

Appleton Coated Green Tier II Annual Report 2014

Introduction

In April 2013, Appleton Coated was awarded Green Tier II status by the Wisconsin Department of Natural Resources (WDNR) for our commitment to superior environmental and economic performance. We are very proud of achieving the Green Tier II status and are pleased to present this annual report of our environmental performance during 2014.

The report has been prepared in accordance with guidelines established by the WDNR Office of Business Support and Sustainability. The report includes information regarding our company, the audit results of our environmental management system (EMS) and air compliance practices, progress on environmental objectives established by the firm for 2014, our environmental practices related to transportation and our supply chain, stakeholder involvement, and our relationship with the WDNR.

Company Background

Appleton Coated is a manufacturer and distributor of coated, uncoated, specialty and technical papers sold under the Utopia®, Curious Collection®, and Altima® brand names. The company's products are used in high-end commercial printing, textbook publishing, label papers, transactional printing and a variety of specialty and custom applications. Selling through a chain of highly respected paper distributors, the company serves corporations, publishers, printers, converters, and graphic designers in North America.

On December 19, 2014, Appleton Coated was purchased by Virtus Holdings, LLC, a new company formed by members of Appleton Coated's management team. Virtus Holdings purchased the company from a subsidiary of Sequana SA, which had been the company's ultimate parent. The company will continue to operate under the name Appleton Coated LLC. Virtus Holdings is committed to sustainable environmental practices in the manufacture of our paper products.

Environmental Management System Audit

Appleton Coated is ISO 14001 certified (Certificate No. 6L461-EM3, expiration date: January 15, 2016). We have maintained our certification status continuously since our initial certification in 2006. Our EMS is audited on a semi-annual basis by one or more auditors from NSF International Strategic Registrations, Ann Arbor, Michigan. During 2014, two surveillance audits were conducted by NSF.

The report from the January 2014 surveillance audit noted the following.

Executive Summary:

"Commitment and clarity of vision of the Appleton Coated Top Management as well manner in which challenges are faced are noteworthy strengths. Long term improvement in energy performance and land fill waste are performance strengths. Over all management system is functioning well. Monitoring system audited shows strength in term of commitment, consistency and record organization and accessibility."

Corrective Actions:

There were no corrective action requests in the audit.

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The report from the August 2014 surveillance audit noted the following.

Executive Summary:

“The condition of the EMS is in satisfactory status. One (1) minor nonconformance was issued for closing corrective actions without recording objective evidence of implementation of corrective action and its effectiveness.

In a recent State of Wisconsin DNR audit the waste water treatment laboratory received acknowledgment for best laboratory practice. The top management continues to demonstrate their leadership and commitment to EMS and overall business in spite of numerous challenges they are finding themselves into in an increasing manner as time goes by.”

Corrective Action:

There was one minor nonconformance identified that is related to EMS14001, 4.5.3 Nonconformity, Corrective and Preventive Action and is described above in the audit report’s Executive Summary. Based on the nonconformance NSF requested the following corrective action:

“The organization shall establish, implement and maintain a procedure(s) for dealing with actual and potential nonconformity(ies) and for taking corrective action and preventive action. The procedure(s) shall define requirements for a) identifying and correcting nonconformity(ies) and taking action(s) to mitigate their environmental impacts, b) investigating nonconformity(ies), determining their cause(s) and taking actions in order to avoid their recurrence, c) evaluating the need for action(s) to prevent nonconformity(ies) and implementing appropriate actions designed to avoid their occurrence, d) recording the results of corrective action(s) and preventive action(s) taken, and e) reviewing the effectiveness of corrective action(s) and preventive action(s) taken. Actions taken shall be appropriate to the magnitude of the problems and the environmental impacts encountered.

The organization shall ensure that any necessary changes are made to environmental management system documentation.”

In response to the corrective action request, Appleton Coated revised MAN 14 of our EMS to clarify that the Environmental Manager is required to verify the completeness and effectiveness of all environmental incidents prior to closure. NSF accepted Appleton Coated’s proposed corrective and preventive maintenance actions.

Internal audits of our EMS were also conducted twice during 2014 by a group of employees within the company.

Environmental Compliance Audit

Appleton Coated’s Director of Human Resources, Safety, and Environment completed an environmental compliance audit of our air monitoring and reporting program in June 2014. His report of findings and recommendations noted “a high level of compliance” and included various observations and opportunities for improvement. The opportunities for improvement included expanding an environmental compliance calendar to note dates when reviews were completed of certain air related tracking requirements. The compliance calendar was updated as recommended.

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Progress on Objectives

Our environmental objectives are established and monitored by our Environmental Subcommittee, which is comprised of key environmental, operations, purchasing, and marketing personnel. The subcommittee reports to the firm's Executive Committee. The objectives are updated every six months and are tracked on a monthly basis. The scorecards for the 2014 H1 and 2014 H2 objectives are included as Attachment A to this report. Our objectives, which are discussed below, cover a broad spectrum of environmental areas.

