



Audit Report

Project No. 011643-07

July 21, 2011

Mr. Faron Knott
CORNER BROOK PULP AND PAPER LIMITED
Woodland Operations
Mill Road
P.O. Box 2001
Corner Brook, Newfoundland
Canada, A2H 6J4

SUBJECT: REGISTRATION PROGRAM

Dear Faron,

Please find attached the Audit Report raised as a result of our 12 months surveillance audit of your management system to the CAN/CSA - Z809-2008 standard conducted in your Corner Brook facility on July 15, 2011.

We thank you and your organization for the support and co-operation given during the audit.

Best Regards,

A handwritten signature in black ink, appearing to read "Guillaume Gignac". The signature is fluid and cursive, written over a white background.

Guillaume Gignac
QMI-SAI Global Team Leader
Encls.

QMI-SAI GLOBAL Confidential

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SUSTAINABLE FOREST MANAGEMENT SYSTEM

CAN/CSA-Z809-2002

Auditee: CORNER BROOK PULP AND PAPER LIMITED
Address: Mill Road P.O. Box 2001
Corner Brook Newfoundland
Canada A2H 6J4

Contact: Mr. Faron Knott
Date(s) of Audit: July 12, 2011 to July 15, 2011
Audit Team Leader: Guillaume Gignac
Type of Audit: Surveillance Audit
Audit Frequency: Annual
SIC / NACE Code: 0811 0851 2411/A02.0 A02.0 DD20.1

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REPORT DISTRIBUTION

CORNER BROOK PULP AND PAPER LIMITED
QMI-SAI GLOBAL File
Sylvain Frappier

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SECTION 1 - EXECUTIVE SUMMARY

Scope #	Scope Description
1	The Sustainable Forest Management System as it applies to all Woodlands operations on the Defined Forest Area (Forest Management Districts No. 5,6,9,14,15,16) including management planning, road construction and maintenance, harvesting operations, transportation of fibre, silviculture and support services.

Site:

CORNER BROOK PULP AND PAPER LIMITED
Mill Road
P.O. Box 2001
Corner Brook
Newfoundland
Canada, A2H 6J4

Summary of Audit Findings:

CORNER BROOK PULP AND PAPER LIMITED's Management System continues to meet the requirements of CAN/CSA Z809-08

Recommendations:

CORNER BROOK PULP AND PAPER LIMITED is recommended to maintain the registration to CAN/CSA Z809-08

SECTION 2 - INTRODUCTION TO CAN/CSA Z809-08

The Canadian Standards Association (CSA) developed Canada's National Standard on Sustainable Forest Management CAN/CSA Z809, in response to heightened awareness about forest management practices. The Standard was developed by a SFM Technical Committee in an open and inclusive process managed by CSA. The SFM Technical Committee is required to review the Standard periodically to ensure it incorporates knowledge gained through time and implementation. As the first edition of the Standard was published in 1996, the committee has published a revised version in 2002 and in 2008 which was approved in July of 2010. The Standards Council of Canada (SCC) accredits CSA to write standards and approves them as National Standards.

Sustainable Forest Management (SFM) refers to the way a defined forest area is managed to maintain and enhance the long-term health of forest ecosystems for current and future generations. This Standard, which utilizes a continual improvement approach, requires public participation, practical demonstration of sustainable forest



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management practices, and a management commitment to a management system. SFM takes into account environmental, social and economic factors.

Public Participation - The CSA Standard requires organizations to seek comprehensive and continuing public participation, including a special effort for Aboriginal Peoples, at the local community level for each defined forest areas. The public identifies forest values of specific importance to their environmental, social and economic concerns and needs. The public also takes part with the organization to identify and select SFM goals, indicators and objectives to ensure these values are addressed.

Performance - By following a SFM plan that incorporates the values, objectives, indicators and targets, identified by the public process, which can be traced back to the Canadian Council of Forest Ministers (CCFM) set of Sustainable Forest Management Criteria, together with other legal requirements, performance can be demonstrated on the ground.

