



Project No. 011643-04

July 16, 2007

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 raised as a result of our Re-Assessment Audit of your management system to the CAN/CSA - Z809-2002 standard conducted in your Corner Brook facility on July 09, 2007.

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

A handwritten signature in black ink, appearing to read 'Guillaume Gignac', is written over a faint, light-colored circular stamp.

Best Regards,

Guillaume Gignac, RPF, EMS (LA)
QMI Team Leader
Encls.

QMI Confidential



Accreditation number No.19/06
Validity of the accreditation
from 2007/01/16 to the
expiration date 2011/01/15

865, rue Ellingham,
Pointe-Claire, PQ CAN H9R 5E8
Telephone: 514-428-2491
Facsimile: 514-694-9697



CONFIDENTIAL

SUSTAINABLE FOREST MANAGEMENT SYSTEM

AUDIT REPORT CAN/CSA-Z809-2002

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

Contact: Mr. Faron Knott
Date(s) of Audit: July 09, 2007 to July 12, 2007
Audit Team Leader: Guillaume Gignac
Type of Audit: Re-Assessment Audit
Audit Frequency: 12 Months
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 File
Guillaume Gignac

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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 Corner Brook Pulp and Paper Limited's Defined Forest Area (Forest Management Districts No. 5,6,8,9,14,15,16 and 17) 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 & Labrador
CAN, A2H 6J4

Summary of Audit Findings:

CORNER BROOK PULP AND PAPER LIMITED's Management System meets the requirements of CAN/CSA - Z809-2002.

Recommendations:

CORNER BROOK PULP AND PAPER LIMITED is recommended for maintenance of the registration to CAN/CSA - Z809-2002.

SECTION 2 - INTRODUCTION TO CAN/CSA Z809-2002

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. 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



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, goals, indicators and objectives, 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 by the Canadian Environmental Auditing Association.

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

Geographic Locations, Forest Types, Size, Legal Tenure and 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 2 million hectares of forest 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.

Of the almost 2 million hectares of total land area on the DFA, only slightly over 930,000 hectares are productive forest. The remainder of the land is bog, barren, water and scrub land. Of the approximately 930,000 hectares of productive forest, approximately 787,000 hectares produce timber for the mill - the rest is in isolated, steep and inaccessible areas, or environmental reserves.

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 mixed wood and hardwood stands on better forest sites throughout the Island, especially the deep river valleys of the Western Long Range Mountains and the Humber 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, 8, 9, 14, 15, 16, and 17.

CBPPL manages approximately 2 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 450 employees in their harvest operations from almost 50 Newfoundland communities. This includes approximately 125 seasonal forestry workers who carry out silviculture operations in the summer and fall. The Company employs another 700 people at the mill in Corner Brook and the Deer Lake Power Company.

Management Objectives and Responsibilities on the DFA:

Corner Brook Pulp and Paper Ltd. has the exclusive right to manage the timber resources on all of the DFA. The Bowater's Newfoundland Act requires that "*The Company will at all times carry out its cutting operations in Newfoundland in accordance with good logging practice in such a manner as will best conserve the Company's forest areas so as to ensure both the permanent supply of timber for its mills and extensions aforesaid and the export of timber as herein provided.*" CBPPL's commitment to "good logging practices" is further defined in its Forest and Environmental Policy. Implementation of this commitment is demonstrated in the Indicator Profiles, which are the foundation of CBPPL's SFM Plan. CBPPL is subject to the provisions of the Forestry Act 1990, and as a condition of the Certificate of Managed Land issued to the Company annually under this Act, must operate in accordance with the Province's Environmental Protection Guidelines for Ecologically Based Forest Resource Management.

Volume and Species Harvested 2006:

The total volume which was harvested in 2006 was 783,441 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 needs of local sawmills, and the paper mill receives chips in return. There are 5 local sawmills that produce approximately 75 million board feet of lumber per year and employ roughly 120 people (Indicator Profile 5.2.1). 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.

First Nations Consultation Process:

Currently, according to the Government of Canada there are no treaties which apply to the Mi'Kmaq of Newfoundland. CBPPL has a relationship with the Corner Brook Indian Band Council and is represented on CBPPL Public Advisory Committee by Ed Webb. CBPPL works with the Corner Brook Indian Band to ensure the DFA is available to them for traditional use.

SECTION 5 - AUDIT FINDINGS:

Scope #	Scope Description
1	The Sustainable Forest Management System as it applies to all Woodlands operations on Corner Brook Pulp and Paper Limited's Defined Forest Area (Forest Management Districts No. 5,6,8,9,14,15,16 and 17) including management planning, road construction and maintenance, harvesting operations, transportation of fibre, silviculture and support services.

Audit Criteria:

Description of QMI and the QMI Audit Team:

Quality Management Institute (QMI) is a third party management system certification Registrar. QMI is a Division of the CSA Group. Established in 1984, QMI 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 Sustainable Forest Management audit team members bring with them considerable experience in the area of sustainable forest management and environmental management systems auditing. The audit team was 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>
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Team Leader	Guillaume Gignac, RPF, EMS (LA)
Team Member	Sylvain Frappier, RPF, EMS (LA)
Team Member	François Grimard, RPF, EMS (LA)

Audit Coverage:

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

- Canning Brook area,
- Paul's Pond area,
- Blake Lake area, and
- Glide Lake area

Personnel (i.e. contractors) interviewed in the field:

A total of 27 individuals were interviewed in the field.

