

The Interstate Resources Family, Our Culture



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Member of INDEVCO Group

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Our Mission

We are a market-driven, customer-focused company committed to serving paperboard and packaging customers.

We operate with high ethical values and a high regard for the well-being, development and safety of our people.

We achieve profitability through optimal performance in all our business activities, by adding value for our customers, and by managing with an entrepreneurial spirit.

We will steadily and predictably increase the economic value of the company.





Letter from the President

At Interstate Resources, Inc., we hold the communication and application of our culture as a critical element of our success. It is our team's obligation to share our beliefs with our suppliers, customers, and communities in which we operate. This set of beliefs, which define our culture, set us apart from other organizations and individuals. Our culture defines who we are and what we stand for in our lives.

As a family owned company, the core of our beliefs come from the Frem family and the founder, Georges Frem (1934-2006). These beliefs have been nourished throughout the long history of Interstate Resources and INDEVCO Group. While culture is hard to capture, and even more difficult to communicate, the following is an attempt to document our beliefs, actions and the unique characteristics of our organization. Each of us applies these beliefs in our own lives, in our own distinct fashion. Our shared beliefs link us together as the Interstate Resources Team. Our beliefs endure the challenges of time and circumstance. While the tactics of our business may change to address the challenges of the day consistent with our core beliefs.

Please take a moment to read and reflect on the personality of our team and the vision of our collective action captured in this booklet. The ultimate measure of our success comes with our honest assessment of alignment with our beliefs. As leaders in our respective families, communities and businesses, we have an obligation to guide by serving those we lead to support a productive future for all.

Servant Leadership is the embodiment of how we deliver our culture to those on our respective teams. Aligning our actions with our beliefs is a very powerful tool.


Jim Morgan
President
Interstate Resources, Inc.



Culture

Culture is the personality of an organization. It is what makes us unique.

Culture is based on values held and lived by the people who make up a company. Culture belongs to everyone; it is not the responsibility of any one group within the organization.

Culture is how people think about doing things and what actions they take when faced with a choice.

Culture is something one does not see but experiences. It is nurtured through experiences, albeit at times painful.

Culture drives behavior. It sets expectation levels. It is defined by the performance and results of the organization.

Culture is embedded in the fabric of the operating style of an organization. It shapes policies, procedures, management philosophy, rules and regulations - the mode of operation of a company. It steers the changes that take place in the organization.

The culture of an organization is shaped by the way its members act. It influences the way one treats and reacts to others. Ours is a culture of inclusion where we recognize and welcome diversity in the workforce.

Our culture is driven by the fact that we are a privately held not publicly traded company. We therefore will not jeopardize our long term success for short term gain.

Culture is an attitude.



The Operating Style of Interstate Resources is governed by a set of complementary and comprehensive beliefs.

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Safety

Safety at Interstate Resources must come first. Like the rest of the culture, safety is a state of mind that guides all our actions. Without constant awareness of safety – be it at work or anywhere else – we jeopardize what we set out to accomplish.

The safety of each employee is of paramount importance to our company. We are all expected to take personal responsibility for our own safety and the safety of others. This personal commitment to working safely at all times and under all circumstances is critical and never takes a second seat to anything.

By talking about safety and behaving in a way that makes it clear that safety comes first, we create an environment that helps us all understand and better live this tenet of our culture.

Everyone has a responsibility to talk openly about safety and to watch out for others to ensure they work in a safe manner, letting them know when they are not.

Act as Owners

Most Interstate Resources employees have heard the following comments at one time or another:

- **“Behave and act as owners, not just employees.”** Ask yourself this question: “How would I handle this situation if this were my company?”
- **“Have an entrepreneurial spirit.”** Think creatively about ways to operate more efficiently, open new markets, and grow the business.
- **“Be decisive and take initiative.”** Don’t tolerate indifference or complacency.



- **“Have a sense of urgency.”** This means putting the right priority on what we have to do. It does not mean doing things for the sake of getting them done. The right thing needs to be done while giving the attention to the necessary detail. Rushed decisions may backfire on us in the long term, especially if we do not anticipate results.
- **“Engage, don’t merely comply.”** Fully engaged employees have a long-term outlook. Our company has a long-term outlook. The owners are strategically motivated to be in this business for the long haul; they are not passive investors. To survive in the long-term, we need continuous performance. To deliver a continuous performance, we need to engage.
- **“Ideas are a dime a dozen. People who put them in action are priceless.”** We encourage innovation and ask people to consider alternatives. However, even the best ideas - if not acted upon - are useless. We want to put into action ideas that add value.

