

Business Update

SPRING
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A MESSAGE FROM LINDA MASSMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

A first quarter to be proud of!

Thanks to the Clearwater Paper team for a strong start to 2016. Consumer products and pulp and paperboard delivered solid performance with consolidated results that were at the high end of our expectations. Below are just some of the accomplishments that reflect your hard work and commitment to safety, operational efficiencies and excellent customer support. Together, we will continue to DRIVE success!



D	R	I	V	E
<p>EXPANDED HEALTH AND SAFETY METRICS</p> <ul style="list-style-type: none"> SAFETY TRAINING LEADERSHIP AUDITS BETTER PRACTICE SHARING CORRECTIVE ACTIONS 	<p>STRONG FIRST QUARTER RESULTS</p> <p>\$437M NET SALES</p> <p>\$60M ADJUSTED EBITDA</p> <p>RETURNED \$28M TO SHAREHOLDERS</p> <p>PART OF \$100M SHARE BUYBACK PROGRAM</p>	<p>IMPLEMENTATION OF IBPs</p> <p>to set annual tactics and measurements to DRIVE improved business results</p> <p>DELIVERED \$2.4M EBITDA SAVINGS</p> <p>through completion of Six Sigma projects</p>	<p>99,385 TONS TOTAL TISSUE SALES VOLUMES</p> <p>UP 7.8% FROM Q1 2015</p>	<p>GREAT PROGRESS TOWARD SUSTAINABILITY GOALS FOR 2020</p>
<p>>50% IMPROVEMENT LOST-TIME INJURY RATE VS 2015</p>	<p>EXCELLENT PROGRESS ON STRATEGIC CAPITAL INVESTMENTS</p> <p>LEWISTON</p> <p>ON SCHEDULE AND BUDGET Pulp digester and optimization</p> <p>COMPLETED Warehouse pre-engineering studies</p> <p>SHELBY</p> <p>ON SCHEDULE Warehouse automation installation and startup</p> <p>LAS VEGAS</p> <p>UNDER WAY Warehouse automation installation</p> <p>OPERATING AND EXCEEDING STARTUP EXPECTATIONS High-speed bath and towel converting equipment (swing line)</p>	<p>SHELBY</p> <p>THE FIRST TPM DEEP CLEAN ON A CONVERTING LINE</p> <p>↓ 2% MILES TRAVELED per customer shipment (1.2M miles)</p> <p>COMPLETED TRANSITION TO NEW POLY SUPPLIER</p> <p>IMPROVING OPERATIONS, QUALITY AND INVENTORY REQUIREMENTS</p>	<p>SOLID SHIPMENT VOLUMES</p> <p>201,340 TONS PAPERBOARD</p> <p>\$\$\$</p> <p>ADDITIONAL BUSINESS WITH WALMART AND DOLLAR GENERAL IN ULTRA TOWELS AND BATH</p>	<p>4% ENERGY REDUCTION (GOAL = 15%)</p> <p>11% WATER REDUCTION (GOAL = 20%)</p>
<p>FIRST ANNUAL DRIVE AWARDS FOR MILL PERFORMANCE EXCELLENCE</p> <p>Alignment of Integrated Business Plans (IBPs)</p> <p>Total Productive Maintenance (TPM) education</p>	<p>ACHIEVED \$8M SAVINGS FROM OPERATIONAL EFFICIENCIES</p> <p>\$19M TOTAL SINCE Q1 2015 START OF 3-YEAR PLAN</p>	<p>NEW CARRIER BASE AND FREIGHT RATES WILL GENERATE \$3M-\$5M IN SAVINGS</p>	<p>+</p> <p>PAPERBOARD VOLUME</p> <p>WITH OUR TOP 10 CUSTOMERS INCLUDING PACTIV AND TETRA PAK</p>	<p>69% WASTE REDUCTION (GOAL = 20%)</p>
<p>DRIVE TOUR</p> <p>Senior leadership team visited mills to share company plan and review IBPs</p> <p>2016 GOAL = VISIT ALL LOCATIONS</p>				

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Green Belt Candidates Ace Initial Projects



Clearwater Paper employees traveled to the Las Vegas facility for Green Belt training sessions.

In 2015, 40 people throughout Clearwater Paper embarked on a mission to—borrowing from *Star Trek*—boldly go where no one in the enterprise had gone before. They each trained as a Six Sigma Green Belt, learning a problem-solving methodology characterized by five phases: define, measure, analyze, improve and control (DMAIC).

A quality and continuous improvement manager at Consumer Products Division in Lewiston, Celeste Osborne was part of the initial group. “This was by far the best training I’ve ever been a part of,” she says. “Many of us came from different levels across the corporation.”