The contractors visited were:

- D & T Mechanical
- Ian Bridger Ltd.
- Art Follow Ltd
- Northwest Forest Resources
- Stuckless & Stuckless

Members of the public participation process interviewed:

The Public Advisory Committee was met as a group and the following members were present:

Betty Ball, Town of Deer Lake
Wilfred Bartlett, Private Citizen
Mike Brake, Private Citizen
Anthony Careen, Private Citizen/Mill Employee
Debbie Hearn, Consultant
Sean Dolter, Western Newfoundland Model Forest (Facilitator)
Llew Hounsell, Private Citizen
Randy Miles, CEP Local 60N
Cyril Pelley, NL Outfitters Association
Tom Philpott, Private Citizen
Guy Reid, Northwest Forest Resources Inc.
David Snow, Indian River Management Committee



Provincial Government personnel interviewed:

- Bert Frampton, District Manager
- Tim Anderson, Conservation Officer
- Eric Davis, Conservation Officer
- Brian Carter, District Manager
- B. Griffin, Conservation Officer
- Jim Hobbs, Conservation Officer

Summary:

The findings were discussed with Mr. Faron Knott. 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 #2.

The QMI Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM Plan, the SFM system documentation and procedures, and the 2006 annual indicator report.

Non-conformances:

No no-conformances were raised.

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Positive Aspects of the Management System:

- Good knowledge of EMS and CSA SFM at the supervisory level and above.
- The Pre-work form is a good tool that allows the contractor to be informed about site specific conditions.



- Excellent bridge construction method used and good monitoring of water quality before and after bridge construction.
- General organization and cleanliness of service trailer sites.
- Very thorough management review and excellent tool used for tracking agenda items.

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 Z809:2002. The internal audit was conducted in two parts, first in February 2007 and second in June 2007.

Opportunities for Improvement:

Recommendations:

- Consider using moss for better stabilization when installing culverts.
- Consider ensuring that culverts are not too long to prevent water turbulence and erosion.
- Consider using on operational roads a similar method used for capital roads to calculate the culvert size.
- Consider reviewing the concept of wildlife and snag trees with staff and contractors.
- Consider reviewing the process to raise the level of awareness for the SFM policy and VOITs applicable at the woods worker level.
- Consider reviewing work instruction EW1-2 to include more detailed specifications for the maintenance of mobile fuel tanks.
- Consider reviewing work instruction EW-6 on soil disturbance to reduce the number of extraction trails on harvesting sites.
- Consider adding to the big spill kits a list of material required and consider sealing the kits to ensure that the proper material is available in case of an emergency.
- Consider having more frequent meetings with the PAC.
- Consider revising the SFM plan to:
 - review each indicator to assess whether they are still relevant or



whether their targets have been met, and

- set more aggressive objectives and targets to demonstrate continual improvement.
- Consider analyzing the survey results for indicator 6.3.1
- Consider including in the indicator annual report for indicator 2.2.1 an overview of the actions realized to better illustrate the progress towards achieving its target.
- Consider integrating the SOPs and EWIs.
- Consider using the “environmental incident investigation log” to report CARs raised by DNR.
- Consider making the compliance report more self explanatory on which activities were audited and where.

System Weakness:

- 7.4.2 Review the process to ensure the training database is updated to reflect the most current job classification and to ensure that staff and contractors receive proper training in a timely manner.
- 7.4.6 Ensure that the work instruction EWI -5 for culvert installation is properly followed. (e.g. Mic Mac East, Canning Brook, Glide Lake) and, ensure that chainsaw oil & gas containers are not left within the 30 m buffer zone and that pulpwood and logs are not piled close to streams within the 30 m buffer zone.
- 7.4.7 Review the process to ensure that fire extinguishers required are on site and accessible. Fire extinguisher on harvester in Black Lake area not accessible Fire extinguisher in pick up truck with a 478 l fuel tank missing Fire extinguisher on logging truck with missing
- 5.1 Ensure that the PAC membership is updated and has a more diverse representation of stakeholders.

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:

Based on the review of the company's SFM program, and the audit results, the following recommendation is made:

Re-Assessment:

The results of the Re-assessment including the review of the performance of the CORNER BROOK PULP AND PAPER LIMITED Management System over the past 3 years and the Re-assessment Audit indicate that CORNER BROOK PULP AND PAPER LIMITED's Management System meets the following criteria for maintenance of registration to CAN/CSA - Z809-2002.

An effective inter-action exists between all elements of the management system;
The entire management system is effective in light of any changes
Top management has demonstrated a commitment to maintain the effectiveness of the system

Next Scheduled Audit: July 07, 2008

Date(s): July 07, 2008 to July 10, 2008

Type of Audit: 12 Month Surveillance Audit

No. of Persons: 2

No. of Audit Days Required: 8 (integrated audit with ISO14001-2004)

A handwritten signature in black ink, appearing to read 'Guillaume Gignac'.

Guillaume Gignac, RPF, EMS (LA)
QMI Team Leader

Date: 07/16/2007