



**BUREAU
VERITAS**

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

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PQC Code	E06
Contract Number	US.1945092

Certification Audit:		Re-Certification Audit:	X	Surveillance Audit:		Scope extension audit:	
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Audit Summary

Introduction

A renewal audit of Verso Corporation’s SFI program for fiber sourcing was conducted by Mr. Matt Tormohlen (BVNA Lead auditor) and Mr. Steve Tomlin (BVNA auditor) on 21-23 Sept., 2015 and 28-30 Sept., 2015 for the purposes of recommendation for continued certification. Two existing certificates, previously held under the NewPage and Verso names, are being combined into one certificate during this renewal audit. This will result in one company and one SFI certificate under the Verso Corporation name.

Audit Scope, Objectives and Process

The scope of the audit is “Procurement Activities”. The audit was conducted against the SFI 2015-2019 Standard for Fiber Sourcing. All applicable objectives and indicators were reviewed. There was no substitution or modification of indicators. Specifically, two 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 verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. 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 audit consisted of one (1) day review of documented policies, GIS capabilities and research and training involvement at Verso’s head office in Wisconsin Rapids, WI. Two (2) full days were spent at each of the following facilities:

- St. Point, WI
- Duluth, MN
- Androscoggin, ME.

Activities at each mill location included evaluating field sites throughout the organizations procurement area, interviewing Verso employees and reviewing mill specific documentation as it pertains to the scope of this certification. A closing meeting was held at the WI Rapids HQ location to discuss audit results and “next steps” for continued certification. An additional day was spent compiling the final report.

Company Information

Verso Corp. is a United States based leading maker of fine papers, including coated papers, coated ground-wood, coated freesheet, super calendars and specialty paper products. Verso has eight mills in six states (Wisconsin, Michigan, Minnesota, Maine, Kentucky, and Maryland) and 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. In 2014/2015 the organization completed a merger, effectively combining the paper companies formerly known as NewPage and Verso. During this process the organization closed one mill (Bucksport) and sold two mills (Rumsford and Biron) to a third entity.

Multi-Site Requirements

Verso has a large multisite certification, which requires audits to be carried out at two facilities per year. As per the schedule, the Wisconsin Rapids HQ site, Stevens Point, Duluth and Androscoggin sites were audited during this renewal audit.

The organizations fiber procurement system is overseen from the HQ location by Mr. Gordon Mouw. Each facility included in the scope of this certificate has a certification manager on-site who oversees the day to day activities of the fiber procurement programs and reports regularly to Mr. Gordon Mouw. The organization procures raw material at each mill from a variety of landowners, sources and locations. All raw material transactions are tracked through a centralized computer system (*LIMS*) accessible from any Verso facility.

Multi-Site	X	Group Certification	
Sites		Sites Audited During this Event	
Wisconsin Rapids (HQ)		X	
Wickliffe			
Luke			
Stevens Point		X	
Duluth		X	
Escanaba			
Androscoggin		X	
Quinnesec			

Audit Results

A total of 15 field sites were visited throughout the procurement basins of the selected facilities. Applicable BMPs and standard silvicultural practices were evaluated at each site. In general, field site evaluation determined adequate conformance in harvest practices and application of BMPs. See attached site visit forms for full documentation of field visits.

Objective 1-Biodiversity in Fiber Sourcing:

Approximately 20% of Verso's 2015 monetary support of NCASI was dedicated specifically to biodiversity research, with results pending. The percentage of NCASI funds dedicated to biodiversity has increased approximately 39% over the past three years. In addition, the organization has contributed \$261,000 to the SICs in the states where Verso operates.

A study on the occurrence and maintenance of vernal pools in the lake states (MI Vernal pool study (completed by Michigan State University, March, 2015) was sponsored by Verso Co. A total of \$30,000 in research funding was contributed to this study, separate from NCASI and/or SIC dues.

In addition, the organization is in the process of reviewing Regional Action Plans, developed by USFS (2011) for the Midwest/Northeast US in regards to biodiversity conservation. The purpose of this review is to determine how to better incorporate biodiversity conservation into day to day activities of the procurement system at a practical level.

It has been standard practice for company foresters to query State Natural Heritage Databases to determine the presence (or lack thereof) of any FECVs prior to harvest of any stumpage assets. Local landowner knowledge and on-the-ground verification by field foresters is also utilized to identify local FECV criteria.

Objective 2-Adherence to Best Management Practices:

Both open market wood purchase agreements and stumpage contracts specify the requirement to conform to applicable state BMPs. In addition, portions of NCASI and SIC dues subsidize BMP research and compliance data in the states where Verso operates. The organization follows standard procurement practices by working to increase wood yard inventory volume during cold/dry periods so that in-woods harvesting activity can be reduced during wet/adverse weather conditions.

Verso has developed an in-depth BMP monitoring program in which each field forester formally evaluates a sample of harvest sites completed by wood producers in their designated region of procurement. The program focuses evaluation on areas of highest risk by only sampling field sites that do not fall into the following categories;

- Harvests completed on timberlands already 3rd party certified (ie state, county and federally owned/managed timberlands)
- Harvests completed by suppliers 3rd party master logger certified.

This monitoring system is new this year for Verso and compliance rates will be tracked throughout the year for future evaluation. In addition, state wide BMP monitoring results are used to ensure that Verso BMP compliance rates are in-line with industry norms.