After two weeks (across two months) of intensive training, these courageous employees returned to their jobs at Clearwater Paper’s mills, corporate offices and elsewhere. And each one returned with an extra assignment: they would complete a Green Belt project in 16 weeks.

Some, if not many, were apprehensive about the challenge, but attitude and teamwork were as important as what they learned in the classroom.

“What made them successful were their people skills and leadership skills,” says Cindy James, a Six Sigma Master Black Belt who, along with a contractor, led the training sessions and coached the participants throughout the process. “We gave them the analytical skills, but we couldn’t give them the passion and the leadership.”

Even so, Don Knight Jr., a machine manager at the North Las Vegas mill, praises the trainers. “Support from the Master Black Belts has been phenomenal,” he says. “I could not ask for better mentors for this process.”

According to Dan Kyslinger, senior director of Strategic Performance Systems, the goal of the initial Green Belt projects was to “increase reliability, reduce yield loss or optimize a particular process to improve profitability.”

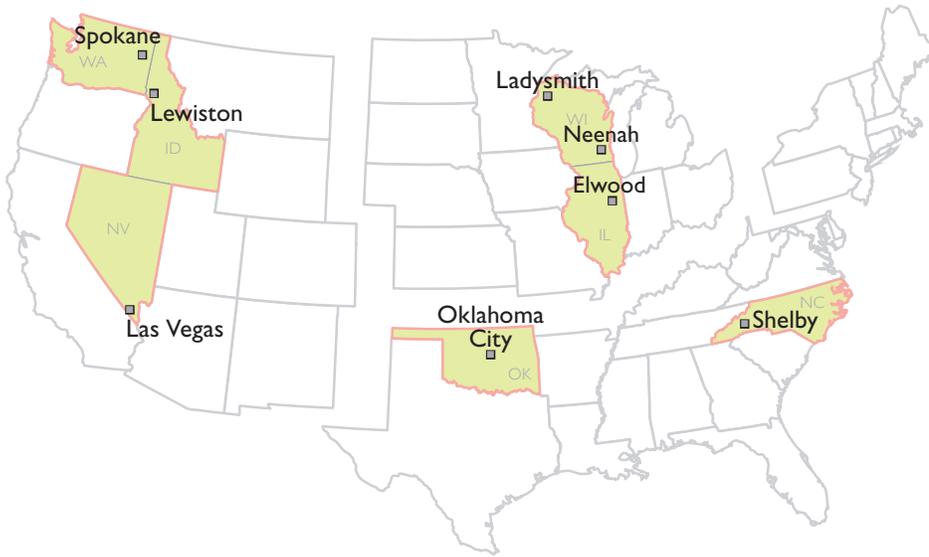
Project selection was key. One yardstick was to provide at least \$50,000 in cost savings. More important, though, was the level of complexity. “The projects needed to have enough complexity so they could not be completed using only basic problem-solving tools,” says Kyslinger.

Despite ambitious goals and an aggressive timeline, most of the projects were completed on schedule. “Eighty percent of the projects came in significantly better than planned,” says James. “They rose to the challenge and delivered excellent results,” adds Kyslinger. In the six-month period from July through December 2015, Green Belt projects contributed to \$2.1 million in savings for Clearwater Paper.

Osborne and Knight value their Green Belt experience. “I feel honored to have been chosen to participate in such a strategic part of the business,” says Osborne. “Being a part of the initial Green Belt group was both challenging and rewarding,” adds Knight. “Six Sigma Green Belt projects will become a big part of our culture as we move forward.”

With the third wave of training expected to conclude at the end of May, a fourth round is scheduled to begin in Lewiston on June 7, and a fifth in Shelby in September. Soon, another 40 to 50 people at Clearwater Paper will boldly head into the new frontier as the next Six Sigma Green Belt candidates.

Green Belt candidates participated from across Clearwater Paper



“Being a part of the initial Green Belt group was both challenging and rewarding. Six Sigma Green Belt projects will become a big part of our culture as we move forward.”

–Don Knight Jr., machine manager

6σ

What Is Six Sigma?

While it might sound familiar, maybe you’re a little fuzzy about “Six Sigma.” There are many definitions, but what most have in common is adopting a data-driven approach to improve business performance.

Here’s how *Webster’s New World Finance and Investment Dictionary* defines Six Sigma: “A management philosophy that the Motorola Company developed to eliminate errors in their production process. Six Sigma calls for setting very high objectives, collecting data and analyzing results to reduce errors.

The theory behind Six Sigma is that if the number of defects in a process can be measured, a system can be devised to remove them. In order to achieve Six Sigma standards, there can’t be more than 3.4 defects per million. The Greek letter sigma can be used to indicate a variation from a standard.”

Besides Motorola, where it began in the 1980s, many companies and organizations have adopted Six Sigma, including Amazon, Bank of America, Boeing, Caterpillar, Ford, General Electric and the United States Army.

