

**Audit Report****Project No. 011643-08**

July 21, 2011

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

SUBJECT: REGISTRATION PROGRAM

Dear Faron:

Please find attached the Audit Report documenting the results of our 12 months Surveillance Audit of your management system to the ISO 14001:2004 standard conducted at your Corner Brook facility on July 15, 2011. The Recommendation at the end of Section 4 of this report provides a status of your registration.

We thank you and your organization for the support and co-operation provided during the audit and if you have any questions, please contact the undersigned.

Best Regards,

Guillaume Gignac
QMI-SAI Global Team Leader
Encls.

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MANAGEMENT SYSTEM AUDIT REPORT

REPORT CONTENTS

- Section 1: Company Information**
- Section 2: Purpose**
- Section 3: Management System and Scope**
- Section 4: Audit Details and Results**
- Section 5: Audit Findings**

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

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Audit Report

SECTION 1 - COMPANY INFORMATION

Company Name: CORNER BROOK PULP AND PAPER LIMITED
Address: Mill Road
 P.O. Box 2001
 Corner Brook, Newfoundland & Labrador
 CAN, A2H 6J4
Client No.: 011643
Contact Person: Mr. Faron Knott
Title: Environmental Management Representative

SECTION 2 – PURPOSE

The purpose of the audit was to evaluate the extent of conformance to the referenced standard, confirm the effective inter-action between the elements of the system audited, and verify demonstrated commitment to maintain the effectiveness of the system. The purpose of this audit report is to summarize the degree of conformance with relevant criteria, as defined within this report, based on the evidence obtained during the audit of your organization.

This audit was performed in accordance with the requirements of QMI-SAI Global procedures which reflect the requirements and guidance provided in recognized international standards relating to audit practices such as ISO/IEC 17021, ISO 19011 and other normative criteria. QMI-SAI Global Auditors are assigned to audits according to industry, standard or technical competencies appropriate to the organization being audited. Details of such experience and competency are maintained in our records.

In addition to the information contained in this audit report, QMI-SAI Global maintains files containing details of organization size and personnel as well as evidence collected during preliminary and subsequent audit activities relevant to the application for initial registration of your organization. Such information includes details of your primary contact persons and site addresses. Please take care to advise us of any change that may affect the application and/or registration or may assist us to keep your contact information up to date, as required by our Terms and Conditions.

Please note that this report is subject to independent review and approval. Should changes to the outcomes of this report be necessary as a result of the review, a revised report will be issued and will supersede this report.



Audit Report

SECTION 3 - MANAGEMENT SYSTEM AND SCOPE

Audit Standard: ISO 14001:2004

US SIC / NACE Codes: 0811 0851 2411 / A02.0 A02.0 DD20.1

Scope of Registration

The Environmental Management System as it applies to all Woodlands operations in the 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.

Statutory and Regulatory Requirements Referenced

1. Corner Brook Pulp and Paper uses the services of Birchwood Environmental Management Inc for Legal tracking.
2. Federal, Provincial and Municipal applicable to forest management and forestry operations are being tracked. In addition other and internal requirements set by the organization are being tracked.

Dependency Note

Not Applicable

SECTION 4 - AUDIT DETAILS AND RECOMMENDATION

Type of Audit: Re-Assessment Audit

Audit Dates: July 12, 2011 to July 15, 2011

Duration of Audit: **Person(s):** 2 **Day(s):** 3.75 man days

(This audit was an integrated audit with CSA Z809)

Audit Team

Position	Name
Team Leader	Guillaume Gignac
Team Member	Sylvain Frappier



Audit Report

Re-Assessment Audit

Executive Overview

The Environment Management System of Corner Brook Pulp and Paper Woodlands Operations continues to function effectively for the organization in achieving its Environment Policy. Senior management continues to maintain a high level of commitment to the EMS and its improvement. In addition all staff and forestry contractors including contractor employees continue to demonstrate a genuine interest in doing the right thing to improve the organization's EMS. Several positive points were noted during the audit:

- 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.

Site Inspection

The audit team toured numerous field operation sites and concluded that the conditions of the sites reflect an effectively implemented management system. However two (2) areas of concerns were raised as a result of the field inspection.