A standard objective for the past few years has been to grow sales of our environmental products. This includes paper with high post/pre-consumer waste (PCW) content, FSC/SFI certified products, and our U2: XG, U1X extra green grades. Although we were not able to achieve the 2014 H1 environmental product targets, we were able to achieve most of the targets for 2014 H2.

Another on-going objective is Energy Savings measured in therms/ton of paper produced. Except for the 2014 H2 energy target in the CFS Complex at our mill, we were not able to achieve our goals for energy savings. This was due in part to the volume of paper produced being down, which resulted in additional start-ups and shut-downs with less efficient energy usage.

Our goal to reduce the amount of coal used at our solid fuel boiler was also not achieved. During 2014, we attempted to increase the amount of bio-fuels, including wood and paper pellets, in the fuel mix delivered to the boiler. The higher level of bio-fuels in the fuel mix resulted in operational problems, particularly slag formation on the boiler walls. It was therefore necessary to reduce the amount of bio-fuels until the slagging issue could be resolved. We continued to work on this issue during 2014.

In anticipation of meeting future phosphorus limits in the WPDES permit for our wastewater treatment plant, we established an objective during 2014 H2 to reduce the amount of phosphorus discharged to the Lower Fox River. We were successful in meeting the target as shown in the 2014 H2 scorecard attached to this report. To achieve this objective, we installed a continuous ortho-phosphorus monitoring and dosage control system. Phosphoric acid is added to our activated sludge system to provide required nutrients for the microorganisms used to reduce the organic content of our wastewater. The dosage control system helps to optimize the feed rate of phosphoric acid and minimize residual phosphorus in our effluent. Plant operators also implemented operational changes to improve the performance of the treatment system.

Appleton Coated has always believed in transparency of our yearly trends in achieving our environmental objectives. This is exemplified in our annual Corporate Sustainability Report (CSR) that has been published since 2007 and posted on our website. Our environmental performance is also presented in the Green Tier Sustainability Matrix which is included as Attachment B to this report.

Transportation

Appleton Coated is recognized by the U.S. EPA as a registered SmartWay® Transport partner. In addition we require that all of our outbound shipments are transported by SmartWay® carriers. SmartWay® is a voluntary partnership between various freight industry sectors and the EPA. The program has incentives for freight fuel efficiency and improvements and greenhouse gas reductions.

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Supply Chain

Our environmental responsibility goes both ways with regards to our supply chain. Customers survey us to ensure environmental responsibility and we survey our pulp suppliers similarly. Throughout the year, we are required to document our environmental metrics and show progress to our customers and potential customers. It is now a segment in most requests for quotations that we receive.

Stakeholder Involvement

Stakeholder involvement during 2014 included training, meeting with employees, participating in local environmental organizations, and providing financial support to groups involved with environmental improvement activities.

Training on environmental matters included the following.

1. As part of our new employee orientation program, we include a training session that covers the firm's environmental policy, environmental management system and various waste management practices including universal waste handling. New employees are encouraged to participate in meeting our environmental policy goals.
2. Spill, Prevention, Control, and Countermeasure (SPCC) training was conducted for individuals involved in handling oil at Appleton Coated. As part of this training, we discussed means for preventing and responding to oil spills. Members of our Emergency Response Team also participated.
3. Contractors performing work at Appleton Coated are required to undergo environmental, health, and safety training. As part of this training, our environmental manager reviews our environmental policy, environmental management system, and procedures for complying with our waste management, spill control, and hazardous chemical handling procedures.

Appleton Coated's Environmental Manager serves on the board of directors of Trees for Tomorrow, an environmental education organization. He is also a member of the Outagamie County Local Emergency Planning Committee (LEPC).

As part of bimonthly business update meetings for employees of Appleton Coated, our President / CEO reviews the status of our environmental performance and opportunities for continued improvement. Employees are encouraged to participate on our Environmental Improvement Team.

During 2014, our Environmental Improvement Team, which is comprised of Appleton Coated volunteers, organized a highway cleanup as part of Outagamie County's Adopt-a-Highway Program. In addition the Environmental Improvement Team organized aluminum can recycling in the mill and used the proceeds to provide financial support to a Boy Scout troop in planting tree seedlings and a local Nature Preserve involved in environmental education.

DNR Relationship

Our involvement with the Green Tier program has enhanced the very good relationship we have had with the WDNR. During 2014, we drew on the WDNR's expertise to review our plans for meeting the phosphorus discharge limits in the mill's WPDES permit. WDNR staff provided valuable insights.

Connie Antonuk, our primary contact with the Green Tier Program, continued to provide valuable support during 2014. She understands our facility's challenges and provided excellent guidance on various environmental issues facing Appleton Coated and expectations of the Green Tier program.

Conclusion

Sustainability has been and remains a shared value of our company. It embraces our commitment to the environment, support of our customers and local communities, and our long-term economic viability to our family of employees. We are proud of our involvement in the Green Tier program and will continue to strive toward continual improvement in our sustainable practices and environmental performance.