DMAIC is one of two primary Six Sigma methodologies. It applies to manufacturing environments and is currently in use at Clearwater Paper. Following are the five stages in more detail:

Define	identify processes to be examined for potential improvement
Measure	record data and use metrics to measure performance
Analyze	analyze data to determine variations and root causes of poor performance
Improve	eliminate defects or causes to improve processes and performance
Control	create checks and adjustments for ongoing improvement in processes

Why does Six Sigma matter? It’s all about continuous improvement, according to Dan Kysliger, senior director of Strategic Performance Systems, whether to “increase reliability, reduce yield loss or optimize a particular process.”

Six Sigma is here to stay.

Persistence Pays Off at Publix



Publix®



CPD Sales leaders, Marc Robinson (left) and Tony Sanders (right) celebrate winning business at Publix.

The largest employee-owned grocery chain in the United States is one of the newest customers of Clearwater Paper's Consumer Products Division (CPD). That prize customer is Publix, the venerable grocer founded by George Jenkins in 1930 in Winter Park, Florida. Today, Publix has nearly 1,100 stores in six southeastern states. More than 170,000 people work for the company that topped \$30 billion in retail sales in 2014.

Building, remodeling and improving stores, Publix keeps growing bigger and better. As a new supplier of private-label tissue products for them, CPD is contributing to the impressive growth of Publix, whose slogan is "Where Shopping Is a Pleasure."

They take the slogan to heart. Publix now owns the top spot in the Temkin Experience Ratings, which evaluates customer experience in three key areas: success (can customers do what they want to do?), effort (how easy is it to work with the company?) and emotion

(how do consumers feel about their interactions?).

"We're thrilled to be part of Publix's success and their commitment to the future," says Joanne Shufelt, group vice president of Sales and Marketing. "As a supplier in an important category to Publix, this new business plays a significant role in how Clearwater Paper executes its growth strategy and expands its market position based on doing what we do best. This includes quality, service and consistency."

The Clearwater Paper product implementation team—with, in addition to Sales and Marketing, an expanded group from service, production, packaging, Shelby, Neenah and Ladysmith—developed a detailed plan for over a dozen items to launch in the second quarter under the Publix and Publix Greenwise® brands. These products are expected to generate close to 1.5 million cases of new business for CPD in 2016.

Getting onto the shelf in a cohesive way while Publix kept scorecards was

extremely challenging. The launch was successful due to collaboration, communications and setting expectations for meeting each Publix deadline.

"The Eastern Sales and Service team, led by Marc Robinson and Tony Sanders, has been working within the highly disciplined Publix network for years in advance of winning the business," says Shufelt. "The sales focus on new business begins well before we are awarded business or ship a single case of product. The perseverance of the East Region team earned Clearwater Paper the right to participate in the first meaningful business award in many years, and then the real work began."

As the relationship with Publix evolves, CPD will need to maintain consistently high standards of service, quality and customer friendliness. Thanks to the determined effort of many people, this impressive new customer will be a cornerstone for Clearwater Paper's business growth in the Southeast.

Clearwater Paper Receives National Environmental Award



ncasi
 Cooperative Program for NPDES Self-Monitoring
 Analytical Data Quality Assurance

Best Performer
 September 2013 through June 2015

**Clearwater Paper Corporation
 Lewiston, ID**

Assuring Quality in Environmental Protection Programs

The National Council for Air and Stream Improvement selected Clearwater Paper as a “Best Performer” on the National Pollution Discharge Elimination System Self-Monitoring Program.

(Left to right) Clearwater Paper’s environmental technicians Ron Landrus, Kevin Calene and Gary Packwood helped the Lewiston environmental lab earn special recognition. (Not pictured: Craig Masters)

The environmental laboratory at Clearwater Paper’s Lewiston Mill might not be the noisiest spot at the large facility, but that hasn’t prevented the lab from attracting the attention of environmental organizations.

One such organization is the National Council for Air and Stream Improvement (NCASI), which recently selected Clearwater Paper as a “Best Performer” on the National Pollution Discharge Elimination System (NPDES) Self-Monitoring Program. The award was announced in September at the NCASI West Coast regional meeting in Vancouver, Washington.

Clearwater Paper’s Lewiston Mill excelled among a dozen other mills in Washington, Oregon, Idaho and Tennessee that participate in the program. Every quarter participating mills analyze wastewater samples for total suspended solids (TSS), biological oxygen demand (BOD), chemical oxygen demand (COD) and pH.



Every quarter participating mills analyze wastewater samples for

TSS	BOD	COD	pH
total suspended solids	biological oxygen demand	chemical oxygen demand	pH

“Each test includes following a specific procedure,” says senior environmental manager Clayton Steele. “Lab personnel go through extensive training prior to completing these tests.”

