

Appleton Coated Green Tier II Annual Report 2013

EMS Audit Report

Appleton Coated is ISO 14001 certified and audited on a semi-annual basis by a NSF auditor. In addition, internal audits are conducted on the EMS by a group of employees within the company semi-annually opposite the quarters of the external audit. No Corrective Action Requests were received.

(See report attached.)

Executive Summary:

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

Opportunities Noted:

Mill has continued their vigorous initiative in production and marketing of environmental grade paper and realized some success. Various innovative marketing approaches are devised regularly to draw attention from the customer community. Energy performance improvement, a long standing achievement of this mill, has been marginally improved in year 2013. Reduction in landfill received some set back as organization receiving coating waste for beneficial reuse stop taking this waste in June of 2013. Mill is in process of identifying potential users.

Compliance Report

We have assigned Jeff Lawniczak, Appleton Coated's Director of Human Resources, Safety, and Environment to complete an environmental compliance audit of our air monitoring and reporting program. We anticipate this audit will be completed by mid-July.

Progress on Objectives

Our objectives are set by our Environmental Subcommittee, which is a subset of our Executive Committee. They are half-year objectives that are tracked on a monthly basis. (See attached results for H1 & H2 2013) Our objectives cover a broad spectrum of environmental areas. A standard objective for the past few years is to grow our sales of environmental products. This includes higher PCW content products, FSC/SFI certified products, and our U2: XG, U1X extra green grades. These targets are based on volume sold. In 2013 our overall volume was down considerably, and likewise this is reflected in our environmental products as well. Another objective that is multi-year is the Energy Savings objective measured by therms/ton of paper produced. Likewise with volume being down, we had additional start-ups and shut-downs using energy less efficiently. This is reflected in the numbers for both H1 and H2 following below targets set. An objective for H1 was to develop a plan to take the next step change in coal usage reduction. This was completed and testing of this plan began in H2, where it was discovered the plan needs revision at this time. For all of 2013, we had the objective of reducing the amount of coal used in Boiler 10, our largest boiler. This was very successful as we turned to more biofuels, including wood and paper pellets, to offset coal usage. We achieved outstanding results in reducing our coal usage finishing the year at less than 39% coal. Another success for us in 2013 is reflected in the

increase of non-fossil fuels as a percent of our total energy portfolio, scoring Outstanding on our scorecard.

Our 2014, H1 Objectives again cover some of the same issues. We have targets set to continue to grow out environmental products, reduce coal usage further on Boiler 10, grow use of non-fossil fuels and energy savings on a per ton basis. New objectives for this year include the following: Define a long-term energy plan for the facility, determine path forward for sludge reuse, and complete installation of closed-loop phosphorus control. (See attached objectives).

Appleton Coated has always believed in transparency of trends year on year 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. In addition to completing the Sustainability Metrics sheet provided, we have included our 2013 CSR as well.

Transportation

Appleton Coated requires all of its outbound shipments are transported by SmartWay carriers. SmartWay is a voluntary partnership between various freight industry sectors & the EPA. They also establish incentives for freight fuel efficiency and improvements and GHG reductions.

Supply Chain

Our environmental responsibility goes both ways on our supply chain. Customers survey us to ensure environmental responsibility and we survey our pulp suppliers in holding them accountable as well. Throughout the year, we need to report our environmental story, statistics and show progress to our customers and potential customers. It is now a segment in most RFQ's we receive. Over the years we have experienced a shift from the NGO's attacking our corporate customers about not being "green enough" to partnering with them to achieve their goals. Working together is much more effective and reaps exponential benefits through the supply chain. We believe that corporations will continue to increase the emphasis on environmental sustainability and the NGO's will continue to have a role. This role is evolving into an advisory capacity with various levels of the supply chain. It encourages the exploring of green initiatives and projects beyond what we do today

Stakeholder Involvement

Stakeholder involvement during 2013 included training, meeting with various groups, participating in an interview with a local radio station regarding our environmental programs, and providing financial support to groups involved with environmental improvement activities.

Training on environmental matters included the following.

1. Computer-based e-learning on Appleton Coated's Universal Waste management procedures for all staff. As part of this training, we emphasized the importance of recycling and reusing waste materials and minimizing the amount of hazardous waste that we generate.
2. Spill, Prevention, Control, and Countermeasure (SPCC) training 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. As part of our new employee orientation program, we included a training session that covers our Environmental Policy and ISO 14001 Environmental Management System. New employees are encouraged to participate in meeting our environmental policy goals.

4. 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.

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

We also met with representatives from Clean Wisconsin, an environmental advocacy group, headquartered in Madison, Wisconsin. The meeting at our facility included an overview of Appleton Coated's achievements and challenges with regards to environmental improvement and regulatory compliance. We also discussed means for achieving phosphorus water quality standards in the Lower Fox River. Clean Wisconsin staff reviewed procedures in a guidance document they developed on Adaptive Management. Appleton Coated is faced with a strict Phosphorus discharge limit and is considering various alternatives, including Adaptive Management, to meet our wastewater discharge permit requirements.

During 2013, our Environmental Marketing Manager was interviewed by radio station WHBY. The focus of the interview was Appleton Coated's accomplishments in environmental matters.

Our Environmental Improvement Team was able to make contributions to a Boy Scout troop involved in planting 1,000 trees at a scout camp. We also contributed to a local Nature Preserve involved in environmental education. Money raised from recycling aluminum cans at our facility was used to make the donations.

DNR Relationship

Our involvement with the Green Tier program has enhanced the very good relationship we have with the Wisconsin DNR. Shortly after obtaining Green Tier status, we had a very constructive meeting at Appleton Coated with DNR representatives from various programs. We reviewed the regulatory compliance challenges we are facing and received excellent advice. We also discussed our goals for continuous environmental improvement and received helpful suggestions. Based on this meeting and our experience with DNR staff, we believe we have established a strong, collaborative relationship that will assist us in meeting our environmental performance objectives.

We appreciate the assignment of Connie Antonuk as our primary contact with the Green Tier Program. She has been very conscientious about understanding our facility and providing support to us. During a recent meeting she shared useful advice on meeting the expectations of the Green Tier program. She has also provided insight on various environmental issues facing Appleton Coated. We look forward to building our relationship with Connie and other members of the DNR as we progress in 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 will continue to improve as we continue to be a "greener" company.

WISCONSIN DNR GREEN TIER SUSTAINABILITY METRICS				
		1/1/13 - 12/31/13		
Company Name:		Appleton Coated, LLC		
Facility Name:		Appleton Coated, Locks Mill		
Address:		540 Prospect Street		
City, State, Zip:		Combined Locks, WI 54113		
Environmental Coordinator:		Diane Ernst & Dan Brady		
Coordinator Phone:		920-687-3472; 920-687-3633		
Coordinator E-Mail:		dernst@appletoncoated.com; dbrady@appletoncoated.com		
Metric	Not Collected/ Not Available	Quantity	Units	Period - if not Calendar Year
DEMOGRAPHICS				
Sales		318,121	Tons	
Money saved because of material or process improvements		5.9M	\$	
Profit or Loss		NA	%	
Employees		556	Each	
Multiple between highest paid and lowest paid employee		7.6	times	
Alternative Transportation Support		Smart Way	\$ or ?	
Total Purchases		\$269,673,386	\$	
In-State Purchases		\$101,451,113	\$	
% 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		262,003,285	kWh	
		4.8	% increase	
Natural Gas		810382.9M	btu	
Renewable Energy		20	%	
WATER				
Total Water Used		18,038,000	gallons/year	
		30.8	% reduction	
Water Recycled/Reused		1,966,532,000	gallons/year	
		6.0	% reduction	
Regulated Pollutants Discharged		1,740,233	lbs/ year	
		5.3	% reduction	
AIR				
Total Air Emissions		726,978,139	lbs/ year	
		48.6	% increase	
Ozone-Depleting Substances		2.67	lbs/ year	
		59	% reduction	
Greenhouse Gas Emissions		545,300,000	lbs/ year	
		11.8	% increase	
WASTE				
Hazardous Waste Disposal		1680	lbs/ year	
		21.5	% reduction	
Non-Hazardous Waste Disposal		74456800	lbs/ year	
		3.4	% increase	
Material Recycled/ Reused		20693160	lbs/ year	
		54.7	% decrease	
Recycled/ Reused Content		15.8	% of product	
TRANSPORTATION				
Hybrid Vehicles		0	Each	
Gasoline Used		2107	Gallons	
Diesel Used		25320	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;	

2013 ENVIRONMENTAL SUBCOMMITTEE SCORECARD H1		1 Min	2 Fair	3 Target	4 Very Good	5 Outstanding	Comments/ Status
1. Product offering: grow sales of environmental products a) U2:XG (T/wk) b) U1X: Green (T/wk) c) FSC/SFI add-ons (T/wk) d) High PCW product (T/wk)	Diane	139	146	153	161	169	107 T/wk thru June YTD.
		99	104	109	114	120	92 T/wk thru June YTD.
		976	1027	1081	1138	1198	991 T/wk thru June YTD
		42	44	46	49	51	37 T/wk thru June YTD
2. Put together a plan to take the next step change to reduce coal usage:	Mike	7/31	6/30	5/31	4/30	3/31	H1 objective to develop a plan. Completed and Reviewed 5/21/13.
3. Reduce % of energy Boiler 10 uses that is Coal	Mike	47%	44%	42%	40%	38%	June YTD at 40.6%
4. Complete external waste surveys to identify opportunities for reuse.	Ben	0	0	1	2	3	Have surveys completed in H1 as time allows...On Target
5. Reduce pounds of waste to landfill per paper mill ton (sludge, ash & garbage)	Mike	115	105	95	90	85	122.4 YTD June FVEC discontinued burning our sludge
6. Achieve energy savings (unadjusted) a) Paper mill (therms/T) b) CFS complex (therms/T)	Mike	104	102	100	98	96	110 June YTD
		19	18	17	16.5	16	18 June YTD
7. Grow use of non-fossil fuel power as a percent of total energy portfolio	Mike	29.5%	31%	32.5%	34%	36%	42.7% YTD June
8. Customer Participation in Closed-Loop Process	Diane	0	0	1	2	3	Discussions but no new participants
9. Monitor % of Post/Pre-Consumer Waste	Diane	10%	11%	12%	13%	14%	14.6% June YTD
10.							

2013 ENVIRONMENTAL SUBCOMMITTEE OBJECTIVES H2		1 Min	2 Fair	3 Target	4 Very Good	5 Outstanding	Comments/ Status
1. Product offering: grow sales of environmental products	Diane						
a) U2:YG (T/wk)		132	139	145	153	161	149 tons/wk H2 Total
b) U1X: Green (T/wk)	●	99	104	109	114	120	67 tons/wk H2 Total
c) FSC/SFI add-ons (T/wk)		976	1027	1081	1138	1198	980 tons/wk H2 Total
d) High PCW product (T/wk)	●	42	44	46	49	51	26 tons/wk H2 Total
2. Propose concession as part of Green Tier II to DNR	Mike	12/31	12/15	11/30	11/15	10/31	No proposal made by year-end
3. Reduce % of energy Boiler 10 uses that is Coal	Mike	47%	44%	42%	40%	38%	38.9% YTD
4. Implement external waste survey recommendations.	Ben	0	1	2	3	4	Number of recommendations implemented by year end
5. Reduce pounds of waste(excluding beneficial reuse) to landfill per paper mill ton (sludge, ash & garbage)	Mike	115	105	95	90	85	219.7 H2 TD – FVEC is shut-down
6. Achieve energy savings (unadjusted)	Mike						
a) Paper mill (therms/T)		104	102	100	98	96	105 YTD
b) CFS complex (therms/T)		19	18	17	16.5	16	18.5 YTD
7. Grow use of non-fossil fuel power as a percent of total energy portfolio	Mike	29.5%	31%	32.5%	34%	36%	42.9% YTD Actual
8. Customer Participation in Closed-Loop Process	Diane	0	0	1	2	3	None completed in 2013
9. Monitor % of Post/Pre-Consumer Waste	Diane	10%	11%	12%	13%	14%	15.8% YTD Actual
10. Implement H1 plan for reducing coal usage	Mike	2/28	2/15	1/31	1/15	12/31	New plan required.

2014 ENVIRONMENTAL SUBCOMMITTEE OBJECTIVES H1 DRAFT		1 Min	2 Fair	3 Target	4 Very Good	5 Outstanding	Comments/ Status
1. Product offering: grow sales of environmental products a) U2:YG (T/wk) --- Rolls ---- Sheets b) U1X: Green (T/wk) c) FSC/SFI add-ons (T/wk)	Diane	40	43	45	47	50	Targets same as 2013H1 Actuals
		60	65	70	75	80	Target same as 2014 Plan
		97	103	108	114	120	Target same as H2 2013
		970	1020	1075	1130	1185	2014 Plan Tons
d) 100% Reincarnation (T/wk)		43	45	48	51	53	
2. Explore opportunities / options of Green Tier II	Dan	5/31	4/30	3/31	3/15	2/28	
3. Reduce % of energy Boiler 10 uses that is Coal	David	47%	44%	42%	40%	38%	Target same as H2, 2013
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.
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. Replaces "reduce lbs of waste" objective
6. Achieve energy savings (unadjusted) a) Paper mill (therms/T) b) CFS complex (therms/T)	Mark	104	102	100	98	96	Same as Mill wide Scorecard YTD Target
		19	18	17	16.5	16	Same as Mill wide Scorecard YTD Target
7. Grow use of non-fossil fuel power as a percent of total energy portfolio	Mark	38%	40%	42%	43%	44%	Same as 2013 YTD Actual
8. Customer Participation in Closed-Loop Process	Diane	0	0	1	2	3	Number of customers in H2
9. Monitor % of Post/Pre-Consumer Waste	Diane	13%	14%	15%	15.5%	16%	Same as 2013 Actual - 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