



Project No. 011643-05

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 Faron:

Please find attached the Audit Report documenting the results of our 24 Month Surveillance Audit of your management system to the ISO 14001:2004 standard conducted at your Corner Brook facility on July 08, 2009. 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,

A handwritten signature in black ink, appearing to read 'Guillaume Gignac'. The signature is written in a cursive style.

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

QMI-SAI Global Confidential

955, boul. St-Jean, bureau 203,
Pointe-Claire, PQ CAN H9R 5K3
Telephone: 514-426-3432
Facsimile: 514-426-3998



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**

REPORT DISTRIBUTION

CORNER BROOK PULP AND PAPER LIMITED
QMI-SAI Global File
Guillaume Gignac

COMMERCIAL- IN – CONFIDENCE

The contents of this report must not be disclosed to a third party without the agreement of the QMI-SAI Global Client

DISCLAIMER:

This report has been prepared by QMI-SAI Global (SAI Global) in respect of a Client's application for assessment by QMI-SAI Global. The purpose of the report is to comment upon evidence of the Client's compliance with the standards or other criteria specified. The content of this report applies only to matters, which were evident to QMI-SAI Global at the time of the audit within the audit scope. SAI Global does not warrant or otherwise comment upon the suitability of the contents of the report or the certificate for any particular purpose or use. QMI-SAI Global accepts no liability whatsoever for consequences to, or actions taken by, third parties.



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.



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 on Corner Brook Pulp and Paper Limited Defined (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.

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: 24 Month Surveillance Audit

Audit Dates: July 06, 2009 to July 09, 2009

Duration of Audit: **Person(s):** 2 **Day(s):** 4 (in conjunction with a CSA Z809)

Audit Team

Position	Name
Team Leader	Guillaume Gignac
Team Member	Glenn Keays



Surveillance 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:

- 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.

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 four (4) 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

Management reviews meetings are conducted at 4 months intervals. 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.

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. An OFI was noted during the audit.



Operational Controls, Monitoring and Measurement Processes

Implementation of necessary operational, monitoring and measurement controls is not adequately demonstrated. Details are provided in four (4) AOC raised.

Emergency Preparedness and Response

CORNER BROOK PULP AND PAPER LIMITED has identified the potential for emergency situations and developed and is planning to test response procedures

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. Next compliance audit scheduled for 2010. In addition compliance is also verified through 3 types of inspections, level 1, 2 and 3 and level 2 being the most comprehensive.

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.

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 Mark on maps and other documents. An OFI was raised to ensure the old QMI Mark is replaced with the new QMI-SAI Global Mark.

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 procedure Manual #1 Section 6, version 4 dated March 27, 2007 and verified current objectives and targets and programmes and their status, • Reviewed the current list of Legal and other requirements and procedure Manual #1 Section 5, version 5 dated April 28, 2007 • Reviewed records of environmental incident reports, Nonconformity, Corrective and Preventive Action reports. Incident review flowchart in place. • Reviewed Procedure Manual #1, Section 7 version 12, June 22, 2009 for roles and responsibilities. • Reviewed management review minutes (Feb 17, April 14, June 17) • Reviewed AOCs from 2008 S1 audit report. • Reviewed internal audit report of June 2009 and procedure Manual #1, Section 17 version 5, Feb. 6, 2008.
Health and Safety and Training coordinator	<ul style="list-style-type: none"> • Reviewed Training Needs Matrix, Manual 11 • Reviewed training records database
Lynx Pond Area	<ul style="list-style-type: none"> • D&T Mechanical - Contractor • Harvesting operation. • Checked SOPs and WI's. • Pre-work form on site. • ERP on site and filled out; spill kit in trailer; verified fire extinguishers. • Verified WHMIS; JHA. • Site housekeeping was very good. • Interviewed a harvester and a porter operator • Observed forwarder trails will excessive soil disturbance. Multiple trails instead of just one main trail. AOC raised
East Pond Area	<ul style="list-style-type: none"> • Rob's Grader Services • Ballast Operation - Spot ballast on rocky areas of roads. • Spill kit and all documentation checked in trailer. • Interviewed truck driver.
East Pond Area	<ul style="list-style-type: none"> • Arthur Fowlow Ltd. - Contractor • Harvesting operation • Housekeeping was very good. • All documentation checked at set up. • Interviewed a harvester and a porter operator and a truck driver.



	<ul style="list-style-type: none"> • Fuel tanks mounted on trailer – nozzles not secured. AOC raised. • Observed more soil disturbance – road side; picked an area that was dry previous week but very wet this week after a lot of rain. AOC raised.
Camp 153 (Bonne Bay Road)	<ul style="list-style-type: none"> • Major Logging – Contractor • Harvesting operation • Checked all documentation, spill kit, fire suppression, etc. • Interviewed supervisor and a harvester operator. • Harvest area was on steep slope; forwarder trails were nearly vertical with no breaks – potential for soil disturbance. AOC raised.
Meadow Pond Area	<ul style="list-style-type: none"> • LTD Construction Ltd - Contractor • Road Construction Operation • Walked over road built 2009. Finished July 6th • Interviewed excavator operator • Verified knowledge of SOPs • Verified road profile, ditches, cross drainage • Issue with Cross drainage. AOC raised
Stag Hill Area	<ul style="list-style-type: none"> • North West Forest Resources - Contractor • Harvesting Operation • Interviewed contractor, supervisor, truck driver, porter operator and harvester operator. Verified SOPs. • Verified documents ERP Section 4 version 4 5/2/09, SOP H-04 21/08/09 version 1, SOP PL-05 1/09/08 version 1 • Verified Government Operations Permit, Pre-work form (signed June 20, 2009), MSDS, Fuel truck, fire extinguishers. • Walked over cutover. Issue with high stumps in some place
Alder Brook Area	<ul style="list-style-type: none"> • Corner Brook West Crew • PCT Operation • Interviewed supervisor, foreman and a saw operator • Verified SOP, fuel handling and storage

Non-Conformances (NCRs):

None identified.

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.

Opportunities for Improvement (OFI)

- 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 organizing woodlands field tours to mill employees.
- Consider reviewing the Environmental Aspects (EAs) more in depth to reassess whether or not your EAs are still relevant, and your SEAs are still significant.
- As an outcome of the EA review consider whether additional programmes, objectives and targets are required.
- Consider adding fuel consumption as an EA.
- Consider reviewing all SOP binders on operations to ensure they are complete.

Other Issues

- The next audit will be a re-registration audit. All elements of the ISO14001-2004 standard will be reviewed.

Next Scheduled Audit:

Date(s): July 5 to 8, 2010

Type of Audit: RR

No. of Persons: 3

No. of Audit Days Required: 12 (integrated with CSA Z809)

Note: audit days may be reduced since the number of employees and volume harvested have decreased)

Guillaume Gignac
QMI-SAI Global Team Leader

Date: July 23, 2009