



**BUREAU
VERITAS**

**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 | Chris Childers- 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: | | Surveillance: (Indicate visit # or Pre-Assessment) | 2 |
|------------------|------------|----------------------|--|-------------------------|--|---|---|

Audit Summary

Introduction

This report summarizes the results of the second surveillance audit of the SFI Certified Sourcing program conducted on Ponderay Newsprint Company (PNC) located in Usk, WA. Jim Colla, Bureau Veritas Certification Lead Auditor, conducted the audit on December 1 and 5, 2014.

Audit Scope, Objectives and Process

The scope of the audit is “The wood fiber procurement system for the newsprint mill in Usk, Washington”. The goal is continued certification to the SFI 2010-2014 Standard, Objectives 8-20. 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 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. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the current version of the Bureau Veritas Certification SFI Auditor Handbook. Field notes and an SFI indicator checklist were completed and contain specific information and audit notes.

The audit began at the PNP mill office in Usk, WA with an opening meeting with Chris Childers, Procurement Manager and Management Representative. The objectives for the surveillance audit were outlined and the audit process for collecting evidence and making audit findings was explained. Process determination findings of non-conformance, opportunities for improvement, and notable practices were explained. Confidentiality was assured. The audit plan was discussed and agreed to, and the time and date of the closing meeting was confirmed. There were no substitutions or modifications of SFI indicators.

Audit Plan

After discussing the goals and objectives of the audit, the audit plan and logistics was reviewed and the sites confirmed to conduct the field portion of the audit in a timely manner. Sourcing sites covered during the surveillance audit were selected based on activities and potential risks since the last audit. A total of four operating locations were visited, including the recently opened log yard on the PNC site.

Date: Monday, December 1, 2014

| Time | Activity | BVC Rep. | Company Rep. |
|---------|---|-----------|---|
| 8:00 AM | Opening Meeting – review of scope, overview of operation, review of field site selections and itinerary | Jim Colla | Chris Childers & other designated PNC representatives |
| 8:30 AM | Commence field reviews | | |

4:00 PM Review of day's findings Same Same

Date: Friday, December 5, 2014

| Time | Activity | BVC. | Company Rep. |
|----------|---|-----------|--------------|
| 8:00 AM | Office documentation & review of applicable Objectives 8-20, PMs and indicators | Jim Colla | Same |
| 11:30 AM | Closing Meeting | Same | Same |

Company Information

Ponderay Newsprint, a subsidiary of Resolute Forest Products, is a private, publicly traded company that produces newsprint paper for customers across North America. PNC has been represented on the Idaho SFI State Implementation Committee since its original Registration Audit on June 5, 2005 and is 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. Resolute has several other facilities certified outside the scope of this certificate.

Audit Results

The audit consisted of document and record reviews and interviews. In addition four field locations including the newly opened log yard were visited; these represent the spectrum of sourcing activities PNC undertakes. Objectives 1-7, 11-13 and 18 are not applicable.

The audit consisted of document reviews (evidence files), interviews and review of centrally controlled PNC fiber sourcing data on December 5. During the field portion of the audit on December 1, the sourcing sites reviewed were all gate-wood suppliers who sourced the wood from non-industrial private land owners, two of which were ATFS certified. All sites harvested were logged by professionally trained loggers as defined by the ID and WA SICs. All sites had been formally inspected and inspection documented by PNC's Procurement Forester. The field sites audited included review of the following fiber sourcing related harvesting and monitoring procedures: WA State approved Forest Practice Permits and PNC Gate-wood BMP Inspection Reports. Field reviews of operations included stream side management zone protection, soil erosion protection measures on roads trails and landings; residual tree selection and protection and green-up requirements; utilization and retention of stand level wildlife habitat structures. All of the reviewed Washington State Forest Practice Permits and BMP monitoring records verified conformance to applicable indicators. The PNC representative (Chris Childers) and a landowner representative (Mike Sapp) interviewed demonstrated an excellent knowledge of both the SFI 2010-2014 requirements and PNC related policies and procedures.

Findings

Previous non-conformances: None issued

Non-conformances: None issued

Opportunities for Improvement: None issued

Notable Practices: None issued

Logo/label use:

PNC continues using the SFI Certified Sourcing logo for promotional purposes on a periodic internal newsletter; they have yet to use the trademark on-product. Use approvals have been obtained from SFI, Inc. and are on file.

Customer Feedback System

Any issues or feedback related to the procurement system are addressed by Chris Childers. PNC has a robust tracking and documentation system that can trace wood to origin, monitor for BMP

compliance, and provide full log and chip accountability. Feedback is documented as appropriate on a case by case basis. None since the last year related to PNCs procurement program

SFI reporting:

The 2013 audit report for PNP is posted on the SFI website as required.

Conclusions

The closing meeting was held on December 5, 2014. The findings were reviewed, not appealed by PNC, and the confidentiality of audit results assured. In the opinion of the auditor, Ponderay Newsprint Company continues to implement an effective SFI program that meets the requirements of the SFI 2010-2014 standard. Continued certification is recommended.

SEE SF61 FOR AUDIT NOTES

| Summary of Audit Findings: | | | | | | | | | |
|--|----------------|------------------------|-------------------------|----|-----|-----------------------------|--------|--|-------------|
| Audit Date(s): | | From: December 1, 2014 | | | | To: December 5, 2014 | | | |
| 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: | | Dec 5, 2014 |
| All NCR's Closed | | | Yes | No | N/A | X | Date: | | |
| Standard audit conducted against: | | | | | | | | | |
| 1) | SFIS 2010-2014 | | | 3) | | | | | |
| 2) | | | | 4) | | | | | |
| Team Leader (1): | | | Team Members (2,3,4...) | | | | | | |
| Jim Colla | | | 2) | | | | | | |
| | | | 3) | | | | | | |
| Scope of Supply: (scope statement must be verified and appear in the space below) | | | | | | | | | |
| The wood fiber procurement system for the newsprint mill in Usk, Washington | | | | | | | | | |
| Accreditation's | | | ANAB | | | | | | |
| Number of Certificates | | | | | | | | | |
| Proposed Date for Next Audit Event | | | | | | | | | |
| Date | | November 2014 | | | | | | | |
| Audit Report Distribution | | | | | | | | | |
| Bureau Veritas Certification: Melissa Marchese-melissa.marchese@us.bureauveritas.com | | | | | | | | | |
| Ponderay Newsprint, Chris Childers: chris.childers@resolutefp.com | | | | | | | | | |

| Clause | Audit Report |
|-----------------|---|
| Opening Meeting | Participants: Chris Childers (PNC procurement staff); and Jim Colla, lead auditor. Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 0. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing |
| Closing Meeting | Participants: Chris Childers (PNC procurement staff); and Jim Colla, lead auditor Discussions: <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. ➤ Reporting protocol and timing |