Systems and Continual Improvement- The CSA Standard has system requirements, which are consistent with the internationally recognized ISO14001 Environmental Management System Standard. The system follows the concept of “plan – do – check – act”. The system framework helps an organization implement, track and monitor their progress towards meeting the economic, social and ecological performance objectives for the defined forest area. The Standard uses adaptive management procedures with recognize that SFM is a dynamic process that must incorporate new knowledge acquired through time, experience and research. The Standard requires there be an annual report on the indicator objectives with an annual review of the system and performance in the forest to identify areas for continual improvement.

Third Party Independent Audits - To become certified to the Standard is strictly voluntary but the organization must go through a third party independent audit of the SFM Requirements in the Standard. The audit is conducted by a Registrar accredited by the Standards Council of Canada. In addition the individual auditors employed or contracted by the Registrar have the requisite forestry expertise and are certified as environmental management systems auditors.

SECTION 3 - DESCRIPTION OF THE DEFINED FOREST AREA (DFA):

Geographic Locations, Forest Types, Size, Legal Tenure and SLF Description:

The Defined Forest Area (DFA) for this SFM Plan includes all of Corner Brook Pulp and Paper Limited (CBPPL) limits on insular Newfoundland. CBPPL manages approximately 1.5 million hectares of Crown land on the Island of Newfoundland. These timber limits span from the Codroy Valley on the southwest corner of the island, to Plum Point on the Northern Peninsula, and east to Gander in central Newfoundland (Figure 1). These limits are contained within provincial forest management districts 5, 6, 9, 14, 15, 16,

In 2010, CBPPL sold some of their timber limits to the Crown (incorporated into CBPPL's DFA in Figure 1), some to be used as protected areas, others as sources of fibre for



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Crown operators, sawmills, the pellet plant, and domestic cutters. These areas can be sorted into three groups.

One group consists of areas where harvesting has been restricted. Rodney Pond Reserve (District 6) and Little Grand Lake Provisional Ecological Reserve (Districts 14 & 15) are two examples where CBPPL had already agreed to no harvesting whatsoever. However these areas could not legally become ecological reserves while CBPPL held timber rights, even if no harvesting occurred. Two other areas in District 15 & 16 will become primarily viewshed corridors. A designated portion of the Humber Valley, from near the mouth of the Humber to the tip of Deer Lake, will be set aside for aesthetic purposes, and, for agricultural development (a section on the north shore of Deer Lake). A corridor from Cormack to Gros Morne, along highway 430 and Bonne Bay Road, will also be designated a viewshed. Finally in this group, the Main River Management Area (watershed surrounding the Waterway Park), which was previously restricted to a partial harvest to conserve old growth forest, has been handed over to the provincial government, to be developed at their discretion.

A second group of areas that were previously CBPPL limits and have been sold to the Crown will be used to supply fibre to Crown operators, sawmills, the pellet plant and domestic cutters. A large block of forest south and southwest of Gander Lake and another block around Notre Dame Junction (both in District 6) will be set aside for Crown operators and sawmills. All of CBPPL limits in District 17 have been transferred to Crown, to be used for Crown operators and domestic cutters. CBPPL has also relinquished “absolute right of refusal” on any Crown wood in District 17 and “first right of refusal” on any Crown wood in District 18, to allow wood to go to the pellet plant in Roddickton.

A third group of areas has also been included in this recent agreement – blocks of CBPPL limits where Crown currently had control. The Rodney Pond Exchange and Dead Wolf block in District 6 will be used for Crown operators, and all of CBPPL limits in District 8 will be used for Crown operators and sawmills in central and eastern Newfoundland.

Through the transfers, exchanges, and sale of land, CBPPL has and continues to share its timber limits with other users of the forest, for consumptive and non-consumptive purposes. The total timber rights relinquished in the sale transaction is outlined in Table 3.