Management System Documentation

The management system manual revision was reviewed and found to be in conformance with the requirements of the ISO 14001:2004 standard.

Management Review

The company is holding management review quarterly. During this audit the minutes of the meeting of July 15, 2011, March 1, 2011, November 30, 2010, August 30, 2010 were reviewed.

A review of the records of the most recent management review was performed and found to meet the requirements of the ISO 14001:2004 standard.

Policy

Based on the results of this audit, the CORNER BROOK PULP AND PAPER LIMITED management system is effectively implemented and fulfils the stated policy.

Aspect and Hazard Identification

Based on the results of this audit, the CORNER BROOK PULP AND PAPER LIMITED management system has established implemented and maintained procedures for the identification, evaluation and upkeep of "environmental aspects" and the associated impacts and risks. Some OFIs were noted during the audit.



Audit Report

Objectives

Based on the results of this audit, the CORNER BROOK PULP AND PAPER LIMITED management system is effectively implemented and the stated objectives are being met.

Operational Controls, Monitoring and Measurement Processes

Implementation of necessary operational, monitoring and measurement controls is not adequately demonstrated. Details are provided in two (2) AOC raised.

Emergency Preparedness and Response

This element was not covered during this surveillance.

Compliance Evaluation

CORNER BROOK PULP AND PAPER LIMITED has implemented processes for periodically evaluating its compliance with applicable legal and other requirements. Compliance evaluations are conducted every 3 years. A Compliance audit was performed with the internal audit in early 2011. In addition compliance is also verified through 3 types of inspections, level 1, 2 and 3 and level 2 being the most comprehensive. However concerns were raised on the evaluation of CBPP other requirements. An AOC was issued.

Internal Audits

Internal audits are being conducted at planned intervals to ensure conformance to planned arrangements, the requirements of the ISO 14001:2004 standard and the established management system.

Past Performance & Continual Improvement

CORNER BROOK PULP AND PAPER LIMITED is implementing an effective process for the continual improvement of the management system through the use of the policy, objectives, audit result, data analysis, corrective and preventive actions and management review. Over the last cycle the company has improved in several areas of its system in areas such as: Environment Incident Review, in keeping the interest of all in doing the right thing, maintaining a very thorough internal audit process.

Review of Changes

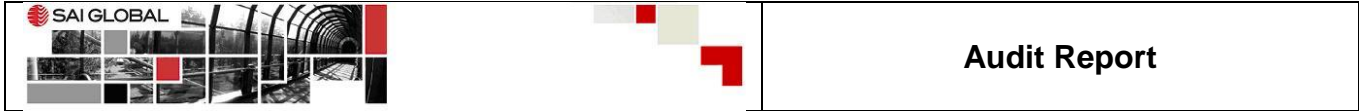
The management system has not changed since the previous audit. However due to the current economic situation the organization went through a restructuring of its personnel and of its contractor force. Also the total volume harvested substantially diminished.

Previous Audit Issues

All AOCs raised at the last audit were verified. They were properly implemented.

Usage of Marks, Logos and Certificate

The certificates are well posted in the organization's office. CORNER BROOK PULP AND PAPER LIMITED uses



the QMI-SAI Global Five Tick Mark on maps and other documents.

Recommendation:

Based on the results of this surveillance audit it has been determined that the management system of CORNER BROOK PULP AND PAPER LIMITED is effectively implemented and maintained. The management system meets the requirements the ISO 14001:2004 standard relative to the scope of registration identified in this report; therefore, the registration to the applicable standard for the stated scope will be continued.

Please note that this report is subject to independent review and approval. Should changes to the outcomes of this report be necessary as a result of the review, a revised report will be issued and will supersede this report.

SECTION 5 – AUDIT FINDINGS

Functions, Activity, Processes and Areas Audited	
All of the applicable requirements of the ISO 14001:2004 standard for the functions, processes and areas listed below were reviewed.	
Woodlands Manager	<ul style="list-style-type: none"> • Discussed management review and actions from management review minutes. • Reviewed changes within the organization • Discussed current objectives, targets and programmes. • Reviewed internal audit results.
Environmental Coordinator	<ul style="list-style-type: none"> • Reviewed EMS / SFM Handbook along with the Forest and Environmental Policy Requirements. Reviewed the Environmental Aspects Manual; and the list of Environmental Aspects and Impacts • Reviewed Objectives /Programs - Soil disturbance program, Public values program, Fuel consumption program • Training needs matrix is showing training requirements for all job classification. • Reviewed "CBPP Woodlands report" which is done annually. It reports on its significant environmental aspects and SFM progress of Corner Brook Pulp and Paper through publication of the Environmental Progress Report." • Reviewed the current list of Legal and other requirements and procedure Manual #1 Section 5, version 5 dated April 28,2007 • Reviewed internal audit report for the audit conducted Part I – February 2011 and Part II - June 2011. • Reviewed AOCs from 2010 RR audit. • Reviewed records of environmental incident reports, Nonconformity, Corrective and Preventive Action reports. Incident review flowchart in place. • Reviewed Procedure roles and responsibilities. • Reviewed management review minutes
4.2 Environmental policy	<p>Forest and Environmental Policy December 2010 approved by Woodlands Manager and VP & General manager</p> <p>The requirements for the policy are covered in the different bullets of the policy as indicated below</p> <p>a) The policy is locally developed to make sure it "is appropriate to the nature, scale and environmental impacts of its activities, products and services". Even though, the policy is endorsing the Kruger corporate policy.</p>



Audit Report

	<p>b) Continual improvement is stated in the first paragraph and prevention of pollution in the fourth paragraph.</p> <p>c) Third paragraph of the policy is covering legal and other requirements.</p> <p>d) Fifth paragraph of the policy is covering the setting and review of objectives and target</p> <p>e) The policy is well documented and maintained in the EMS system.</p> <p>f) "The Environmental Policy is communicated to all company employees through environmental training programs... + It is included in the SFM Plan and placed in offices and workplaces, throughout CBPP Woodlands"</p> <p>g) "The policy will be communicated externally through company newsletters as well as posted on the Company website... + The Company's environmental policy is widely distributed and may be given to interested parties upon request."</p> <p>CONCLUSION: ADAQUATE</p>
<p>4.3.1 Environmental aspects</p>	<p>Documentations reviewed EMS / SFM Handbook - Manual # 1 Section 4 Version 5 Environmental aspects and impacts char tv6 (XLS document) Index Calculations Factors-v3.xls Introduction To Significant Aspects-v3.doc List of SEAs and Activities-v4.doc</p> <p>The following factors are considered when identifying environmental impacts:</p> <ul style="list-style-type: none"> · Exhaust emissions · Potential for soil disturbance · Brush mat establishment · Potential for degradation of water quality · Potential for fuel spill · Retention of wildlife trees · Maintenance of visual quality · Recreational impact · Fibre recovery · Collection and disposal of garbage · Any activities associated with CBPP's timber license · CCFM's 6 principles · Legal and other requirements/commitments <p>EA are determine using a semi-quantitative risk matrix. Factors considered include Frequency, Severity, Intensity, Extent, Legislation, Other Requirements, Policy, Stakeholder Views and Strategy Views. The Strategy Views Factor is determined by reviewing CBPP Woodlands Strategic Plan in which priorities are given to action items. An aspect is given a grade of 0 if no strategy exists, 1 if an aspect is given a moderate priority and 2 if an aspect is given a high or very high priority.</p> <p>Significant environmental aspects/impacts are considered when developing objectives and targets.</p> <p>Significant aspects identified are:</p> <ol style="list-style-type: none"> 1. Maintenance of visual quality 2. Potential for fuel spill 3. Fibre recovery 4. Collection and disposal of garbage 5. Potential for degradation of water quality (*Potential for fish habitat damage) 6. Potential for soil disturbance (*Establishment of brush mats) <p>Documents are available and were revised in 2011 as part of the management review of March 1 and 23</p>