For the past two years, environmental technicians Ron Landrus, Gary Packwood,

Kevin Calene and Craig Masters performed the tests and analyses that led to the award. Attention to detail, experience and teamwork are hallmarks of their work, which are also essential for a range of lab activities.

“Clearwater Paper’s environmental laboratory follows an established quality assurance plan,” says Steele. “We complete daily checks on many of the tests we perform. In addition, we participate in programs such as NCASI’s round table and are certified by the state of Washington (Idaho does not have a program) to further review and benchmark our performance.”

The United States Environmental Protection Agency (EPA) is also involved. “EPA requires that we participate in an annual quality assurance program that also checks our lab,” adds Steele.

So, although quiet relative to the mill floor, the importance and recognition of Clearwater Paper’s environmental laboratory are loud and clear.

MEET THE MILL MANAGER:

John Crane, Neenah



John Crane (center) says it takes all of us working together to make continuous improvements.

Originally from the South, John Crane, Neenah’s new mill manager, absolutely loves Wisconsin, downhill skiing and working with all 400 people to improve performance at the mill. And if they don’t warm to his boyhood hero, he completely understands.

What DRIVES you in your daily job?

Engagement with our people, to be safer in consistently meeting our customer needs, drives me every day. The “D” in DRIVE stands for “develop,” and that fits right in with safety. The fun of the job, what excites me, is driving the improvements in all of our results, starting with safety.

What do you hope to accomplish as a mill manager?

I want to make Neenah a zero-injury plant that has very high performance so that it attracts continued investment of both volume and capital.

What’s your view of continuous improvement efforts?

It’s a fundamental part of working in manufacturing. One of the few absolutes in business is that if you sit still, your competition is going to eat you for lunch. So we can’t be satisfied with our current level of performance. It takes all of us working together to deliver on those improvements.

What do you value above anything else?

Integrity. If I or whomever I’m dealing with doesn’t have integrity, there’s not a good basis for a relationship. You need to be able to take people at their word and trust they’re doing the right thing.

What would you consider to be your greatest achievement so far in life?

Definitely my family. I’ve been married 33 years, and I got to walk both my daughters down the aisle at their weddings this year. I’m so proud of the people they’ve become, their choice of friends and, in particular, their choice of husbands.

What do you enjoy doing when you’re not at work?

I have three hobbies, and I can do all three in Wisconsin. My favorite sport by far is downhill skiing. I’m also a marathon runner. The third is scuba diving.

Who’s your hero and why?

I’m originally from Dallas, so my hero growing up was Cowboys quarterback Roger Staubach. Great player, two Super Bowl victories, very good family man, but probably not too popular here in the Green Bay area!

Colin Smith: Working for Clearwater Paper and Serving His Country



(Left to right) Ed Moses, Tyrone Corbett, Mary Drumheller and Colin Smith at the Patriot Award presentation.

Colin Smith is an enterprise infrastructure engineer at Clearwater Paper. He's also a member of the Washington Air National Guard. The fact that he can perform both roles is no accident.

Smith nominated Clearwater Paper for a Patriot Award through Employer Support of Guard and Reserve (ESGR), a United States Department of Defense agency. The company received the award on October 9, 2015.

"My boss [Ed Moses] is so supportive of my commitment to serve in the Air National Guard," says Smith in his nomination letter. "I never am made to feel like my decision to serve is a burden on my team. I cannot imagine a more supportive civilian employer."

"The team meeting Colin set up for the Patriot Award presentation showed the respect and appreciation he has for his supervisor, Ed Moses," says

Tyrone Corbett, an ESGR Employer Outreach Coordinator who participated along with ESGR Committee Member Mary Drumheller. "It's a model for all employer and employee relationships."

When Smith joined the Guard in 2013, he anticipated six months of basic training and faced "difficulties" with his previous employer. "I was not expecting to find ideal employment," admits Smith.

He landed an interview with Moses, director of Technical Engineering Solutions. "I was very forthcoming about my commitment to serve in the Air National Guard," says Smith.

The absence would create a hardship for any employer, but that didn't prevent Moses from hiring Smith. "Colin fit all my requirements," says Moses. "The fact that he would deploy for training later that year was a concern, but there were a few months for him to learn our

environment and for me to build up the team." David Edwards, Moses's supervisor, and HR's Rhiana Barr supported the hiring decision.

Smith's Guard training exposed another difficulty—the gap between his military pay and his civilian pay. He established a line of credit to help support his wife and three children. Moses discussed Smith's financial dilemma with Barr, who discovered an HR policy statement on active service. Clearwater Paper made up the difference in pay.

Smith receives his full civilian pay during his annual Guard training and doesn't lose any vacation time. "To me it's a win-win," says Moses. "Colin is able to serve our country, and we're able to help support him while he's doing that."



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