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Table 1. Timber rights relinquished by CBPPL.

Block Description	District	Land Base (less Water)		
		Productive (ha)	Non-Productive (ha)	Total (ha)
Rodney Pond NASP Area	6	5,125	5,156	10,281
Little Grand Lake Reserve	14/15	24,939	16,031	40,970
Humber Valley Viewshed	15	17,165	3,811	20,976
Gros Morne Corridor Viewshed	15/16	4,030	1,906	5,936
Main River Watershed	16	26,477	27,418	53,895
District 6, East of SW Gander (not including Rodney Pond)	6	41,942	38,534	80,476
District 6, Notre Dame Junction	6	15,860	10,376	26,236
District 17, All Holdings	17	74,907	96,302	171,209
District 8, All Holdings	8	23,956	13,492	37,448
Sub-Total		234,401	213,026	447,427

Forest Types

Of the almost 1.5 million hectares of total land area on the DFA, only 760,422 hectares are productive forest. The remainder of the land is bog, barren, water, and scrub land.

The forests of the DFA form the most eastern part of the Boreal Forest Region of North America. The forests are relatively small primarily coniferous trees intermixed with hardwoods. The variety of species is quite limited. Repeated fires have established black spruce as a characteristic species across much of Central Newfoundland. Elsewhere, the forests are dominated by the presence of balsam fir.

The forests of the west coast are predominately balsam fir (with minor components of white spruce and white birch) which prefer moist, well-drained soils and can attain heights of 10-14 meters at 70-100 years on the best sites. Black spruce has a very high tolerance for unfavourable conditions, and is thus common on very wet and dry sites. Black spruce grows well on fertile sites, but is a poor competitor among faster growing hardwoods. Black spruce is found primarily in the central plateau of Newfoundland where forest fires are common. White spruce may be found on more favourable sites.

Hardwoods have not formed a major component of forest cover types in this Province. However, white birch and trembling aspen are significant components of mixedwood and hardwood stands on better forest sites throughout the Island, especially the deep river valleys of the Western Long Range Mountains, and the Humber River and Red Indian Lake watersheds. Hardwoods may reach heights of 22 meters at 80 years on moist fertile sites.

**Area of DFA:**

The Defined Forest Area (DFA) for this SFM Plan includes all of Corner Brook Pulp and Paper Limited (CBPPL) limits on insular Newfoundland. These limits are contained within provincial forest management districts 5, 6, 9, 14, 15, 16.

CBPPL manages approximately 1.5 million hectares of forest land on the Island of Newfoundland.

Legal Tenure / Licence Description:

All land as part of the DFA is Crown Land. Corner Brook Pulp and Paper Ltd. (CBPPL) has exclusive ownership of the timber resource on the DFA. This right originates from several sources, a series of agreements, purchases, deeds, grants and licenses dating from 1922 to 1994. The Bowater's Newfoundland Act of 1938 amended the term and conditions of current timber licenses, and any licenses subsequently acquired by CBPPL. By this Act, the term of all licenses held by CBPPL at that time and any future licenses subsequently acquired by the Company was extended to 99 years, commencing on the 29th day of November 1938.

SECTION 4 - ORGANIZATION:**Description of the DFA Workforce:**

CBPPL Woodlands employs some 250 employees in their harvest operations from almost 50 Newfoundland communities. This total includes approximately 110 seasonal forestry workers who carry out silviculture operations in the summer and fall. The Company employs another 480 people at the Mill in Corner Brook and in the Deer Lake Power Company.

In addition to this direct employment, the operation of the mill also has indirect and induced impacts. Indirect impacts are realized by employees working for firms supplying CBPPL with goods and services. Induced impacts are generated by the direct and indirect income earners spending their earnings in the economy. Labour income impacts (direct, indirect and induced) of CBPPL operations totals \$167.49 million; net income benefits (after income and consumption taxes) is \$127.62 million (DOF, 2010).