Audit Report

	<p>CONCLUSION: ADAQUATE</p>
<p>4.3.3 Objectives and Targets</p>	<p>EMS / SFM Handbook - Manual # 1 ; Section 6 ; Objectives and Targets and Programs ; Version No.: 4 ; Last Revised: March 27, 2007</p> <p>New processes and/or changes to significant environmental aspects are evaluated to determine if there is a need to develop a new or change an existing Environmental Management Program. The EMR reports quarterly to the Woodlands Manager, through the management review process, the status of all objectives and targets.</p> <p>Programs in place are: See manual 5 Fuel consumption program Public values program EMS Documentation program Soil disturbance program Some of these programs have been in place for several years and are maintained to demonstrate the continuous improvement</p> <p>OFI - The company maintains actually 2 sets of Objectives and Targets documents in which some of the targets have been achieved. The company should consider summarizing into one comprehensive document the active programs and documents its technological options, its financial, operational and business requirements, and the views of interested parties for each of the programs.</p>
<p>4.4.6 Operationnal control</p>	<p>EMS / SFM Handbook - Manual # 1 Section 12 v6 The Environmental Work Instructions listing roles and responsibilities for those activities relating to the Significant Environmental Aspects are available. The Environmental Work Instructions are contained in "Manual 6, Section 2.0, Environmental Work Instructions".</p> <p>Field notes Contractor: North West Forest Resource Site: Hughes lake - Clear cut active site Interviews; Craig Ried, Contractor Dave Ried, Supervisor Dean Snow, Harvester operator Fred Rice, Harvester operator Chad Ried, Road construction/planning Kerry Anstey, Excavator operator</p> <p>Area maps available on site Pre work instruction available on site K-15-59 Emergency response plan (EMS 147) completed SOPs manual available and was updated DNP Operation permit OP5703 available Emergency response test on siltation done June 22, 2011 Due to wet conditions the superintendent had moved all harvesters on higher ground to minimize soil disturbance</p>



Audit Report

Flag tape used was adequate, flag colors for boundaries, brook etc. well known
 Seen a temporary water crossing installed in a cut block,- Adequate, the crossing will be removed after the sector is completed
 Operators familiar with wood utilization specs.
 Spill kits available, operators are familiar with procedures to clean, report and disposed of spills,
 Contractor disposed of used oil, filters, contaminated soil at a recycling facility.

Concerns

There is a need to clarify the requirements for snag retention (10 trees/ha)
 Knowledge about endangered species and species at risk needs to be re enforced.
 Evidence of high stumps & splits on one cut block (impact on wood utilization and quality)

OFI

Consider reviewing the storage requirements for booms part of the spill kit in excavator (it was observed in one occasion that the boom stored was getting contaminated with oil and water because it was stored in the engine compartment)

Contractor: North West Forest Resource
 Site: Branch road in Hughes lake sector
 Interview; Jamie Park, Planning forester, road supervisor

Blank permit is required for culvert installation for size smaller than 2000 mm, and bridges less than 5m span. For crossing between 1200-2000mm and all bridges, CBPP must send info to DNR. Reviewed Inspection report completed by Jamie Park and Chad Ried. Documents were completed with all pertinent information.

We inspected a culvert 10.5 m X 600mm - Culvert was not imbedded 20 cm in the brook bed, -Stabilization does not cover the slope all the way to the edge of the road, stabilization does not cover the 20 m buffer zone

OFI

Consider using the training material from the Water crossing Installation (NB) for training material with contractor that perform water crossing inspection

Road Construction Quality Inspection checklist is currently being completed by the contractor and the road supervisor. At the moment the locations for the sections of road being inspected are not recorded. The company may want to consider recording that information allow cross verification for training/calibration purposes.

Contractor: Ian Bridger Ltd.
 Site: Mclssac brook road
 Interview; Jamie Park, Planning forester, road supervisor