**Attachment A
2014 Environmental Objectives**

2014 ENVIRONMENTAL SUBCOMMITTEE OBJECTIVES H1		1 Min	2 Fair	3 Targ et	4 Very Good	5 Outstanding	Comments/ Status
1. Product offering: grow sales of environmental products a) U2:XG (T/wk) --- Rolls ---- Sheets b) U1X: Green (T/wk) c) FSC/SFI add-ons (T/wk) d) 100% Reincarnation (Twk)	Diane	40 60	43 65	45 ● 70	47 75	50 80	45.9 T/wk thru June 68.5 T/wk thru June 74.0 T/wk thru June 931.4 T/wk thru June 31.9 T/wk thru June
2. Explore opportunities / options of Green Tier II	Dan ●	5/31	4/30	3/31	3/15	2/28	No response
3. Reduce % of energy Boiler 10 uses that is Coal	David ●	47%	44%	42%	40%	38%	49.7% thru May
4. Define long term energy plan for the facility (consider options such as alternate fuels, ceasing to burn coal, CLEC, etc)	David Jeff Dan	9/30	7/31	6/30 ●	5/31	4/30	Replaces "new plan for reducing coal usage". Is on company scorecard....On target
5. Determine path forward of sludge disposal. (Are we content with Winnebago County Landfill or do we want to pursue beneficial reuse opportunities for future?)	Jeff	9/30	6/30	5/31 ●	4/30	3/31	Need to determine desired path forward for mid and long term. Complete – Landfill continues.
6. Achieve energy savings (unadjusted) a) Paper mill (therms/T) b) CFS complex (therms/T)	David ● ●	104 19	102 18	100 17	98 16.5	96 16	111.3 therms/ton May YTD 20.8 therms/ton May YTD
7. Grow use of non-fossil fuel power as a percent of total energy portfolio	David ●	38%	40%	42%	43%	44%	37.5% YTD
8. Customer Participation in Closed-Loop Process	Diane	0 ●	0	1	2	3	None To Date
9. Monitor % of Post/Pre-Consumer Waste	Diane	13%	14%	15%	15.5%	16% ●	16.2% May YTD
10. Complete installation of closed-loop phosphorus control	David	5/31 ●	4/30	3/31	2/29	2/1	Reduction will begin in H2 – in place on 5/20/14

**Attachment A
2014 Environmental Objectives**

WISCONSIN DNR GREEN TIER SUSTAINABILITY METRICS		1/1/14 - 12/31/14		
Company Name:	Appleton Coated, LLC			
Facility Name:	Appleton Coated, Locks Mill			
Address:	540 Prospect Street			
City, State, Zip:	Combined Locks, WI 54113			
Environmental Manager / Coordinator:	Dan Brady / Jenni Birkholz			
Manager / Coordinator Phone:	920-687-3633 / 920-687-3379			
Manager / Coordinator E-Mail:	dbrady@appletoncoated.com / jbirkholtz@appletoncoated.com			
Metric	Not Collected/ Not Available	Quantity	Units	Period - if not Calendar Year
DEMOGRAPHICS				
Sales		319,227	Tons	
Money saved because of material or process improvement	X		\$	
Profit or Loss		NA	%	
Employees		598	Each	
Multiple between highest paid and lowest paid employee		7.32	times	
Alternative Transportation Support		Smart Way		
Total Purchases		\$279,385,562	\$	
In-State Purchases		\$102,036,727	\$	
% of Purchases Made from Companies that participate in Green Tier or Green Masters:			%	
LAND				
Total Land		24.85	Acres	
Paved/Covered Land		24.51	Acres or sq ft	
ENERGY				
Electricity		257,038,032	kWh	
		-1.9	% increase	
Natural Gas		842209	million btu	
Renewable Energy		30	%	
WATER				
Total Water Used		2,052,582,200	gallons/year	
		2.9	% increase	
Water Recycled/Reused	X		gallons/year	
			% reduction	
Regulated Pollutants Discharged		291,521	lbs/ year	
		10.7	% reduction	
AIR				
Total Air Emissions		230,355,953	lbs/ year	
		13.7	% decrease	
Ozone-Depleting Substances		3.77	lbs/ year	
		41	% increase	
Greenhouse Gas Emissions		498,700,000	lbs/ year	
		8.5	% decrease	
WASTE				
Hazardous Waste Disposal		2759	lbs/ year	
		63.7	% increase	
Non-Hazardous Waste Disposal		74032020	lbs/ year	
		0.6	% reduction	
Material Recycled/ Reused		7243340	lbs/ year	
		65.0	% decrease	
Recycled/ Reused Content		17.6	% of product	
TRANSPORTATION				
Hybrid Vehicles			Each	
Gasoline Used		334	Gallons	
Diesel Used		16150	Gallons	
Alternative Fuels Used				
ADDITIONAL METRICS				
Please list all other certifications (for example: LEED, Energy Star, ISO 14001):			ISO 14001; FSC; SFI; PEFC; Green Power Partner, Green-e;	