

Project No. 011643-07

August 1, 2016

Mr. Faron Knott
Corner Brook Pulp And Paper Limited
Woodland Operations
Mill Road
P.O. Box 2001
Corner Brook, NL
CAN, A2H 6J4

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Knott,

Please find attached the Audit Report raised as a result of our Re-assessment audit of your management system to the CAN/CSA - Z809-2008 standard conducted in your Corner Brook facility on July 6 to 8, 2016.

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

Best regards,

Rod Seabrook
SAI Global

SUSTAINABLE FOREST MANAGEMENT SYSTEM

CAN/CSA-Z809-2008

Auditee: Corner Brook Pulp And Paper Limited
Address: Mill Road P.O. Box 2001
Corner Brook NL
CAN A2H 6J4

Contact: Mr. Faron Knott
Date(s) of Audit: Sep 6 – 8, 2016
Total Number of Audit Days: 3
Audit Team Leader: Rod Seabrook
Type of Audit: Re-assessment
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
SAI GLOBAL File
Rod Seabrook

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SECTION 1 - EXECUTIVE SUMMARY

Scope #	Scope Description
5	Forest management activities – planning, road construction and maintenance, harvesting operations, transportation of fibre, silviculture and support services in Forest Management District No. 5, 6, 9, 14, 15 and 16.

Site:

Corner Brook Pulp And Paper Limited
Mill Road
P.O. Box 2001
Corner Brook
NL
CAN, A2H 6J4

Summary of Audit Findings:

A Re-assessment audit was conducted on July 6 – 8, 2016 on the Corner Brook Pulp and Paper defined forest area consisting of the districts 5, 6, 9, 14, 15 and 16. One major nonconformance, two minor nonconformances and six opportunities for Improvement were identified. The audit team found that Corner Brook Pulp and Paper SMF system generally conforms to the requirements of CAN/CSA Z809-2008 and adheres to the company's requirements, with the exception of the noted nonconformities. Two positive attributes of the management system were also noted.

Recommendations:

Based on the results of this surveillance audit the Sustainable Management System of Corner Brook Pulp And Paper Limited is not effectively implemented and does not fully meet the requirements of CSA Z809 for the areas of non-conformance identified during the audit and as documented in the attached Non-conformance Reports and summarized in this report.

As discussed during the closing meeting, please submit a root cause analysis with an action plan within 30 days for both major and minor non-conformance for approval by the Lead Auditor.

Major non-conformances must be closed within 60 days. Implementation of the actions for minor non-conformance will be verified at the next surveillance audit, or at the latest 12 months following the issuance of the non-conformance.

A recommendation for registration to the CSA Z809 standard to the scope of registration identified in this report is on hold pending the receipt, review, and acceptance of the corrective action taken and closure of the major non-conformances.

SECTION 2 - DESCRIPTION OF THE DEFINED FOREST AREA (DFA):

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

The Defined Forest Area (DFA) under certification to CSA Z809-08 includes all forested land on insular Newfoundland for which Corner Brook Pulp and Paper Limited (CBPPL) has management responsibility. This does not include transmission lines that cross CBPPL limits. These timber limits span from the Codroy Valley on the southwest corner of the island, to Cat Arm on the Northern Peninsula, and east to Gander in central Newfoundland (Figure 1), and are contained within provincial forest management districts 5, 6, 9, 14, 15, and 16.

CBPPL manages approximately 1.4 million hectares of Crown land on the Island of Newfoundland. The Forestry Services Branch has responsibility to supervise, control and direct various activities relating to forest resources on Crown lands and on their limits. CBPPL is responsible for: preparing timber management plans for areas of productive forest; constructing and maintaining forest access roads; harvesting timber; and carrying out programs of reforestation and silviculture.

In 2010, CBPPL sold some of their timber limits to the Crown some to be used as protected areas, others as sources of fibre for Crown operators, sawmills, the pellet plant, and domestic cutters. Timber rights were relinquished on a total area of 447,427 hectares.