Objective 3-Use of Qualified Resource and Qualified Logging Professionals:

The use of qualified logging professionals is mandated in Verso stumpage and open market contracts. Each states logger program maintains a query-able list of certified loggers. All producers are validated as being current on respective state lists during annual contract renewal or prior to initial contract issuance. All QLP programs in the states which Verso operates require continued education to maintain certification.

Objective 4-Legal and Regulatory Compliance:

Verso maintains access to applicable laws and regulations and maintains a list of applicable laws within its DCS. Compliance evaluated by Verso through general business practices. Very low incident of illegal logging in the states which Verso operates. The organization requires location data for all harvest sites and contracts also state Verso's sustainable sourcing policy which includes the prevention of illegal logging. In addition, the organization has completed an official risk assessment of its procurement basins as part of Due Diligence System for a separate verification scheme. This risk assessment addressed the occurrence of illegal logging, violation of traditional human rights and other controversial sources. All results determined negligible risk for all procurement basins.

Objective 5-Forestry Research, Science and Technology:

The organization has paid appropriate dues to NCASI to support research in a number of different areas, including biodiversity research, forest health, productivity, ecosystem functions, chemical efficiency, water quality/BMP effectiveness, climate change, etc. In addition, the organization has contributed adequately to the SICs in the states where Verso operates and a Verso employee is present on the SIC in each state which Verso operates in.

Objective 6-Training and Education:

All logging contractors required to maintain logger certifications per the specific state professional logger programs where they operate. Contractor status with the specific state program is validated on an annual basis prior to re-issuance/issuance of contracts, which include the requirement to maintain logger certifications.

Verso employees involved in the procurement program are trained annually or at the time of hire. All interviewed employees demonstrated adequate knowledge of the procurement program and it's requirements as it pertains to their specific job duties/responsibilities.

In addition the organization has financially contributed adequately to NCASI and the SICs in each state which Verso operates. A sizable portion of these contributions are dedicated to the establishment, development and maintenance of wood producer training.

Objective 7-Community Involvement and Landowner Outreach:

Verso has financially contributed adequately to NCASI and the SICs in each state which Verso operates. A Verso employee is present on the SIC in each state which Verso operates in. The organization has awarded grants to forestry consultants in the Lake States with the direct goal of increasing the acreage of 3rd party certified lands among non-industrial private forestland owners.

The organization conducts community educational activities on an almost weekly basis throughout its procurement basins with affected ages ranging from elementary school to adult.

Objective 8-Public Land Management Responsibilities:

N/A

Objective 9-Communications and Public Reporting:

Both Verso and NewPage received and promptly submitted the annual SFI certification report, completed by this certification body, in a timely manner.

The organization has a strong history of effectively completing and submitting the SFI annual progress report in a timely manner. Past reports are maintained on file at the HQ site for reference.

Objective 10-Management Review:

Quarterly mgmt. review meetings occur which involve the certification manager and representatives of each Verso Procurement area. Action items and management decisions to address the action items are documented in these meeting minutes. Information is collected through regular communication between the certification manager and the various procurement areas.

Objective 11-Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Conservation Wilderness Areas:

N/A

Objective 12-Avoidance of Controversial Sources including Illegal Logging:

N/A

Objective 13-Avoidance of Controversial Sources including Fiber Sourced from Areas without Effective Social Laws:

N/A

Findings

Previous non-conformances:

N/A

Non-conformances:

N/A

Opportunities for Improvement:

N/A

Notable Practices:

N/A

Logo/label use:

The organization has a history of correct use of the SFI on-product and promotional logo. Verso continues to use the SFI trademark with proper approval from the SFI office of label use and licensing. The organization does not, at this time, intend on using the Bureau Veritas logo.

SFI reporting:

Audit reports for the most recent audit were appropriately submitted and posted to the SFI website.

Conclusions

Verso Corporation continues to implement and manage an SFI procurement program which meets the requirements of the SFI 2015-2019 standard for Fiber Sourcing. A recommendation for immediate continued certification with no conditions was issued at the closing meeting.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:						
Audit Date(s):	From: Sept., 21, 2015			To: Sept., 30, 2015		
Number of SF02's Raised:	Major:		0	Minor:	0	
Is a follow up visit required:	Yes	No	X	Date(s) of follow up visit:		
Follow-up visit remarks:						
Team Leader Recommendation:						

Corrective Action Plan(s) Accepted		Yes		No		N/A	X	Date:	
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	Sept., 30, 2015
All NCR's Closed		Yes		No		N/A	X	Date:	
Standard audit conducted against:									
1)	SFI Standard for Fiber Sourcing, 2015-2019	3)							
2)		4)							
Team Leader (1):		Team Members (2,3,4...)							
Matt Tormohlen (BVCNA, Contract Lead Auditor)		2) Mr. Steve Tomlin (BVCNA, Contract Auditor)							
		3)							
		4)							
		5)							
Scope of Supply: (scope statement must be verified and appear in the space below)									
Procurement Activities.									
Accreditation's		ANSI	ANAB						
Number of Certificates		1	1						
Proposed Date for Next Audit Event									
Date	Oct., 2016								
Audit Report Distribution									
Gordon Mouw (Gordon.mouw@versoco.com)									
Dawn Komnick (dawn.komnick@us.bureauveritas.com)									

Clause	Audit Report	
Opening Meeting	Participants: Discussion:	Matt Tormohlen, Gordon Mouw <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance 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	Participants: Discussion:	Matt Tormohlen, Gordon Mouw <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 ➤ Nonconformances - 0 ➤ Date for next audit – Oct., 2016 ➤ Reporting protocol and timing