Management Objectives and Responsibilities on the DFA:**Tenure (Ownership and Management Responsibilities)**

The Newfoundland and Labrador Department of Natural Resources is responsible for the planning, development, and use of the forest resources of the province. The Forest Service of this department supervises, controls, and directs all matters relating to:

- constructing and maintaining forest access roads;
- protecting the forests of the province from fire, insect, and disease;



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- carrying out programs of afforestation, reforestation, forest improvement, and tree improvement;
- cutting, classifying, measuring, manufacturing, marking, and inspection of trees and timber;
- preparing timber management plans for areas of productive forest land; and
- developing and maintaining an up-to-date inventory of the timber resources of the province.

CBPPL has exclusive ownership of the timber resource on the DFA.

Volume and Species Harvested:

The total volume which was harvested in 2010 was approximately 420,000 m³ comprised mostly of Balsam Fir, Black Spruce and Hardwood mostly Birch and Poplar.

AAC Determination Process:

The Annual Allowable Cut is re-calculated every five years by the government of Newfoundland and Labrador using the latest data possible to incorporate into the analysis. The AAC for the current period (2006-2010) is 1 026 400 m³/year.

Products Produced and Mill Associated with the DFA Timber:

The primary use of the forests of the DFA is to supply fibre to CBPPL's newsprint mill in Corner Brook. Besides newsprint production, the forest resources of the DFA also supply the need of local sawmills, and the newsprint mill receives chips in return. In 2009 there were 2 local sawmills that employed roughly 125 people and produced approximately 13.75 million board feet of lumber from the sawlogs provided by CBPPL (Indicator Profile 5.2.1). Production fluctuates with lumber prices. Domestic wood cutting is a very common activity across the DFA and permits are issued to the public for the harvest of hardwoods off company limits..

Aboriginals Consultation Process:

Aboriginal People on the island of Newfoundland are primarily Mi'kmaq, and belong to the Federation of Newfoundland Indians. Because the Mi'kmaq were not in Newfoundland at the time of the first European presence, they have no special Aboriginal rights to hunt, fish, or trap in forested areas (ruled by Justice Leo Barry in 2003 and upheld in 2007 by the Newfoundland and Labrador Court of Appeal). In 2008, the Federation of Newfoundland Indians and the Federal Government ratified an Agreement in Principle to form the Qalipu Mi'kmaq First Nation Band. When formed, the Qalipu Mi'kmaq First Nation Band will be a landless band.

Although the Aboriginal People on the island of Newfoundland have no special rights to Crown land, their knowledge of sustainable forest management is taken into account in the development of CBPPL's Sustainable Forest Management Plan. This is achieved through active participation of Aboriginal People on CBPP Public Advisory Committee (PAC).



SECTION 5 - AUDIT FINDINGS:

Audit Criteria: CSA Z809-08

Description of QMI-SAI Global and the QMI-SAI Global Audit Team:

QMI-SAI Global is a third party management system certification Registrar. Established in 1984, QMI-SAI Global has worked with thousands of organizations in North America and around the world, issuing registration certificates to those that meet international and national management system standards.

The QMI-SAI Global Sustainable Forest Management audit team members bring with them considerable experience in the area of sustainable forest management and environmental management systems auditing. Audit teams are comprised of certified auditors and registered professional foresters. All audit team members are subject to strict confidentiality and conflict of interest agreements.