Table 2 Productive Forest Area Summary by Working Group (data 2014)

Districts 5, 6, 9, 14, 15, 16.			
Tree Species(Working group)	Total Area (Ha)	Percentage of DFA Area (Productive)	Percentage of Total Area on the DFA
Balsam Fir (bF)	325,091	45.4	22.9%
Black Spruce (bS)	213,082	29.8	15.0%
Disturbed by Insects or Fire (DI)	65,346	9.1	4.6%
Softwood Hardwood (sH)	53,449	<1	3.8%
Not Sufficiently Stocked (NS)	25,069	3.5	1.8%
Hardwood Softwood (hS)	22,780	3.2	1.6%
White Birch (wB)	10,202	1.4	0.7%
Trembling Aspen (tA)	367	<1	0.0%
Jack Pine (jP)	82	<1	0.0%
Engelmann Spruce (eS)	11	<1	0.0%
Total Productive Area (ha):	715,479	100%	50.5%

There are currently 26 species of mammals that make the DFA their home; 14 are native to the island and 12 have been introduced. Of the 368 bird species that have been identified on the Island of Newfoundland (NHSNL 2003), approximately 70 are common forest-dwelling species. There are also 20 species of inland fish on the DFA, from the familiar trout, salmon and smelt to the lesser-known mummichog and windowpane (Scott and Crossman, 1964).

The Department of Environment and Conservation’s Wildlife Division is responsible for managing and conserving wildlife in Newfoundland and Labrador, while the Federal

Department of Fisheries and Oceans has a mandate to protect and conserve fish habitat for coastal and inland fisheries resources.

In addition to the use of timber within the DFA, other forest uses include tourism and recreation, mining, agriculture and outfitting, hunting, fishing, trapping and snaring. Recreational cabins are also popular within the DFA.

SECTION 3 - ORGANIZATION:

Description of the DFA Workforce:

CBPPL Woodlands employs some 200 employees made up of 20 full time and seasonal staff and 180 employees in the woods from 50 Newfoundland communities. This total includes also seasonal forestry workers who carry out silviculture operations in the summer and fall. The Company employs another 340 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 \$123.96 million (CBPPL, 2015).

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;
- 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;
- 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.

Aboriginals Consultation Process:

Aboriginal people on the Island of Newfoundland are primarily Mi'kmaq, and have Aboriginal title and rights. There are two First Nation Bands on the island of Newfoundland that follow their traditional values on CBPPL limits: Miawpukek First Nation and Qalipu Mi'kmaq First Nation Band. Miawpukek First Nation has a reserve of 548 hectares in Baie D'Espoir (outside of CBPPL limits); Qalipu Mi'kmaq First Nation Band is a landless band. A process is currently underway to determine the extent of Qalipu community membership.

SECTION 4 - AUDIT FINDINGS:

Audit Objective of the Stage 2 –24 Month Surveillance

To confirm the management system complies with the applicable elements of the Standard; to confirm the organization complies with its own policies and procedures; to confirm the management system is suitable for the organization; to confirm that the management system is suitable and effective, and enables the client to achieve its own objectives.

Audit Criteria: CSA Z809:2008

Audit Scope: Facilities/organizational units/functional units audited are located on the Forest Management Districts No. 5,6,9,14,15,16 in the Province of Newfoundland.

