



Project No. 011643-04

July 23, 2009

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 Mr. Knott,

Please find attached the Audit Report raised as a result of our 24 Month Surveillance Audit of your management system to the CAN/CSA - Z809-2002 standard conducted in your Corner Brook facility on July 06, 2009.

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', is written over a white background.

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

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Validity of the accreditation
from 2007/01/16 to the
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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 06, 2009 to July 07, 2009
Audit Team Leader: Guillaume Gignac
Type of Audit: 24 Month Surveillance 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-SAI Global 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 continues to meet 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 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 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 375 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 500 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 2001/2002:

The total volume which was harvested in 2008 was 603,140 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 927,600 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 Aboriginal rights and 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 Shanon Morgan. 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-SAI Global and the QMI-SAI Global Audit Team:

Quality Management Institute (QMI-SAI Global) is a third party management system certification Registrar. QMI-SAI Global is a Division of the SAI Global. 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, RPF, EMS (LA)
Team Member	Glenn Keays, Biol., EMS (LA)



Audit Coverage:

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

Meadow Pond Area
Stag Hill
Alder Brook Area
Lynx Pond Area
East Pond Area
Camp 153 (Bonne Bay Road)

Personnel (ie contractors) interviewed in the field:

D&T Mechanical
LTD Construction Ltd
Rod Langdon – Owner Operator-Truck Diver
North West Forest Resources
Corner Brook West Crew (PCT Operations)
Rob's Grader Services
Arthur Fowlow Ltd
Major Logging

Members of the public participation process interviewed:

Betty Ball, Private Citizen
Wilfred Bartlett, Private Citizen
Mike Brake, Private Citizen
Frazer Butt, DNR
Overton Colbourne Private Citizen
Joseph Callahan, Western Snow-Riders Snowmobile Club
Gary Collins Private Citizen
Debbie Hearn, Consultant
Llew Hounsel, Private Citizen
Randy Miles, CEP Local 60N
Reg Parsons, Natural Resources Canada
Cyrill Pelley, NL Outfitters Association
Fonse Pittman Private Citizen
Ralph Rice, Private Citizen
Sean St. George Red Ochre Regional Board
George Van Dusen, Private Citizen

Provincial Government personnel interviewed:

Bert Frampton
Woodrow Rumbolt
Tim Anderson



Summary:

The findings were discussed with Mr. Faron. 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-SAI Global Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM documentation (interim SFM monitoring report, SFM plan) during the on site audit

Non-conformances:

No non-conformances were raised during the audit

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:

- Environment Incident Review flow chart is an excellent tool
- A highly motivated Public Advisory Committee
- All contractors and staff and Kruger employees continue to display a genuine interest in doing the right thing.
- The internal audit process continues to be extremely thorough.
- Housing keeping of service trailers and operation areas continue to be excellent.
- The Environmental Progress Report and the Annual Indicator Report are well designed and effective public communication tools.

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 January 2009 and second in June 2008.



Areas of Concern (AoC)

- 4.4.6 & 7.4.6 Operational control - Ensure that on operational roads SOP R05, R06 and R09 are properly followed. On one Meadow Pond operational road one cross drain was installed at 90 degree angle to the road and only one cross drain was installed at the bottom of a 200-300 m stretch of road on a 6-10% grade slope.
- 4.4.6 & 7.4.6 Operational control - Ensure that Environmental Work Instruction SEA #3 is followed by new harvester operators. It was noticed that in the Stag Hill operations area high stumps over 15 cm were observed.
- 4.4.6 & 7.4.6 Operational control - Ensure that Environmental Work Instruction (SEA 6) and procedures (SOPs H-03 and H-04) for avoiding soil disturbance are followed. There is evidence that extraction trails in active harvest blocks (Lynx Pond, East Pond and Camp 153) are causing soil disturbance and the potential for erosion.
- 4.4.6 & 7.4.6 Operational control - Ensure SOP G-03 is being followed regarding the securing of fuel tank nozzles.

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

Opportunities for Improvement:

- Ensure the old QMI logo on maps and other documents is replaced with the new QMI-SAI Global logo.
- Consider reviewing the roles and responsibilities procedure (Manual #1, Section 7 vers. 12) in light of the recent changes in the organization.
- Consider giving further training to harvester operators so that they better understand the concept of wildlife trees.
- Consider using an orientation kit and an orientation training session to new PAC members.
- With the recent updating of the CSA Z809 standard consider giving a refresher training to the PAC members on the PAC process
- Consider better explaining to PAC members the dispute resolution mechanism.
- Consider reviewing the ToR in depth with the PAC members as part of the PAC refresher training to see if changes are necessary to the ToR.
- Ensure that PAC members receive the new CSA Z809-08 standard.



- Consider organizing woodlands field tours to mill employees.
- For VOIT 1.1.1, 1.2.2, 1.3.1 consider better defining the target to indicate over what specific time period the target applies to.
- Consider reviewing VOIT targets on a regular basis to reassess whether or not time lines related to targets need to be adjusted to show continual improvement (e.g. VOIT 1.4.1).
- Consider reviewing all SOP binders on operations to ensure they are complete.

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:

Surveillance Audit:

The results of the Surveillance Audit indicates 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:

Date(s): July 5 to 8, 2010

Type of Audit: RR

No. of Persons: 3

No. of Audit Days Required: 12

Guillaume Gignac
QMI-SAI Global Team Leader

Date: 07/23/2009