Mistakes sometimes happen. When a mistake occurs, we should accept responsibility and seek assistance. In our culture, asking for help is a sign of strength, not weakness. The key is to accept and learn.

Learning from mistakes not only minimizes their recurrence, it often solves the root cause of the problem. How can a mistake be corrected unless it is accepted that it occurred and it is understood why it occurred? How can a problem be solved if it is not discussed?

Talking about mistakes is a form of feedback; it is a learning tool as much as it can be a management tool. It teaches us to pay attention to detail.



Attention to Detail

Paying attention to detail and getting involved best describe us.

The purpose of looking into the details is to add value. To add value, we need to go to the root cause of a problem. To get to the root cause, we need to scrutinize. To scrutinize, we need to get close to the issue.

We should:

- Be hands on, not hands off
- Be thorough, not shallow
- Stay on top of matters, not abdicate
- Pay attention to and continually manage cost
- Seek a better solution, not the first one that comes to mind

To avoid having things fall through the cracks – especially in an action driven group like ours – we must pay closer attention and have a set of checks and balances. We should seek input from those who add value; consider them as consultants, as another set of eyes who may see things we have missed. Inviting them to contribute makes them take ownership in the solution.

At times, looking into the details can be perceived as a lack of trust in one another. In our culture, it is not. Since we encourage people to work together, since we consider asking for help to be a sign of strength, not weakness, since we seek added value in what we do, it is paramount that we trust one another.

Culture is defined by how we treat one another. Care must be taken in the way we go after the details: it must be done in an appropriate fashion that shows value is being offered.

Such attention to detail by many people working together enhances the quality and the outcome of what we do.



Quality

Like safety, quality is a state of mind. It is also everyone's business.

Quality is the natural result of pride. Pride in ourselves, pride in the company where we work, and pride in the quality of what we do lead us to accept nothing less than our personal best.

In the eyes of our customers and the communities where we work, we – as individuals and as a company – are judged by the quality of what we produce and the quality of the service we provide.

Quality is not absolute; it is a condition of giving the customers what they want; it is a key element to achieving Customer Loyalty. To give them what they want, we ask our customers what they expect from us and work with them on relationships, not just transactions.

Finally, focus and support from management to quality training and people development ensure that employees will provide, and customers will receive, quality products and services.

Quality is our signature and our life style.

We want to be known as a quality house.



Stretch

A statement like “Good enough never is” can be motivating or demotivating. In our culture, it is used as a motivator to keep doing better.

The initial reaction from some people to the concept of stretch is that the results cannot be achieved. But those who are persistent reach, and often surpass, what they had considered outrageous targets.

Stretching does not mean setting unattainable goals. Stretch gives each individual the opportunity to push the envelope, to use innovative ideas, and to be creative. The results will then speak for themselves.

We not only expect to outperform last year’s results, we also expect this year’s performance objectives to be a notch higher. For example, the first quarter results this year should exceed last year’s first quarter, otherwise we will be playing catch up for nine months.

Our culture encourages all to embrace the continuous quest for improvement and to always strive for higher levels of performance. In return, we recognize efforts and reward results.

Results Oriented

Performance and results also define our culture.

Results tell us how we are doing; they provide satisfaction on both the personal and company level. For the company, profit is one of the expected results.

Cost containment is another result we expect from everyone. Cost is critical, especially in our manufacturing industry. The focus on cost is driven by our



culture of intolerance for waste – an unnecessary cost. Eliminating waste reduces cost, thereby enhancing profit.

A safe working environment, employee retention, increase in sales, customer retention, customer loyalty, increase in production, sustainable competitive advantage are other forms of results we also pursue and expect.

Be results oriented and put effort into actions that generate results. Our actions cause results. Take personal responsibility for the results of the company and act accordingly.

Never be satisfied with your results, especially when it comes to profitability. Too often, profitable companies become complacent companies – and then they are profitable no longer!

Being results oriented means accepting and assessing why a particular result occurred, and then looking for ways to repeat or improve the outcome.

Anticipation

Anticipate. Anticipate. Anticipate.

In business, one does not like surprises, especially bad ones. They show that we are not on top of the situation.

Anticipation means things are under control.

Anticipation gives upper management confidence in the way matters are handled, which leads to earning trust and in turn more autonomy.

It is part of the cycle of autonomy.





Cycle of Autonomy

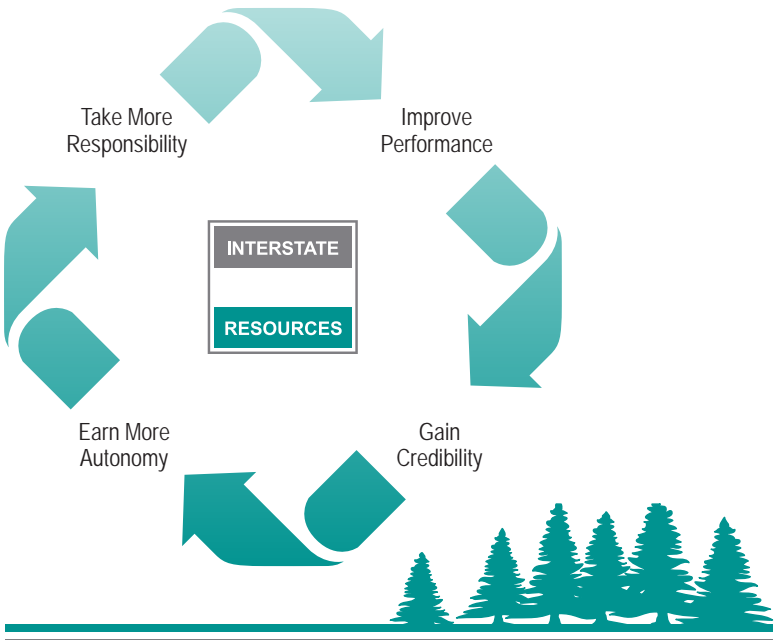
As performance is improved, credibility is gained, operating autonomy is earned and more responsibilities are given.

This is the cycle of autonomy.

However, autonomy is not independence.

Autonomy is being in control within preset boundaries. No matter how autonomous an operation becomes, some matters do fall outside that operation, e.g., employee benefits, financing, and project management.

The cycle of autonomy requires patience. Pay no attention to fiscal or calendar years, they are only a measure of time. Plan and build growth on a quarter-to-quarter basis, without regard to which fiscal year a quarter happens to belong.



Flexibility

Allow room for flexibility and learn to manage ambiguity.

Some signs of this ability:

- Effectively coping with change
- Shifting gears comfortably
- Making decisions with adequate but perhaps not complete information
- Managing risk and uncertainty
- Operating outside the boundaries of the comfort zone

Joint or team responsibilities are a good example of managing with flexibility. Such a *modus operandi* helps the concept of checks and balances. It also forces being open with each other, being supportive of each other, and adapting to conditions and changes of team members.

Care for and Development of People

Tasks can only be accomplished by people and each person has an impact.

That is why the caring and developmental aspects of our culture are so vital. It is only through people development that culture can be perpetuated.

It is the responsibility of each manager to develop his/her own people to create a pool of talent within every affiliate. It is also the responsibility of each employee to look after his/her personal development and inform management about his/her career aspirations and needs for development. This development is necessary for continued success in one's current position, for expansion of current responsibilities, and for transfer to another affiliate or to new acquisitions.





When we are looking for talent, we first look at our own organization and try to promote from within.

Our motivation to care for the individual goes beyond what the law dictates: we want to build relationships based on trust, respect and dignity.

Our motivation for people development goes beyond meeting the need for talent for the business: we want to build an organization that has strong ties and caring among its members.

A group of people working together makes a working community. We show we care when no one gets hurt. There is no room for unsafe practices. We show we care when we listen to each other and feel comfortable when our ideas are challenged, and we can challenge the ideas of others. We show we care when once a decision is reached, everyone supports it.

We are all working together for our success and our future.

Ethical Conduct

Finally, and of equal importance, is our unwavering commitment to the highest levels of ethical conduct.

We will not only comply with all relevant laws and regulations but, additionally, we will safeguard the assets of our company.

We will always deal fairly with all of our suppliers and customers, handle proprietary business information confidentially and treat our fellow employees with respect and dignity.

We recognize the special relationship we enjoy with the communities where we work and live, and we will strive to nurture these affiliations.



Epilogue

All the things talked about here require the adoption of a certain perspective. To do that, we have to have the right attitude.

Attitude is a choice.

It is up to each one to make this choice.

We have come a long way.
We have a much longer way to go.
Together we will make this journey.

It seems appropriate to conclude with an inspirational quote from the founder of our company, Georges Frem, whose words tie culture into action:

*“Spirit transcends thought and thought guides action.
Spirit must be pure for a clean mind to act properly.”*