Description of SAI Global and the SAI Global Audit Team:

SAI Global is a third party management system certification Registrar. Established in 1984, 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 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

Team Leader: Rod Seabrook
Team member: Francois Grimard

Audit Coverage:

Noted Deviations from the Audit Plan: None

Table 4 Operations / Cut-Blocks Visited during the field audit include:

Districts 14 and 15	
Block / Road Number / Name	Type of Operation Observed
District 14 Block K14-64 Crabbe’s River	<ul style="list-style-type: none"> • Road construction • Harvesting (harvester) • Water crossing installation • Supervision (Monitoring) • Species at risk

	<ul style="list-style-type: none"> • HCV protection measures (Pine Marten protection) • Training • Emergency response plan • Hazardous waste material disposal • Stakeholder (cottages/cabin) • Workers conditions • Implementation of SOPs • Service truck • Fuel supply (external supplier) • 6 persons interviewed <ul style="list-style-type: none"> -Log truck driver -Fuel truck driver (external supplier) -Mechanic -Excavator operator -Harvester operator -1 Supervisor
District 15 K15-66 Pynn's Brook	<ul style="list-style-type: none"> • Road construction • Harvesting (Feller-buncher/processor) • Supervision (Monitoring) • Species at risk • HCV protection measures (Pine Marten, Water quality protection) • Training • Emergency response plan • Hazardous waste material disposal • Workers conditions • Implementation of SOPs • Service truck • Fuel truck • 6 persons interviewed <ul style="list-style-type: none"> -2 Harvester operators -1 Feller-buncher operator -2 Mechanic (sub-foreman) -1 Supervisor

Members of the public participation process interviewed:

Twelve members of the Public Advisory Group (PAC) were present for a meeting with the auditors on July 6, 2016. Twelve members of the PAC were present at that meeting to discuss with the auditors. Members spoke of their interest in the PAC, the work of the PAC and the support the CBPPL has provided to the organization. Overall members felt that progress is being made and that the PAC plays a meaningful role in assisting CBPPL in its sustainable forest management program.

Provincial Government personnel interviewed:

Representatives of the Forestry Agriculture and Foods Agency associated with compliance, enforcement and species at risk were interviewed as part of the audit. All comments were positive and no significant issues were identified.

Aboriginal People interviewed:

Qalipu Mi'kmaq First Nation – A community representative made a presentation at the PAC meeting regarding the Qalipu First Nation and the current process of determining membership.

Miawpukek First Nation – the audit team met with a community representative on July 7, 2016

Table 5 VOITs verified (field & office)

Indicator	Description	Field and/or Office	Improvement
1.1.1	Ecosystem area by type	Office	Target met
1.1.2	Forest area by type or species composition	Office	OFl
1.1.3	Forest age by seral type or age type	Office	OFl
1.1.4	Within-stand structural retention	Office/Field	Target met
1.2.1	Habitat for focal species - caribou	Office	Target met
1.2.2	Habitat for focal species - pine marten	Office	See NCR-2016-03
1.2.3	Maintain indigenous species	Office/Field	Target met
1.3.1	Sufficiently stocked areas after harvest	Office/Field	See NCR-2016-02
1.4.1/1.4.2	Special sites	Office	See NCR-2016-03
2.1.1	Reforestation success	Office/Field	Target met
2.2.1	Additions/deletions to forest area	Office	Target met
2.2.2	Annual allowable cut harvested	Office	Target met
3.1.1	Level of soil disturbance	Office/Field	Target met
3.1.2	Level of downed woody debris	Office/Field	See NCR-2016-3
3.2.1	Watersheds/management areas with stand replacing disturbance	Office	Target met
4.1.1	Net carbon uptake	Office	No new data reported - Indicator to be changed
4.1.2	Reforestation success	Office	See NCR-2016-02
4.2.1	Additions/deletions to forest	Office	Target met
5.1.1	Timber/non-timber benefits, products and services	Office	Target met
5.1.2	Resource roads accessible to public	Office	Target met
5.1.3	Wood utilization	Office/Field	Target met
5.1.4	Implementation of access management plan	Office	See NCR-2016-03
5.2.1	Investment in initiatives that contribute to community sustainability	Office	Target met
5.2.2	Level of investment in training and skills development	Office	Target met
5.2.3	Level of direct and indirect	Office	OFl