The following personnel conducted this audit:

Audit Team

<u>Position</u>	<u>Name</u>
Team Leader	Guillaume Gignac ing.f. EMS (LA)
Team Member	Sylvain Frappier ing.f. EMS (LA)

Audit Coverage:

Operations / Cut-Blocks Visited during the field audit include:

Hughes lake – Harvesting
 Branch road in Hughes lake sector – Road construction
 McIssac brook roads – Road construction
 Oxford brook – Harvesting

Personnel (ie Staff/contractors) interviewed in the field:

- 1 -Planning forester, road supervisor
- 1 - Excavator operator
- 1 - Road construction/planning (contractor)
- 2 - Harvester operators
- 1 - Supervisor (contractor)
- 1 - Contractor



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Members of the public participation process interviewed:

The company held a PAC meeting during the week of the audit. After the Company and PAC meeting the auditor had a chance to discuss with the group. The following groups were present at the meeting:

- NF & Lab. Outfitters (2)
- General public (5)
- NL Snowmobile Federation (1)
- Western Environment Center (1)
- City of Corner Brook (1)
- Dept of Natural Resources (1)
- Town of Deer Lake (1)
- Natural Resources Canada (1)
- Corner Brook Indian Band (1)
- Model forest (1)
- Ducks Unlimited (1)
- CBPPL Contractors (1)
- Union Local 64N (1)
- Regional Economic Development Board (1)
- Town Of Gander (1)

Provincial Government personnel interviewed:

- District 15-16
- District manager
- 2 Conservation Officers

- District 9
- District manager
- 2 conservation Officers

Aboriginal People interviewed:

Although the Aboriginal People on the island of Newfoundland have no special rights to Crown land, their knowledge of sustainable forest management will be taken into account in the development of CBPPL's Sustainable Forest Management Plan. This is achieved through active participation of Aboriginal People on the Public Advisory Committee (PAC). The auditors met the representative of the Corner Brook Indian Band at PAC the meeting

**VOITs verified (field & office)**

Indicator	Description	Field and/or Office	Improvement
1.1.1	Ecosystem Diversity - Ecosystem Area by Type	Office	
1.1.2	Ecosystem Diversity – Working Groups	Office	
1.1.3	Ecosystem Diversity – Age Classes	Office	
1.1.4	Ecosystem Diversity – Within-Stand Structural Retention	Office & Field	
1.2.1	Species Diversity – Caribou Habitat	Office	
1.2.2	Species Diversity – Pine Marten Habitat	Office	
1.2.3	Species Diversity – Non-native Species	Office	
1.3.1	Genetic Diversity – Sufficiently Stocked	Office & Field	
1.4.1 and 1.4.2	Biological Diversity – Special Places	Office & Field	
2.1.1	Forest Ecosystems Resilience – Reforestation Success	Field	
2.2.1	Forest Ecosystem Productivity – Pre harvest Planning	Office	
2.2.2	Forest Ecosystem Productivity – AAC Harvested	Office	See OFI
5.1.1	Non-Timber Benefits - Outfitters	Office	See OFI
5.1.2	Non-Timber Benefits – Resource Roads Accessible	Field	
5.1.3	Timber Benefits - Wood Utilization	Field	
5.2.1	Communities and Sustainability - Sawlogs Available	Office	
5.2.2	Communities and Sustainability – Investment in Training and Skills Development	Office	See OFI
5.2.3	Communities and Sustainability - DFA Wages	Office	

**Summary:**

The findings were discussed with the management. The Audit Team Leader commenced the closing meeting by thanking the CORNER BROOK PULP AND PAPER LIMITED staff for the cooperation and courtesy extended to the audit team during the audit.

In addition, the Audit Team Leader detailed the registration process, the requirements for future surveillance audits, and the re-assessment process.

The official closing meeting was attended by the personnel listed in Attachment #1.

The QMI-SAI Global Audit Team recorded the following audit results:**Documentation Review:**

The audit team reviewed the SFM documentation, 2010 Indicator report, SFM plan 2011

Non-conformances:

No Non conformance

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Significant Issues:

No significant issues were noted during the audit.

Positive Aspects of the Management System:

- Introduction of a new VOIT that will monitor the Implementation of the Access Management Plan - VOIT 5.1.4
- Allocation of a dedicated resource to road construction
- Strong satisfaction from the PAC Members on their involvement process.