Audit Report

	<p>We have reviewed some water crossing installation for this new section of roads. Sizing of culvert was adequate.</p> <p>AOC</p> <p>The audit found the checklist used for road inspection requires that the grade for side casts 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</p> <p>The audit found that a ditch had been excavated and joined the waterbed of an unmapped brook smaller than 1 m allowing the runoff water from the ditch to enter the water stream</p> <p>The audit found that wrip wrap is not adequately installed around the culvert thus creating whirl pools on both sides</p> <p>OFI - Consider crowning roads on top of culverts to allow the water not to accumulate and be diverted on both sides of the culvert.</p> <p>Contractor: Major Site: Oxford brook - Clear cut active site Interviews: Lawrence Henstridje – Porter operator Desmond Major – Contractor Jim Ried - Supervisor</p> <p>Pre work instruction available on site Emergency response plan (EMS 147) completed SOPs manual available and was updated DNP Operation permit available Emergency response test on siltation done June 22, 2011 Due to wet conditions the superintendant had moved all harvesters on higher ground to minimize soil disturbance Flag tape used was adequate, flag colors for boundaries, brook etc. well known Seen a temporary water crossing installed in a cut block,- Adequate, the crossing will be removed after the sector is completed Operators familiar with wood utilization specs. Spill kits available, operators are familiar with procedures to clean, report and disposed of spills, Contractor disposed of used oil, filters, contaminated soil at a recycling facility.</p>
<p>4.4.2 Competence/Training</p>	<p>EMS / SFM Handbook - Manual # 1 Section 8</p> <p>The company has a comprehensive procedure for Training</p> <p>The Woodlands Management Committee (WMC) is responsible for the identification of training requirements. It is the WMC's responsibility to ensure that employees have obtained the knowledge and skills necessary to perform their job function in a competent manner while maintaining Company policies, rules, and all legislated requirements relating operations and training.</p> <p>The Safety & Training Coordinator is responsible for the development and implementation of training and programs identified by the WMC as well as monitoring training records and ensuring they meet the requirements of the Environmental Management System.</p> <p>The field audit found that personnel were highly competent in all areas pertaining to their roles and responsibilities in regards to CSA and ISO certification</p> <p>A comprehensive training matrix has been developed to identify the training requirements per job classification</p>



Audit Report

	<p>However some weakness were noticed and have been identified as follow:</p> <p>AOC - Knowledge about endangered species and species at risk needs to be re enforced.</p> <p>AOC - There is a need to clarify the requirements for snag retention (10 trees/ha)</p> <p>OFI - Consider using the training material from the Water crossing Installation (NB) to provide training to the contractors that perform water crossing inspection.</p>
4.5.4 Control of records	<p>EMS\SFM Manual 1 section 16 version 12</p> <p>The Environmental Management Representative will have the overall responsibility for the retention and maintenance of all controlled environmental records/forms. The procedure clearly identify the type of record its retention time the location it can be found and the person responsible - Table 16.1 Records reviewed during the audits were Internal audit report, Management review minutes, SOP binder, SFM Plan, Indicator report, Annual operating plan, Emergency response plans, EMS compliance Inspection form #1, #2 and #3, Harvest road/Pre work form, Internal audit report, Management review See Guillaume's checklist for further comments</p> <p>Conclusion: Adequate</p>

Non-Conformances (NCRs):

None identified.

Areas of Concern (AoC)

4.4.2

Knowledge about endangered species and species at risk needs to be reinforced.

4.4.2

There is a need to clarify the requirements for snag retention (10 trees/ha)

4.4.6

Evidence of high stumps & splits on one cut block (impact on wood utilization and quality)

4.4.6

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 embankments on the edge of the road where culverts are installed are not meeting the 1.5:1 ratio.

4.5.1

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.

4.5.2.2



Audit Report

Review and ensure that all other requirements CBPP subscribes to are being evaluated.

4.5.4

Ensure that the control of records is being followed for record keeping of #1 inspection.

Opportunities for Improvement (OFI)

4.3.3

The company maintains two (2) sets of Objectives and Targets documents in which some of the targets have been achieved. The company should consider summarizing into one comprehensive document the active programmes and documenting its technological options, its financial, operational and business requirements, and the views of interested parties for each of the programs.

4.4.2

Consider using the training material from the Water Crossing Installation (NB) to provide training to contractors that perform water crossing inspections.

4.4.6

Consider reviewing the storage requirements for spill booms stored in excavators (it was observed in one occasion that the boom stored was getting contaminated with oil and water because it was stored in the engine compartment)

4.4.6

Consider crowning roads on top of culverts to allow water not to accumulate and to be diverted on both sides of the culvert.

4.5.1

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.

Other Issues

None

Next Scheduled Audit

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

Type of Audit: S2

No. of Persons: 2 auditors

No. of Audit Days Required: 3.5

Guillaume Gignac
QMI-SAI Global Team Leader

Date: July 21, 2011