor: | None | |
| Is a follow up visit required: | Yes | No | X | Date(s) of follow up visit: | N/A | |
| Follow-up visit remarks: | | | | | | |
| N/A | | | | | | |
| Team Leader Recommendation: | | | | | | |
| Corrective Action Plan (s) Accepted | Yes | N/A | No | N/A | Date: | N/A |
| Proceed to Re-Certification | Yes | X | No | | Date: | 11/14/12 |
| All NCR's Cleared | Yes | N/A | No | N/A | Date: | |
| Standard audit conducted against: | | | | | | |
| 1) | SFIS 2010-2014 Fiber Sourcing | 3) | | | | |
| 2) | | 4) | | | | |
| Team Leader (1): | | Team Members | | | | |
| Jack Ward- EMSLA, CF | | N/A | | | | |
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| | | | | | | |
| Scope of Supply: (scope statement must be verified and appear in the space below) | | | | | | |
| <i>The wood fiber procurement system for the newsprint mill in Usk, Washington.</i> | | | | | | |
| Accreditation's | ANAB | | | | | |
| Number of Certificates | 1 | | | | | |
| Proposed Date for Next Audit Event | | | | | | |
| Date | October 15, 16, 2013 – Note: There was discussion however, of possibly moving the audit to the spring of 2015. PNC will notify Bureau Veritas if it wishes to do so | | | | | |
| Audit Report Distribution | | | | | | |
| Client: Jason Sappington: Jason.sappinton@resoluteftp.com | | | | | | |
| BVC melani.potts@us.bureauveritas.com | | | | | | |
| BVC Lead Auditor: jww@hcc.net | | | | | | |



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SFIS 2010-2014 SURVEILLANCE AUDIT PLAN

| | | | |
|--|----------------------------|----------------|---------|
| Company | Ponderay Newsprint Company | # Sites | One |
| Contract # | US.1274810 | Central Office | Usk, WA |
| Forest land management <input type="checkbox"/> Fiber sourcing <input checked="" type="checkbox"/> | | | |

| Audit event | Renewal | Surveillance # 1 | Surveillance # 2 |
|---------------------------|---------|------------------|------------------|
| List sites audited | 2012 | 2013 | 2014 |
| OBJECTIVE 8 | X | X | PASS |
| Performance Measure 8.1 | X | | |
| OBJECTIVE 9 | X | PASS | X |
| Performance Measure 9.1 | X | | |
| OBJECTIVE 10 | | | |
| Performance Measure 10.1 | X | X | X |
| Performance Measure 10.2 | X | X | X |
| OBJECTIVE 11 | N/A | N/A | N/A |
| Performance Measure 11.1 | | | |

| | | | |
|--------------------------|-----|------|------|
| OBJECTIVE 12 | N/A | N/A | N/A |
| Performance Measure 12.1 | | | |
| OBJECTIVE 13 | N/A | N/A | N/A |
| Performance Measure 13.1 | | | |
| OBJECTIVE 14 | X | X | PASS |
| Performance Measure 14.1 | X | X | PASS |
| Performance Measure 14.2 | X | X | PASS |
| OBJECTIVE 15 | X | X | PASS |
| Performance Measure 15.1 | X | PASS | X |
| Performance Measure 15.2 | X | PASS | X |
| Performance Measure 15.3 | X | PASS | X |
| OBJECTIVE 16 | X | X | PASS |
| Performance Measure 16.1 | X | X | PASS |
| Performance Measure 16.2 | X | X | PASS |
| OBJECTIVE 17 | X | PASS | X |
| Performance Measure 17.1 | X | PASS | X |
| Performance Measure 17.2 | X | PASS | X |
| Performance Measure 17.3 | X | PASS | X |
| OBJECTIVE 19 | X | X | X |
| Performance Measure 19.1 | X | X | X |
| Performance Measure 19.2 | X | X | X |
| OBJECTIVE 20 | X | X | X |
| Performance Measure 20.1 | X | X | X |

| Audit Report | |
|---------------------|---|
| Opening Meeting | <p>Participants: Jason Sappington- Wood Supply Manager; Chris Childers- Procurement Forester; Jack Ward- BV Lead Auditor</p> <p>Discussions:</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Non-conformance types – Major / Minor ➤ Review of previous non-conformances - 0. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing |
| Closing Meeting | <p>Participants: Jason Sappington- Wood Supply Manager; Chris Childers- Procurement Forester; Jack Ward- BV Lead Auditor</p> <p>Discussions:</p> <ul style="list-style-type: none"> ➤ Introductions and appreciation for selecting Bureau Veritas Certification. ➤ Review of audit process - process approach and sampling. ➤ Review of OFIs and System Strengths ➤ Non-conformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing |