



**KAPSTONE®**

2015 SUSTAINABILITY REPORT



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## THE PRESIDENT'S MESSAGE



# PRESIDENT'S MESSAGE

We think big and act small. We take care of our partners. We do business the right way. Within each of our three principles, the drive to conduct business in a sustainable manner directs our daily decisions. By setting aggressive environmental, health and safety goals, we challenge ourselves to build on today's performance as our goals turn into results and define the new standard.

I am pleased to share with you the results of this ongoing work as we continue to pursue environmental excellence, along with social progress and economic performance. Reflecting our commitment to transparency, this report provides you with an accurate picture of 2015.

### WORKING TO IMPROVE SAFETY

Safety remains our most important value. As a result, we're disappointed that our OSHA Total Recordable Incident Rate (TRIR) was up compared to 2014. Still, our TRIR of 2.17 represents a reduction of 14 percent since 2010.

We aim to lower our TRIR in 2016 by more aggressively fostering a safety culture through leadership training and involvement, continuing to develop and standardize procedures and information management, and strengthening our Behavior Based Safety systems across all KapStone operations.

### PROGRESS TOWARD ENVIRONMENTAL GOALS

We're pleased with the progress we have made toward meeting our energy use, greenhouse gas and critical air emissions goals. In addition, all operations throughout KapStone are certified by one or more of the industry sustainable forestry certification programs, and our paper mills, chip mills and sawmill are all certified to the highest levels of Chain-of-Custody (CoC) certification.

In 2015, we used about 2 percent more water than 2014, pushing us slightly further from our 2010 goal of reducing water use gallons/ton by 10 percent. Overall, we have reduced gallons/ton by 1.6 percent since 2010. We know that we can do better. To that end, we are using cross-functional teams at our kraft mills to identify and prioritize areas with the greatest opportunities for improvement.

### GROWTH CONTINUES WITH INNOVATIVE PRODUCT OFFERINGS

At KapStone, we continued to help more customers right-weight their packaging through increased use of products that reduce packaging weight while maintaining strength. We remain focused on helping our customers as they seek to optimize package design, improve sustainability performance and lower total supply chain costs.

### VICTORY PACKAGING JOINS THE KAPSTONE TEAM

Last year, we were excited to announce that KapStone was acquiring Victory Packaging/Golden State Container. As a previous board member of Victory, I was able to gain a full appreciation for their abilities to deliver superior services, drive excellent operating performance and deliver results to the bottom line.

I am delighted to have the Victory team join KapStone and am looking forward to the significant benefits that the combined companies will achieve. I am confident that strategic growth will continue to position KapStone as a sustainable enterprise well into the future as we deliver increased value to our customers and stakeholders.

We plan to begin incorporating Victory's sustainability metrics as part of KapStone in 2016, beginning with safety.

### WORKING TO BE GOOD CORPORATE CITIZENS

We never forget that we make an impact on the communities where our employees live and work. It's up to us to ensure that the impact we make is a positive one. During 2015, our efforts in this regard included blood drives, food drives and contributions to local charitable organizations.

Thank you for your interest in our sustainability commitment. As we continue turning our goals into achievements, all of us at KapStone look forward to updating you on our progress moving forward.

**MATT KAPLAN** / *President and Chief Operating Officer*

2020  
Sustainability Goals

- Improve Safety
- Achieve CoC
- Reduce Energy
- Reduce GHG
- Reduce CAE
- Reduce Water Use

*“We continue to make progress toward our key sustainability goals.”*

# 2020 SUSTAINABILITY GOALS

KAPSTONE PAPER MILL OPERATIONS



SUSTAINABILITY GOALS



# 2020 SUSTAINABILITY GOALS



*“We’re pleased to be on track with most of our goals and are working hard on areas that need improvement.”*

Improve Safety

70%

Reduce OSHA recordable incident rate by 70%

Achieve CoC

100%

Achieve 100% Chain-of-Custody Certification

Reduce Energy

10%

Reduce energy use MMbtu per ton by 10%

Reduce GHG

15%

Reduce GHG emissions per ton by 15%

Reduce CAE

25%

Reduce criteria air emissions per ton by 25%

Reduce Water Use

10%

Reduce water use gallons/ton by 10%

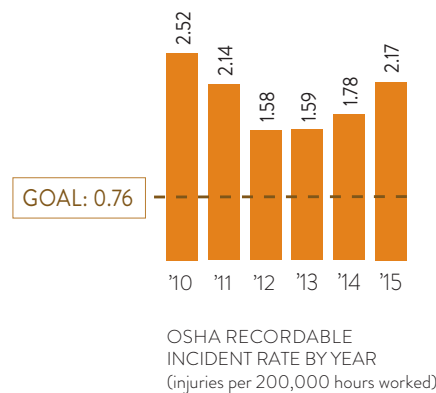
70%

**2020 GOAL**  
REDUCE OSHA  
RECORDABLE  
INCIDENT RATE  
BY 70%



# INJURY-FREE WORKPLACE

PERFORMANCE INDICATOR



## 2015 PROGRESS

OSHA TRIR at 2.17, a 14% reduction since 2010

- Recognized opportunities for greater focus on TRIR reduction and developed key procedures to implement companywide.
- Corporate Safety & Health Audit Program implemented with 50% of all KapStone sites receiving audits.
- Continued implementation of engineering controls to reduce risk companywide.
- Implementation of a corporate IT Data Management System for Safety & Health (Industry Safe).
- Strong emphasis on employee involvement.

## 2016 MANAGEMENT PLAN

- Focus on safety culture through leadership training and involvement.
- Continue development and standardization of procedures and information management.
- Strengthen Behavior Based Safety systems across all KapStone operations.

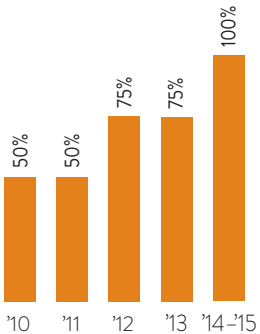
# 100%

**2020 GOAL**  
ACHIEVE 100%  
CHAIN-OF-  
CUSTODY FIBER  
CERTIFICATION



## ACHIEVE CHAIN-OF-CUSTODY CERTIFICATION

PERFORMANCE INDICATOR



CoC CERTIFICATION BY YEAR  
(percent based on number of mills.  
Four mills total at KapStone)

*A Chain-of-Custody (CoC) Certificate signals that the holder has responsibly addressed both the social and environmental aspects during each step of the manufacturing process.*

### 2015 PROGRESS

Achieved 100% of CoC 2020 goal in year 2014

- All KapStone Mills are chain-of-custody certified to at least two forestry organizations (i.e. SFI®, PEFC™, and/or FSC®).
- All KapStone full line box plant and sheet feeder plants are certified to SFI Certified Sourcing standards.
- 31% of KapStone Mills' fiber source come from recycled fiber.

### 2016 MANAGEMENT PLAN

- Continue fulfilling the certification requirements outlined by SFI, PEFC and FSC which include land owner outreach, education and sustainable forestry support.

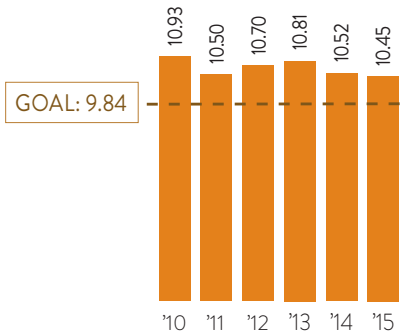
10%

**2020 GOAL**  
REDUCE ENERGY  
USE MMBTU PER  
TON BY 10%



# REDUCE ENERGY USE

PERFORMANCE INDICATOR



ENERGY USAGE BY YEAR  
(MMbtu/ton of production)

### 2015 PROGRESS

4.5% reduction since 2010

- Energy use metrics was corrected in 2015 to account for fuel moisture content at the boilers and resulted in a change to our 2010 baseline and annual data as previously reported.
- At our two largest mills, capital projects continued to drive significant reduction in energy use.
- Local management teams implemented energy conservation projects.
- More than 70% of the energy consumed at KapStone mills came from renewable fuel sources.

### 2016 MANAGEMENT PLAN

- Invest in capital projects on paper machines and energy systems to continue driving reductions.
- Focus on optimizing fuel mix and reducing energy losses through non-capital projects.



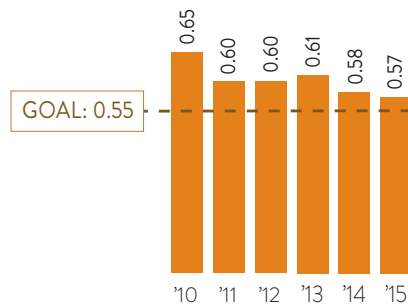
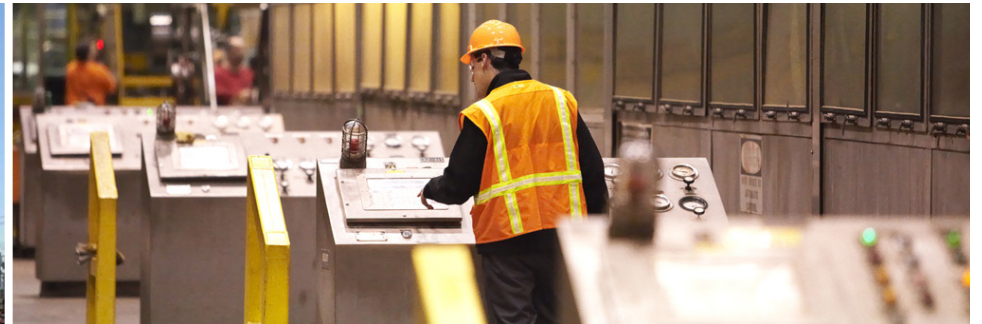
15%

**2020 GOAL**  
REDUCE GHG  
EMISSIONS PER  
TON BY 15%



## REDUCE GHG EMISSIONS

PERFORMANCE INDICATOR



GREENHOUSE GAS EMISSIONS BY YEAR  
(metric tons CO<sub>2</sub>e per ton of production)

### 2015 PROGRESS

13% reduction since 2010

- GHG emissions metrics were corrected in 2015 to account for biogenic emissions and resulted in a change to our 2010 baseline and annual data as previously reported.
- Biomass boiler projects at our Longview Mill delivered strong results and reinforced the mill's position as the lowest GHG emissions per ADT leader.
- Improved use of renewable biomass through investment in the Cogen facility at our Charleston Mill drove reduction in GHG emissions per ADT.

### 2016 MANAGEMENT PLAN

- Develop next steps for biomass optimization to increase energy efficiency throughout the mill system.
- Focus on minimizing fossil fuel use where practical.

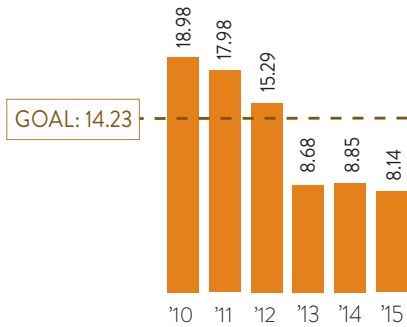
25%

**2020 GOAL**  
REDUCE  
CRITERIA AIR  
EMISSIONS  
PER TON BY 25%



# REDUCE CRITERIA AIR EMISSIONS

PERFORMANCE INDICATOR



CRITERIA AIR EMISSIONS  
BY YEAR  
(lbs. per ton of production)

### 2015 PROGRESS

57% reduction since 2010

- Exceeded 2020 goal by 43%.
- Continued to measure and monitor air emissions to maintain compliance with our regulatory obligations.

### 2016 MANAGEMENT PLAN

- Support continued reduction in criteria air emissions through energy and fuel efficiencies improvement initiatives.
- Work with the AF&PA to review goals and reset our expectations as appropriate.

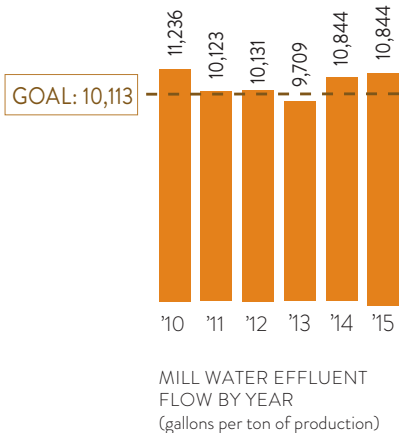
10%

**2020 GOAL**  
REDUCE WATER  
USE GALLONS/  
TON BY 10%



# REDUCE WATER USE

PERFORMANCE INDICATOR



### 2015 PROGRESS

Reduced gallons/ton by 1.6% since 2010

- Recognized the impact of kraft mill intensity and product mix on water use results and the need to adjust approach through 2020.
- Continued monitoring and investing in processes, which include state-of-the-art clarifiers, to ensure that effluent water is cleaned to defined standards before returning to the environment.

### 2016 MANAGEMENT PLAN

- Utilize cross functional teams at the kraft mills to self audit gaps to a benchmark; Identify and prioritize areas of greatest opportunity.
- Develop long-term strategy through 2020 and implement quick win projects in 2016.

## Environment

- Environmental Stewardship
- Sustainable Products
- Operational Standards
- Progress Toward Goals
- Renewable Resources
- The Right Way
- Sustainable Sourcing

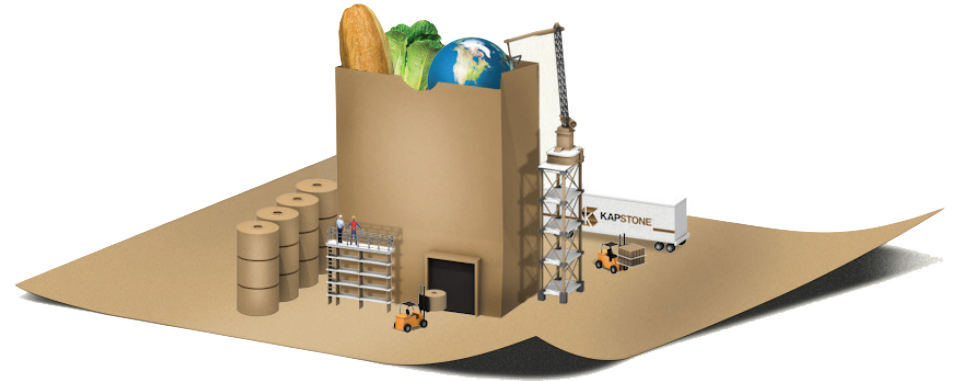
# OUR SUSTAINABILITY COMMITMENT

COMMITTED TO ENVIRONMENTAL STEWARDSHIP

*“Our KapStone Sustainability Commitment aligns with the American Forest and Paper Association’s 2020 goals.”*

ENVIRONMENTAL  
STEWARDSHIP

SUSTAINABLE  
PRODUCTS



## OUR SUSTAINABILITY COMMITMENT



*“We are dedicated to protecting the environments in which we operate and the communities where we live and work.”*

### COMMITTED TO ENVIRONMENTAL STEWARDSHIP

As one of the largest pulp and paper manufacturers in North America, we are dedicated to protecting the environments in which we operate and the communities where we live and work. Our KapStone Sustainability Commitment aligns with the American Forest and Paper Association’s 2020 goals.

Each of our paper mills and box plants has dedicated members of our leadership team charged with implementing sustainability initiatives, tracking progress toward our 2020 Sustainability Goals, and communicating the company’s sustainability objectives to our employees.

View our [KapStone Sustainability Commitment](#) on our corporate website.

### MANUFACTURING SUSTAINABLE PRODUCTS

We produce containerboard, kraft papers, specialty paperboard, and corrugated packaging from a combination of recycled and renewable resources. Through our North American distributor, Victory Packaging\*, we also provide our clients with unique and sustainable packaging solutions. Most of our products are used by our customers to create custom packaging products that have some of the highest recycling rates in North America.

We supply our paper and recovered fiber and saw timber in compliance with sourcing requirements of the Sustainable Forestry Initiative (SFI) and tracked through the SFI®, FSC®, and PEFC™ Chain of Custody standards.

\* Victory Packaging uses the Victory name in all locations outside California. In California, we do business under the name Golden State Container.

OPERATIONAL STANDARDS

PROGRESS TOWARD GOALS



“ We believe we are on track to meet all of our performance targets, which are based on our reported baseline year of 2010.”

**SETTING HIGH OPERATIONAL STANDARDS**

Our goal is 100 percent compliance with all environmental laws and regulations wherever we do business. We set annual operating goals to further reduce emissions, conserve water, and reduce chemical losses, and we’re dedicated to continuous improvement by reducing emissions as part of our Sustainability Commitment.

- We combine continuous process improvement in a TEAM environment with technology to be innovative, safe, environmentally conscious, and profitable.
- We build long-term relationships as valued partners to our customers and suppliers.
- We invest to maintain reliable manufacturing operations that enhance customer and shareholder value through strategic growth and improved operational effectiveness.

**PROGRESS TOWARD GOALS**

In 2015, we continued to make progress in our efforts to meet our 2020 Sustainability Goals and worked hard to minimize our environmental footprint. We believe we are on track to meet all of our performance targets, which are based on our reported baseline year of 2010.

**Energy:** Direct energy (MMbtu/ton production) in 2015 was 10.93, compared to our 2020 goal of 9.84. We have reduced energy consumption annually since 2010 and reached a 4.5 percent reduction in 2015.

**Greenhouse Gas (GHG) Emissions:** As established in our 2010 baseline year, our target is to reduce greenhouse gas (GHG) emissions by 15 percent by 2020. In 2015, reduction projects produced an 13 percent reduction since our baseline year, compared to the 12 percent reported last year. We are not using GHG offsets to meet targets.

RENEWABLE  
RESOURCES



Southeastern Loblolly Pine.

**Critical Air Emissions (CAE):** We have met or exceeded our CAE reduction goal of 25 percent by 2020. In 2015, we achieved an 8 percent reduction, with a total reduction of 57 percent from our baseline year. Air emissions are continually measured and monitored to maintain and exceed compliance with regulatory obligations.

**Water:** Monitoring and improving our water usage practices continues to be a priority. Our water comes from both municipal utilities and company-owned sources. We obtain more than 99 percent of the water used by our mill facilities from nearby rivers. We are reducing water use through ongoing equipment improvements and behavior-based initiatives with employees at our operations. In 2015, we reduced water usage by 1.6 percent from our 2010 baseline year. We continue to monitor water usage and have developed a strategic plan to meet our 2020 goal of a 10 percent reduction.

**GENERATING RENEWABLE RESOURCES**

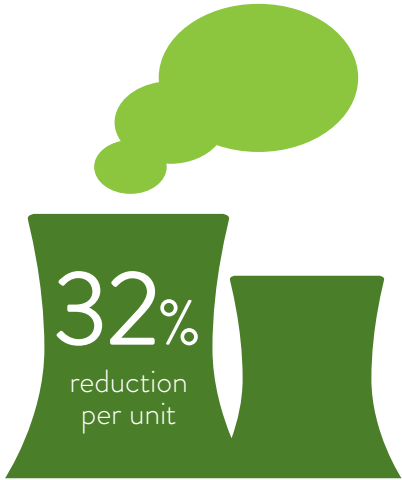
Implementing conservation best practices within our operations is only one way we’re reducing our imprint on

the environment. We also work with external stakeholders to create programs to maintain renewable resources.

**Regenerating South Carolina Forests:** The supply of wood as a renewable resource depends on planting tree seedlings as existing tree resources are harvested. In 2012, KapStone Charleston Kraft LLC’s Wood Procurement Department launched the Pine Seedling Program, which offers free second-generation, bare root, loblolly pine seedlings—along with information about planting this valuable natural resource—to local landowners. During the program’s first year, we donated more than 500,000 seedlings to private landowners for their forest regeneration needs; in the 2014–2015 planting season, we provided 2.5 million seedlings.

**Supporting Forestry Education:** An important part of creating sustainable environments is educating youth on the importance of protecting our natural resources. That’s the reason behind programs such as our S.C. Sustainable Forestry Teaching Tour and Wood Magic Forest Fair, which teach students and teachers about forestry in South Carolina.

THE RIGHT WAY



“ A significant 32 percent reduction per unit in the industry’s greenhouse gas (GHG) emissions between 2006 and 2010.”

**THE RIGHT WAY TO DO BUSINESS**

Part of doing business the right way is being a good corporate citizen. To us, that means protecting the environments where we operate and through volunteer clean-up efforts and participating in industry studies that support positive change in product manufacturing and distribution.

**Assessing Our Impact on Protected Environments:** A number of our facilities are located near protected environments, such as major bodies of water. We assess the impact of KapStone facilities’ operations on such environments on an ongoing basis by evaluating compliance with water and air permit limits and other applicable regulatory programs.

**Reducing GHG Emissions in Corrugated Products:** KapStone joined other corrugated products industry members on a Corrugated Packaging Alliance (CPA) committee commissioned by the National Council for Air and Stream Improvement to conduct a full Life Cycle Assessment (LCA) of a 1-kg industry average corrugated product. The aim of

the study was to generate high-quality, up-to-date data on the environmental impacts of corrugated packaging (new and recycled) and compare products manufactured in 2010 with those produced in 2006.

Some of the CPA study outcomes include:

- A significant 32 percent reduction per unit in the industry’s greenhouse gas (GHG) emissions between 2006 and 2010;
- Effects of nutrient releases on receiving waters and soils (eutrophication) decreased by 22 percent; and
- Effects of particulate matter emissions (respiratory effects) decreased by 14 percent.

The study also showed that the worldwide market needs both new and recycled fibers to produce the best quality corrugated products and to ensure a consistent and sustainable supply.



SUSTAINABLE SOURCING

“

We have a direct influence on our suppliers to practice environmentally sound measures through encouraging responsible harvesting, replanting and recycling of raw materials.” —Eric Smith, KapStone’s Forest Certification Manager



**SUSTAINABLE SOURCING: ONE WAY WE PROTECT THE ENVIRONMENT**

We believe that protecting our planet is a prerequisite for doing business. That’s why we do everything possible to have minimal impact on the environment in every phase of our operations:

- Our raw materials come from sustainable and renewable sources.
- We produce environmentally friendly products.
- We recycle chemicals, water, heat and fuel throughout our manufacturing processes.
- We recycle waste wherever we can.
- We deliver our products to customers in ways that minimize environmental impacts.

**CERTIFICATION INITIATIVES**

Our sustainable forestry policy states our commitment to help create sustainable forests for generations to come. One way we do this is through our proactive involvement in various sustainable forestry certification programs, including Sustainable Forestry Initiative (SFI), Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council® (FSC).

Each of these organizations provides a rigorous set of environmental standards that participating companies must abide by in order to be certified by them. Those standards are aimed at encouraging a broad range of interdependent actions that create healthy forests. Some issues addressed

include water quality, biodiversity, wildlife habitat, endangered species and forests of exceptional conservation value.

**CERTIFIED TO THE HIGHEST STANDARDS**

All operations throughout KapStone are certified to one or more of these certification programs. In addition, our paper mills, chip mills and sawmill are all certified to the highest levels of Chain-of-Custody certification from both SFI and PEFC, and all Mill Division locations except the Longview paper mill are FSC Chain-of-Custody certified. Chain of Custody is the highest level of certification possible and relatively few companies aspire to achieve it. We’re proud to be among them.

KapStone’s Forest Certification Manager, Eric Smith, has oversight responsibility for our certification efforts and other matters pertaining to our commitment to sustainable forestry. “We have a duty to manage our natural resources. I truly believe that it is one of our roles here on earth,” he said. “That’s why it’s in our best interests to do whatever we can to protect the environment.”

Eric believes KapStone is in the perfect industry for positively affecting the environment. “Our products use naturally renewable resources that encourage forest owners to keep their land in healthy managed forests, versus selling it for housing developments or some other use,” he said. “The public also receives benefits in the clean water, clean air and enjoyment of these forests.

“We have a direct influence on our suppliers to practice environmentally sound measures through encouraging responsible harvesting, replanting and recycling of raw materials.”

## People & Community

- Safety
- Health & Wellness
- Developing Employees
- Community Involvement
- Communications
- Fighting Hunger

# OUR PEOPLE & COMMUNITY

FOSTERING RELATIONSHIPS AND BUILDING STRONG COMMUNITIES

*“We strive to be a company where our employees aspire to work and stay for their entire careers.”*



SAFETY



# OUR PEOPLE & COMMUNITY



*“We believe in providing an environment that fosters long-term career growth.”*

*“Providing a safe and healthy work environment for our employees is a core value at KapStone.”*

### FOSTERING RELATIONSHIPS AND BUILDING STRONG COMMUNITIES

At KapStone we strive to be a company where our employees aspire to work and stay for their entire careers. Because our employees are our greatest asset, we believe in providing an environment that fosters long-term career growth through training, competitive compensation, benefits, and a safe work environment.

### SAFETY FIRST, LAST AND ALWAYS

Providing a safe and healthy work environment for our employees is a core value at KapStone. Our Health & Safety Commitment ensures our employees that we have the leadership, processes, and assessments in place to create work environments that reflect the thinking that “there is nothing we do that cannot be done safely.”

We encourage individual ownership and best practice health and safety initiatives to create an accident-free and injury-free workplace. Our dedicated safety personnel develop and administer company-wide safety policies—including annual safety audits of our manufacturing sites—to ensure the safety of each employee and compliance with Occupational Safety and Health Administration (OSHA) standards.

Our kraft mills and corrugated box plants utilize behavior-based safety programs that combines traditional and assessment safety awareness tools with personal safety skills development. The program also offers specific critical error-reduction techniques that our employees can implement to reduce their risk of injury at work.

HEALTH & WELLNESS

DEVELOPING EMPLOYEES



We encourage individual ownership and best practice health and safety initiatives.

Employees also serve on individual department safety committees, as well as those for the business unit. Examples of safety programs include fall protection, emergency responder, hearing conservation, fire suppression, emergency action plans, Lock and Tagout, incident investigation, and comprehensive safety training systems.

All of our plants hold regular meetings to discuss safety and provide safety training to all employees. Many produce safety-focused newsletters that highlight specific safety topics, goals, and facility performance. Many of our facilities hold quarterly safety recognition award events honoring employees for meeting and exceeding safety goals throughout the year.

**HEALTH AND WELLNESS ARE TOP PRIORITIES**

Employees perform best when they're healthy. That's why we aim to cultivate and maintain a culture of health focused on encouraging and empowering employees to make healthy lifestyle choices through awareness, prevention, and positive behavior change.

We provide our employees with access to quality health-care and wellness programs, and many of our facilities partner with local healthcare institutions to offer health screenings, flu shots, and other programs for employees and their families.

We also offer a variety of medical, dental and vision benefits for employees and eligible dependents, as well as a fitness discount program and an Employee Assistance Program. Additionally, we offer two reimbursement accounts and a health savings account that give employees the opportunity to use pre-tax pay to fund out-of-pocket health and child-care expenses. We also provide disability benefits, life insurance, and supplemental medical insurance. In addition to health and welfare benefits, we offer a 401(k) retirement plan and an employee stock purchase program.

**EDUCATING AND DEVELOPING KAPSTONE EMPLOYEES**

We provide strong training programs to help workforce stay current with ever-changing technology while positioning employees for advancement within the organization.

## COMMUNITY INVOLVEMENT



“

We encourage our employees to engage in community service activities that support their personal passions and to participate in organized volunteer events sponsored by their KapStone facility.”

We provide financial support to employees interested in broadening their formal education through the KapStone Tuition Reimbursement Program. And the KapStone Scholarship Program assists employees' children who plan to continue their education in college. In 2015, \$246,790 was awarded through this program.

Our management team members receive leadership and other training to help them achieve results through effective leadership.

As an Equal Employment Opportunity employer, we select, develop, and promote employees based on the individual's ability and job performance. It is our policy to provide Equal Employment Opportunity to all people in all aspects of employment practices without discrimination based on race, color, religious creed, national origin, ancestry, sex, marital status, age, disability, sexual orientation, or status as an Armed Services Veteran.

### GETTING INVOLVED IN OUR COMMUNITIES

We strive to make the communities around us better places to live and work. We encourage our employees to engage in community service activities that support their personal passions and to participate in organized volunteer events sponsored by their KapStone facility. Examples of company-sponsored community activities include blood drives; food and fund drives for local food shelves and homeless shelters; Earth Day and holiday celebrations; Rotary, Kiwanis and other civic organizational events; athletic league sponsorships; events supporting medical research; educational programs for local schools; and programs that support the arts.

Each company facility has designated teams of employees who volunteer to coordinate these activities and raise funds for specific charities. In 2015, KapStone's Mill Division contributed over \$774,000—including employee contributions through payroll deduction—to local charitable organizations.

To ensure we are following best practices in our industry and to maintain the highest level of compliance required for certification, KapStone employees are actively involved in a host of professional organizations.

COMMUNICATIONS

“ Since March of 2014, KapStone and Bloodworks have held five blood drives. During 2015, Bloodworks registered 91 donors, including 32 first-time Bloodworks donors.”



**Employee Blood Drives Give Patients A Second Chance At Life:** Employees at our Longview, Washington, facility are always ready to contribute to ongoing blood drives conducted by Bloodworks Northwest, which supplies roughly 90 hospitals and clinics throughout Washington, Oregon and Alaska. Bloodworks NW provides 100% of the blood needed in Cowlitz County and have exclusively supplied St. John Medical Center with life-saving blood since 1999. Since March of 2014, KapStone and Bloodworks have held five blood drives. During 2015, Bloodworks registered 91 donors, including 32 first-time Bloodworks donors. The organization collected 74 units of blood, helping save the lives of 222 patients.

responsible for maintaining an operational supply of blood to local hospitals, we are so thankful for KapStone employees and their support of our program. The many employees who participate with these drives are a testament to the community service spirit that runs through KapStone. We could not do what we do without the support of the local community and organizations like KapStone. Yvette Olive, Donor Representative for Bloodworks in Cowlitz County. “The need for blood is constant and there are patients in the community receiving blood every day—and they’re extremely grateful to receive life-saving blood.”

Bloodworks Northwest conducts blood drives at KapStone Longview twice per year. Blood drives are conducted at all KapStone Mill locations twice per year. In 2015, KapStone Mill employees donated approximately 300 units of blood, helping to save the lives of 900 patients.

“KapStone blood drives are one of the most successful in Cowlitz County. With the exception of our HS drives, KapStone drives result in more units collected than any other community drive. Since we are

**KEEPING THE LINES OF COMMUNICATION OPEN**

Creating effective channels of communication with our stakeholders is an important part of how we do business. We survey our customers triennially, hold quarterly earnings conference calls with our investors and shareholders, and engage our employees through a host of communications vehicles to address their concerns and review the company’s strategic goals, financial performance, and outlook for the future.

Our company magazine, *KapStone Way—A Passion for Our Principles*, features articles on how our company is engaging with our stakeholders based on our three guiding principles:

- We Think Big and Act Small.
- We Take Care of Our Partners.
- We Do Business the Right Way.

Our plants hold regular employee meetings that include updates on company performance and facility-specific operations, such as achievements, safety, waste, quality, productivity, and environmental highlights.

**FIGHTING HUNGER**

“

Hunger has been one my personal causes for many years,” says Samuels. “The challenges of addressing hunger in the U.S. make Move for Hunger a natural fit for Victory Packaging.” —Ben Samuels, Co-President, Victory Packaging



**TEAMING UP TO FIGHT HUNGER**

For the third year in a row, Victory Packaging and Golden State Container partnered with Move for Hunger—a 501(c)3 non-profit organization that works with relocation companies to collect non-perishable food items, and deliver it to food banks all across North America—to raise 29,960 pounds of food through an annual food drive—a staggering 10,000 pounds more than what was raised in 2014. Over the course of two weeks, each of our U.S. branches collected canned food including bottled water, fruits and vegetables, rice, and beans donated by employees, customers, and valued partners to help fight hunger in their area. Branches across the nation competed to win a lunch hosted and served by Ben Samuels, our co-president. Collecting more than 240 pounds per employee and over 8,500 pounds total, our Cleveland and Los Angeles branches came out on top.

“Hunger has been one of my personal causes for many years,” says Samuels, who is the former chairman of the Houston Food Bank, the largest in the country. “The challenges of addressing hunger in the U.S. make Move for Hunger a natural fit for Victory Packaging.” Samuels says that the idea that you need to help those who are less fortunate goes back to his grandparents. He also points out that food is about more than sustenance. “Meals are a place where people can come together and build connections and families,” he says. “Food banks help make that happen.”

Each day, millions of Americans across the country struggle to put food on their tables for their families. Often they are

hard-working adults, children, and senior citizens who cannot make ends meet and often are forced to go hungry, and with winter and the holiday season approaching, we are proud to be able to provide over 20,000 meals to those in need. Hunger is a national problem that affects communities at a local level. Our U.S. branches participate in this annual food drive today, so residents of more than 30 regions are able to put food on their table tomorrow.

We believe in giving back to the communities which we serve. As a company, we encourage our employees to freely participate in efforts to help their local communities through volunteering and charitable contributions. We have been successfully partnering with Move for Hunger since 2010, providing monetary contributions alongside our company-wide food drive that was launched in 2012. To date, we have collected over 80,000 pounds of food for families in need.

In addition to donating to the Move for Hunger food drive, we encourage our employees to be active in helping their community by supporting their charity of choice. In support of each employee’s contributions of volunteer time or monetary donation to local charities, we offer a matching donation of up to \$250 for every dollar donated by an individual employee.

Move for Hunger is a national non-profit organization focused on working with relocation companies to collect non-perishable food items, which are then delivered to food banks across North America.

# KAPSTONE PAPER & PACKAGING CORP.

ABOUT OUR COMPANY

## Company

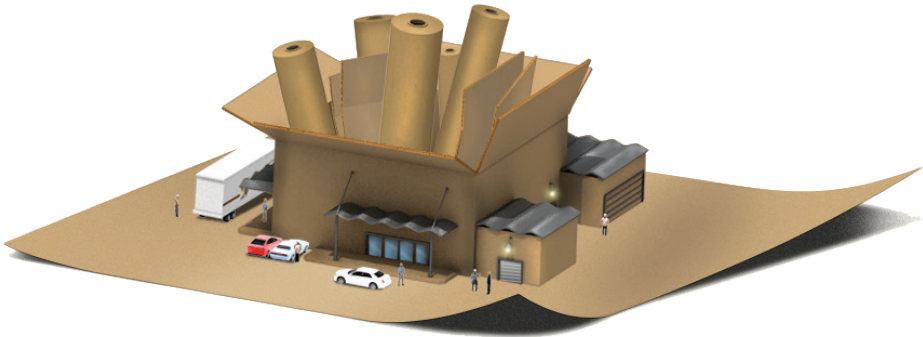
- About KapStone
- Our Products
- Governance
- Product Responsibility
- Product Stewardship
- Innovation Quality Service
- Victory Packaging

*“KapStone’s paper mills produce a wide spectrum of kraft and recycled products.”*





ABOUT  
KAPSTONE



# KAPSTONE PAPER & PACKAGING CORP.



*“Our company is a leading North American producer of unbleached kraft paper and corrugated packaging products.”*

*“We serve more than 3,000 U.S.-based and over 200 export customers.”*

**ABOUT OUR COMPANY**

KapStone Paper and Packaging Corporation was formed in April 2005 by industry veterans to establish operating businesses in the paper, packaging, forest products and related industries. Headquartered in Northbrook, Illinois, our company is a leading North American producer of unbleached kraft paper and corrugated packaging products. In 2015, consolidated net sales grew 21 percent to a record \$2.8 billion. As of December 31, 2015, we had approximately 6,400 employees.

KapStone’s paper mills produce a wide spectrum of kraft and recycled products ranging from containerboard, including liner and medium, to kraft papers, saturating kraft and folding carton board. The mill’s product portfolio contains several branded products including KraftPak®, DuraSorb®, TEA-Kraft® and FibreShield® as well as a focus on extensible kraft paper grades and on high-performance, lightweight linerboard. KapStone’s corrugated packaging business offers an array of fully equipped corrugator Box Plants, Sheet Plants and Sheet Feeders providing industrial and retail corrugated packaging solutions for any customer, regardless of size or demands. We have over 3,000 U.S.-based and over 200 export customers.

## OUR PRODUCTS

Product Type	Markets Served	Branded Product Lines	Use
Containerboard	<ul style="list-style-type: none"> <li>—Internal converting facilities</li> <li>—Independent corrugators</li> <li>—Non-box applications</li> </ul>	FibreLok® Ultra Performance Liner (UPL)	<ul style="list-style-type: none"> <li>—Linerboard</li> <li>—Corrugated medium</li> <li>—Specialty niche packaging</li> </ul>
Corrugated Products	<ul style="list-style-type: none"> <li>—Food, beverage and agricultural products</li> <li>—Paper products</li> <li>—General retail and wholesale trade</li> <li>—Miscellaneous manufacturing</li> <li>—Petroleum, plastic, synthetic, and rubber products</li> <li>—Appliances, vehicles, and metal products</li> </ul>	Large portfolio of products offered	<ul style="list-style-type: none"> <li>—Packaging</li> <li>—Non-box applications</li> </ul>
Kraft Paper			
Multiwall	Bags for agricultural products, pet food, baking products, cement, and chemicals	FibreShield® TEA-Kraft®	Packaging
Specialty Paper	Variety of converters using coating and laminating applications		<ul style="list-style-type: none"> <li>—Insulation</li> <li>—Agricultural and food packaging</li> <li>—Shingle wrap</li> <li>—End caps</li> <li>—Roll wraps</li> <li>—Dunnage</li> </ul>
Lightweight Paper	Food and beverage markets	FibreGreen®	Flexible packaging for quick-serve restaurant carry-out bags to direct contact food packaging applications.
Saturating Kraft	End-users of High Pressure Laminates (HPL), including: <ul style="list-style-type: none"> <li>—Construction</li> <li>—Electronics</li> <li>—Furniture Manufacturing</li> </ul>	DuraSorb® DuRecycle®	<ul style="list-style-type: none"> <li>—Decorative surfaces such as kitchen and bath countertops</li> <li>—Exterior cladding</li> <li>—Interior partitions</li> <li>—Home and office furniture and flooring</li> </ul>
Folding Boxboard	Food and beverage market	KraftPak®	General folding carton segment for beverage, retail carry-out, bakery, and dairy packaging

For more information about our specific products, visit the Products & Services section of our company website or view our 2015 Form 10-K filing.



**CORPORATE GOVERNANCE**

KapStone organizes and conducts business with the highest standards of efficiency and effectiveness and complies with both the letter and spirit of applicable laws, rules, and regulations. We adhere to all domestic and international labor and human rights standards and expect our management, board of directors, and all employees to do the same. Refer to our KapStone Paper & Packaging Corporation Code of Conduct and Ethics for more information about the company’s values, principles and standards.

Our eleven-member board of directors provides responsible oversight of management. Board members also participate in the audit, compensation, nominating and corporate governance committees.

With the exception of KapStone’s president and chief executive officer (CEO), all members of the board of directors are independent. An independent director is one who is free of any relationship with the company or its management that may impair, or appear to impair, the director’s ability to make independent judgments, and who meets the NYSE’s definition of independence.

Our CEO reports to the board of directors and has oversight over the economic, environmental and social impact of the company and sets KapStone’s sustainability targets. Our Sustainability Team is responsible for driving corporate sustainability programs to achieve defined targets.

More information on our corporate governance structure is available on the Investor Relations page of our website.

**FINANCIAL HIGHLIGHTS**

For detailed information about KapStone’s 2015 financial performance, please see our 2015 Form 10-K found on the Annual Reports page of our website.

**OUR NATIONAL FOOTPRINT AND GLOBAL REACH**

In 2015, we produced 2.7 million tons of product, of which 82 percent was sold to third-party converters or shipped to our corrugated products manufacturing plants based in the U.S. and 18 percent was sold to foreign-based customers. KapStone’s stock is traded on the NYSE Stock Exchange under the symbol KS.

PRODUCT RESPONSIBILITY & PRODUCT STEWARDSHIP

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In 2015, we had approximately 2,800 suppliers ranging in size from large corporations to small, independent proprietors. Ninety percent of our suppliers are U.S.-based companies and most are located regionally near our manufacturing facilities.”

**PRODUCT RESPONSIBILITY**

**Supply Chain:** At KapStone, we believe that keeping a competitive edge means aligning ourselves with suppliers who provide exemplary services to their customers. We engage a procurement process that supports competitive sourcing and allows us to adjust our approach based on supply market dynamics and market competitiveness.

**KapStone Procurement Process:** In 2015, we had approximately 2,800 suppliers ranging in size from large corporations to small, independent proprietors. Ninety percent of our suppliers are U.S.-based companies and most are located regionally near our manufacturing facilities. Our suppliers include manufacturers, original equipment manufacturers (OEM), distributors, resellers, publishers, wholesalers, licensees, lessors, consultants, contractors and agencies. For the reporting period, there were no significant changes in our supply chain process.

It is essential to our business that our suppliers operate under the highest ethical and legal standards and maintain a reputation for honesty, integrity, and lawful conduct. KapStone and all of our facilities comply with all national

and state employment laws and we expect our suppliers to do the same. While we have no formal verification process to evaluate and address the risks of human trafficking, slavery or use of child labor in suppliers’ supply chain, we do stipulate that all must comply with our Supplier Code of Conduct and Business Ethics, which requires suppliers to adhere to applicable laws concerning these illegal employment practices.

**Product Stewardship:** Product stewardship is a concept whereby environmental, health, and safety protection center around the product itself, and all involved during the lifespan of the product take responsibility to reduce its environmental, health and safety impacts.

For more than a decade, food safety concerns have spurred U.S. federal and international organizations, such as the U.S. Food & Drug Administration (FDA), European Union (EU), China, and other countries, to implement global food safety initiatives whereby regulations controlling the manufacture and use of food packaging materials and materials that are used in product of food contact articles require testing and, in some instances, certifications of

PRODUCT RESPONSIBILITY & PRODUCT STEWARDSHIP



KapStone paper mills produce a wide spectrum of kraft and recycled products which are FDA and EU compliant.

compliance. Examples of these regulatory requirements include reductions in heavy metals and dangerous chemicals in the manufacture of packaging material and food contact substances, requiring independent, third-party testing, protecting drinking water sources from toxic substances, and prohibiting importation of all plant matter (wood fiber) that is illegally sourced.

At KapStone, we understand the importance of the ultimate end use of our paper products and the need to comply with the numerous global regulations applicable to that end user. All of our products are FDA and EU compliant. This means our products do not allow for unacceptable migration of dangerous chemicals into the food products packaged using our materials. All KapStone facilities implement Quality Management Systems that comply with applicable requirements of ISO 9001:2008 and everyone involved in the supply chain process of a product is called upon to take responsibility to reduce environmental, health, and safety impacts. We initiated training in the 2015 update of ISO 9001 and plan to implement the risk assessment

and management of change elements over the next year. Declaration documents are available for the following regulations:

- Food Safety Declaration (per FDA, EU and BfR requirements);
- CONEG/heavy metals compliance;
- U.S. Lacey Act and European Union Timber Regulation (EUTR);
- EU REACH;
- Toy Safety Standards;
- Restriction of Hazardous Substances (RoHS);
- ISEGA Biodegradability & Compostability;
- Conflict Mineral Declaration (Dodd-Frank Wall Street Reform and Consumer Protection Act);
- Safety Data Sheets;
- California Proposition 65; and
- California Transparency in Supply Chain Act.

PRODUCT RESPONSIBILITY & PRODUCT STEWARDSHIP



In 2015, key accomplishments in product stewardship across the KapStone enterprise include:

- Expanded centralized product stewardship integration to include KapStone Container Corporation.
- Automated the RFI (Request for Information) process for the papermill system.
- Maintained compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding conflict materials.
- Met the requirements of the Global Harmonization System, which is a worldwide initiative to promote standard criteria for classifying chemicals according to their health, physical, and environmental hazards.
- Implemented a more diligent, comprehensive chemical approval process for all of the paper mills including an improved automated SDS management system.

- Actively participated in the AF&PA Chemical and Product Stewardship subcommittee meetings and activities.
- Standardized and streamlined common compliance documentation for consistency and improved customer satisfaction.

**THE KAPSTONE PAPER MILLS DEVELOP EFFECTIVE FOOD SAFETY PLANS**

All of the KapStone paper mills have developed and documented, or are in the process of documenting, three of the requirements of an effective Food Safety Plan:

- Good Manufacturing Practices (GMP);
- Food Defense Plan (FDP); and
- Hazard Analysis of Critical Control Points (HACCP).

## PRODUCT RESPONSIBILITY & PRODUCT STEWARDSHIP



Good manufacturing practices assure nothing gets into the Mill's paper products that could harm the consumer.

Good manufacturing practices assure nothing gets into the mill's paper products that could harm the consumer. This assurance begins with the acquisition of legally harvested softwood and hardwood, and using only FDA-compliant chemicals. Charleston employees are trained to utilize safe production processes and applicable hygiene practices. The mill's GMP also includes inspection of transport vehicles, pest control, and a product recall procedure.

A Food Defense Plan (FDP) covers intentional attacks on safety of the product that can come into contact with food. As part of their FDP, the North Charleston Mill added protective fencing and a guarded gate when entering the mill. Employees are vetted through the hiring process and secure transportation modes are used for the final delivery of products.

An effective HACCP plan involves determining where contamination (biological, chemical, or physical) could occur and implementing preventative controls. Specific to metal, the Charleston Mill has screens and magnets in the pulp mill. Cleaners, a boilout, and inspections are used to mitigate metal contamination. If found, products are rejected and

testing of the production line is performed. Charleston employees are trained regularly on food safety and best practices to eliminate instances of contamination.

### PRODUCING SUSTAINABLE PRODUCTS FOR OUR CUSTOMERS

Our products are developed and manufactured in a way that is consistent with sustainability. We utilize up-to-date technology to be innovative, profitable, safe, and environmentally responsible.

Since 2007, KapStone has been a pioneer in "light-weight" Ultra Performance Linerboard (UPL) and has become a leader and innovator in packaging optimization. Manufacturers, Consumer Packaged Goods (CPG), and mega retailers need solutions to optimize packaging, reduce overall packaging size, and deliver more sustainable products to their customers. Our customers look to KapStone to create UPL packaging that is efficient, and optimized for the product it contains, offers expansion into new markets, and is sustainable (lightweight, fiber-certified, recycled, and recyclable).

INNOVATION  
QUALITY SERVICE



“Right-Weighting” is KapStone’s approach to optimizing package design and sustainability. We also optimize packaging across the full basis weight spectrum, reducing overpackaging, lowering cost, and placing a strong focus on box performance.

**KAPSTONE’S IQS™: INNOVATION. QUALITY. SERVICE.**

We have emphasized maximizing edgewise compression strength performance through fiber development and fiber orientation throughout the product. We invested in our containerboard paper machines to optimize packaging

across the full basis weight spectrum of linerboard and medium with the main focus on box performance.

Our team of world-class technical specialists worked closely with our customers to optimize the board selection process based on converting performance. The result: KapStone has become the market leader in providing Lightweight High Performance Linerboards that can meet box makers ECT targets. For the typical customer, we have reduced board based weight from 103# to 95#—an 8 percent savings in environmental impact.



VICTORY  
PACKAGING

“

Victory Packaging brings almost 40 years of success in the packaging services and distribution industry to KapStone.” –Matt Kaplan, KapStone President and COO



**ADDING NEW CAPABILITIES TO MEET ADDITIONAL CUSTOMER NEEDS**

In 2015, KapStone acquired Victory Packaging, which brings almost 40 years of success in the packaging services and distribution industry to KapStone. Victory Packaging applies its expertise and technology to deliver tailored, cost-optimized solutions to every Victory Packaging customer. The company’s packaging professionals work with customers to improve and facilitate the various aspects of packaging and distribution, including packaging design, creation, storage, delivery, and management.

Based in Houston, Victory Packaging has more than 65 warehouses and distribution facilities in the United States, Canada and Mexico, and operates in California under the company name of Golden State Container. Victory’s national network includes more than 6 million square feet of warehouse space and approximately 400 delivery vehicles. Victory Packaging employs approximately 1,700 people. We are managing Victory as the independent distribution division of KapStone.

“Victory Packaging applies its expertise and technology to deliver tailored, cost-optimized solutions to every customer.”

**Reporting**

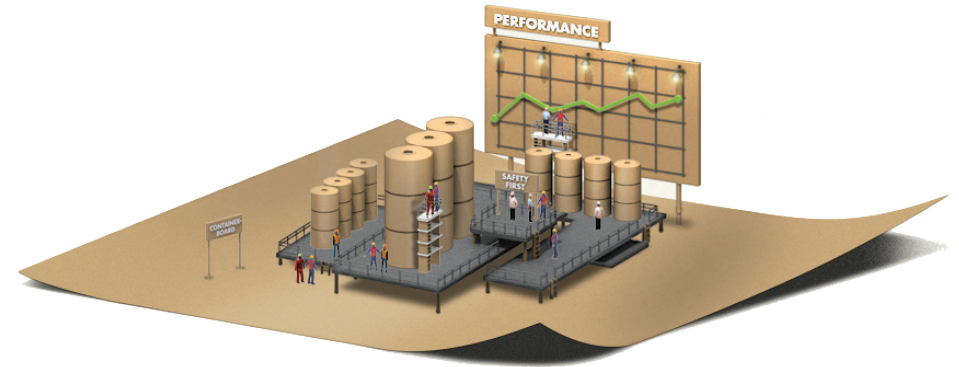
- Sustainability Framework
- Scope
- Materiality
- Moving Forward

# OUR APPROACH TO REPORTING

OUR SUSTAINABILITY REPORTING FRAMEWORK

*“Our 2015 CSR report is organized in accordance with Global Reporting Initiative (GRI’s) G4 reporting framework.”*





## OUR APPROACH TO REPORTING



*“This report was prepared under the supervision of our Sustainability Team covering Environmental, Health & Safety, Operations, Sales & Marketing, and Procurement groups.”*

### ABOUT THIS REPORT

The 2015 KapStone Paper & Packaging Corporation Corporate Sustainability Report outlines performance with respect to our environmental, social, economic and governance issues. This edition, published in June 2016, is the fourth such report we’ve produced.