Effectiveness of the Internal Quality Audit System:

The CBPPL SFM internal audit process was reviewed and found to be adequate in meeting the requirements of CAN/CSA Z809:2008. The audit was held in two parts: Part I - January 4-30, 2011; Part II - June 9-20, 2011. Audit report is well documented.

Opportunities for Improvement (OFI):

- **7.4.6** Consider reviewing the storage requirements for spill booms stored in excavators (it was observed in one occasion that the boom stored was getting



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- contaminated with oil and water because it was stored in the engine compartment)
- **7.4.6** Consider crowning roads on top of culverts to allow water not to accumulate and to be diverted on both sides of the culvert.
 - **7.4.2** Consider using the training material from the Water Crossing Installation (NB) to provide training to contractors that perform water crossing inspections.
 - **7.5.1** Road Construction Quality Inspection checklist is currently being completed by contractors and the road supervisor. Currently the locations for sections of road being inspected are not recorded. The company may want to consider recording that information to allow cross verification for training/calibration purpose.
 - **Indicator 2.2.2.** The proposed Management Strategy “ It is our intention to harvest 100% of the available AAC”, the Forecast, Predicted Results or Outcome “ CBPPL will not harvest 100% of our AAC” are confusing and contradictory. Company and PAC members may want to review the wording of those statements.
 - **Indicator 5.1.1.** TARGET - To remove < 50% of forest from the 8 km buffer around each outfitters operation over a 25-year harvest plan. VARIANCE- < 50%. Company and PAC members may want to review the proposed variance for this indicator as it is confusing.
 - **Indicator 5.2.2.** CBPPL conducts training courses each year to meet the requirements of the Training needs matrix. In 2010 the training program had identified 70 persons to be trained, 55 of them had completed the training which represents 78%. The SFM target aims to train 100% + or – 10% of the workforce. In 2010 the workforce was composed of 320 employees, 305 employees were trained which represents 95% of the workforce being trained. Company and PAC members may want to revisit the target to measure it against the annual training plan.

Areas of Concern (AoC):

- **7.4.2** Knowledge about endangered species and species at risk needs to be reinforced.
- **7.4.2** There is a need to clarify the requirements for snag retention (10 trees/ha)
- **7.4.6** Evidence of high stumps & splits on one cut block (impact on wood utilization and quality)
- **7.4.6** The field audit found that a ditch had been excavated and crossed an unmapped brook smaller than 1 m allowing the runoff water from the ditch to



enter the water stream. Also, a newly installed culvert shows inappropriate stabilization at the mouth of the culvert creating a whirlpool effect. It was also noticed that the installation did not meet the requirements for embedding (20cm) creating a drop at the output. Sub grade embankment on the edge of the road where culverts are installed are not meeting the 1.5:1 ratio.

- **7.5.1** The audit found the checklist used for road inspection requires that the grade for sub grade embankment to be 2:1 when the SOP R-02 requires a ratio of 1.5:1. The ratio 2:1 is found in the R-04 for road building.
- **7.5.3** Ensure that the control of records is being followed for record keeping of #1 inspection.

Please note that these Opportunities for Improvement will be reviewed as part of the preparation for the next audit.

SECTION 6 - GENERAL ASSESSMENT AND RECOMMENDATION:

Surveillance Audit:

The results of the Surveillance Audit indicate that the Management System of CORNER BROOK PULP AND PAPER LIMITED is suitable and effective and will continue to be recommended for registration to CAN/CSA-Z809-2002.

Next Scheduled Audit: July 17, 2012

Date(s): July 10, 2012 to July 12, 2012

Type of Audit: 24 Month Surveillance Audit

No. of Persons: 2

No. of Audit Days Required: 3.5

Guillaume Gignac
QMI-SAI Global Team Leader

Date: July 21, 2011