	employment		
6.2.1	Understanding and use of Aboriginal knowledge through the engagement of willing Aboriginal communities, using a process that identifies and manages culturally important resources and values	Office	Target met
6.3.1	Cooperation with other forest dependent businesses, forest users, and the local community to strengthen and diversify the local economy	Office	Target met
6.3.2	Cooperation with DFA-related workers and their unions to improve and enhance safety standards, procedures and outcomes	Office	Target met
6.3.3	A worker safety program implemented and periodically reviewed	Office	Target met
6.4.1	Level of participant satisfaction with the public participation process	Office	Target met
6.4.2	Efforts to promote capacity development and meaningful participation	Office	Target met
6.4.3	Promote capacity development and meaningful participation for Aboriginal communities	Office	Target met
6.5.1	Number of people reached through educational outreach	Office	Target met
6.5.2	Availability of summary information on issues of concern to the public	Office	Target met

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 the meeting attendees

The SAI Global Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM documentation plan and found it complete and adequate

Status of any previously recorded non-conformances (NCRs)

The implementation and effectiveness of corrective actions relating to the following previously recorded NCR were verified, accepted, and the NCR cleared.

Closed NCR: 2015-01

NCR-2015-02 was elevated from a minor to a major non-conformance (see NCR-2016-01) due to an ineffective program of monitoring of water crossing installations.

Positive Aspects of the Management System:

- Operator’s awareness of species at risk and protection measures
- Operator’s awareness of species at risk and protection measures
- Comprehensive management reviews

Non-conformances:

NCR No.	Level	Clause	Description	Final CAR Due Date:
2016-01	Major	7.5.1	Monitoring of the environmental program on Road Construction and water crossing installation and the related SOPs was not efficient	Non-conformance response must be accepted and the non-conformance cleared by Aug 17, 2016
2016-02	Minor	6.3.1.3	The 2015 update for Indicator 1.1.3 is not accurate as it includes area not planted at the time of Indicator Report preparation	Action plan must be accepted by Aug 17, 2016; implementation of planned actions will be verified at the next audit
2016-03	Minor	7.5.1	Not all indicators are either fully or accurately reported upon in the Sustainable Forest Management Indicator Report 2015	Action plan must be accepted by Aug 17, 2016; implementation of planned actions will be verified at the next audit

Corrective Action Plans

At the next annual audit a follow up on the implemented corrective actions will be done to confirm that the corrective actions were appropriate and effective in ensuring the non conforming situation has not reoccurred.

Opportunities for Improvement (OFI):

1.1.2 Consider how a baseline condition for forest area by working group can be established given the changing area of the landbase

1.1.3

- a) Consider reporting data on a district basis to give a more refined analysis
- b) Consider whether balanced age class should be replaced by range of natural variation

5.2.3 DFA wages – Consider expanding the target to include all DFA workers – currently the data is limited to wood harvesting operations

5.3 Operating Rules - Consider revising the PAC Terms of Reference re: roles and responsibilities of the communication sub committee

SECTION 5 - 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:

Based on the results of this surveillance audit the Sustainable Management System of Corner Brook Pulp And Paper Limited is not effectively implemented and does not fully meet the requirements of CSA Z809 for the areas of non-conformance identified during the audit and as documented in the attached Non-conformance Reports and summarized in this report.

As discussed during the closing meeting, please submit a root cause analysis with an action plan within 30 days for both major and minor non-conformance for approval by the Lead Auditor.

Major non-conformances must be closed within 60 days. Implementation of the actions for minor non-conformance will be verified at the next surveillance audit, or at the latest 12 months following the issuance of the non-conformance.

A recommendation for registration to the CSA Z809 standard to the scope of registration identified in this report is on hold pending the receipt, review, and acceptance of the corrective action taken and closure of the major non-conformances.

Next Scheduled Audit**Date(s):** July 4 – 7, 2017**Type of Audit:** Surveillance**No. of Persons:** 2**No. of Audit Days Required:** 3.5 man days

Rod Seabrook

SAI Global

Team Leader

Date: August 1, 2016