### SUSTAINABILITY FRAMEWORK AND GENERAL MANAGEMENT APPROACH

Our 2015 CSR report is organized in accordance with Global Reporting Initiative (GRI’s) G4 reporting framework. We self-declare that it meets the “Core” application requirements. The report was prepared under the supervision of our Sustainability Team covering Environmental, Health & Safety, Operations, Sales & Marketing, and Procurement groups. KapStone uses both custom and GRI-based disclosures to communicate sustainability-related data to our key stakeholders. Additional information on our sustainability efforts can be reviewed at [www.kapstonepaper.com/sustainability](http://www.kapstonepaper.com/sustainability).

### SCOPE

KapStone uses a company-wide general management approach to continuously monitor all internal and external material aspects of the business. This report covers all aspects listed in the GRI Content Index at [www.kapstonepaper.com/sustainability](http://www.kapstonepaper.com/sustainability).

In addition to the baseline year of 2010, this report covers data for fiscal year 2015 (January 1–December 31, 2015). Our 2015 report offers an update to the sustainability goals, aspects and indicators outlined in the previous reporting period. Unless otherwise noted, data used in this report is from our wholly-owned U.S. mill operations and business units.

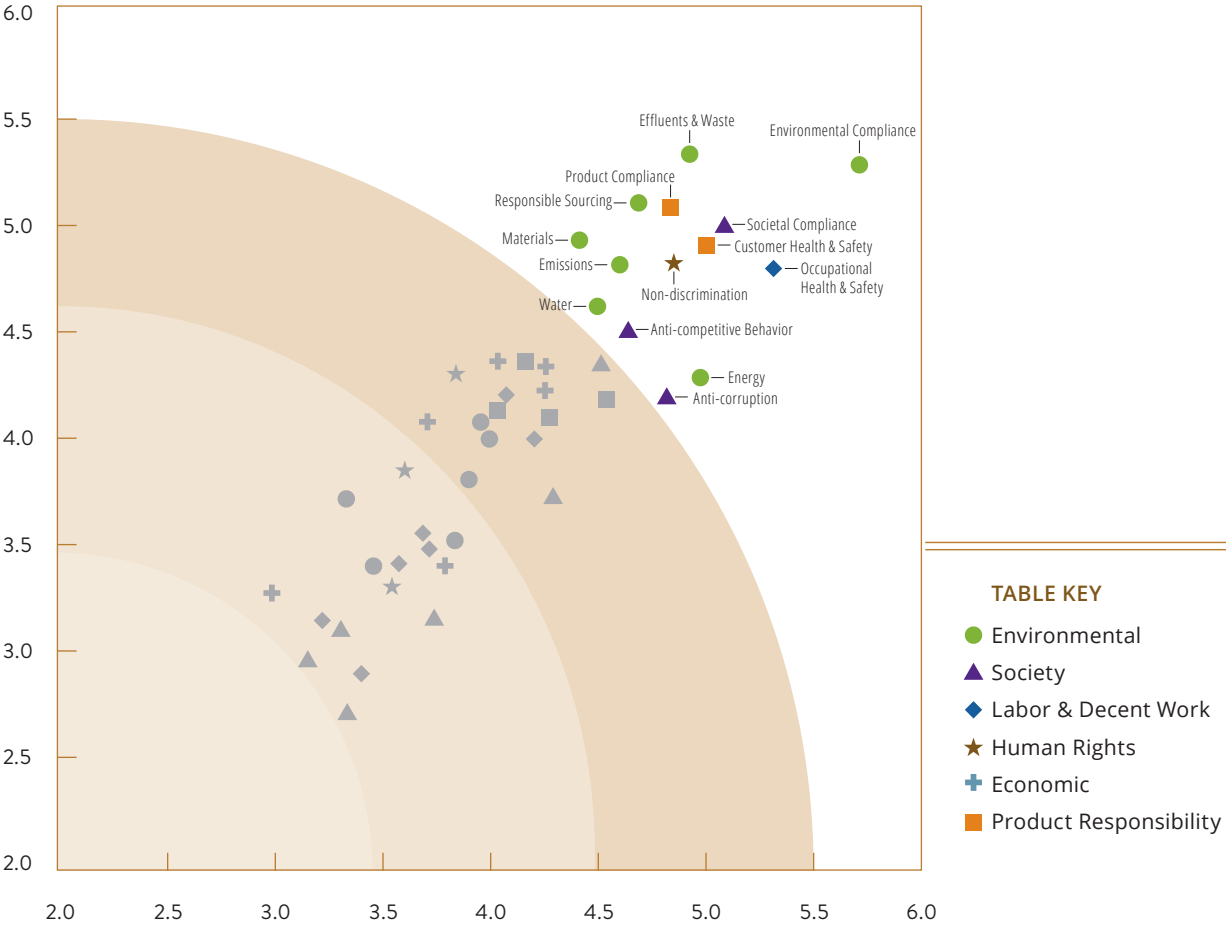
MATERIALITY

Environmental data included in this report is reflective of paper mill operations. Our energy, Scope 1 and Scope 2 greenhouse gas emissions, water use and air emissions data are based on procurement and facility environmental records.

MATERIALITY

Late in 2014, we engaged a third-party sustainability consultancy—thinkstep—to help us develop a materiality assessment process to identify the sustainability issues that matter most to our business and to our stakeholders. Using the GRI Guidelines, we applied three key process steps when conducting our materiality assessment—identification, prioritization and validation.

The chart below summarizes the results of this assessment discussion and shows the top sustainability issues for our business. For a complete description of our materiality assessment process, please see our 2014 CSR report.



MOVING  
FORWARD

“

We have taken steps in 2015 to integrate the findings of our Materiality Assessment into an update of our sustainability strategy.” —Pat Ortiz, Director—Engineering, Environment and Safety



**MOVING FORWARD**

KapStone will be taking the following steps in 2016 to internalize the outcomes of the Materiality Assessment and integrate the findings into an update of its sustainability strategy:

- Ensure the content of our 2016 sustainability plan reflects the top priority issues.
- Invest in capital projects on paper machines and energy systems to continue during energy reductions.
- Identify and prioritize areas of greatest opportunity for water use reduction. We will accomplish this through cross functional teams at the kraft mills to self audit gaps to a benchmark.



**KAPSTONE**

KAPSTONE PAPER AND PACKAGING CORPORATION

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