

CASE STUDY: Pulpmill Preacquisition/Due Diligence Audits for NorskeCanada



NorskeCanada

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Envirochem Overview

- Established Canadian company with roots in BC (1984)
- Experienced in:
 - Management systems
 - ISO14001/OHSAS 18001 development and implementation (start to finish)
 - environmental audits
 - Pre-acquisition/due diligence (Identifying and quantifying potential liabilities for transaction evaluations)
 - Environmental Compliance audits
 - ISO14001/OHSAS 18001 Audits
 - Environmental engineering and science research
 - Contaminated Sites Investigations



NorskeCanada Overview

- Formerly Norske Skog Canada Limited
- Now called Catalyst Paper
- One of the North America's largest groundwood paper companies
- Largest telephone directory paper producer in the world
- Products (examples)
 - Flyers, catalogues, magazines, telephone directories
 - Tissues, printing and writing paper
- Norske Skog of Norway is part owner

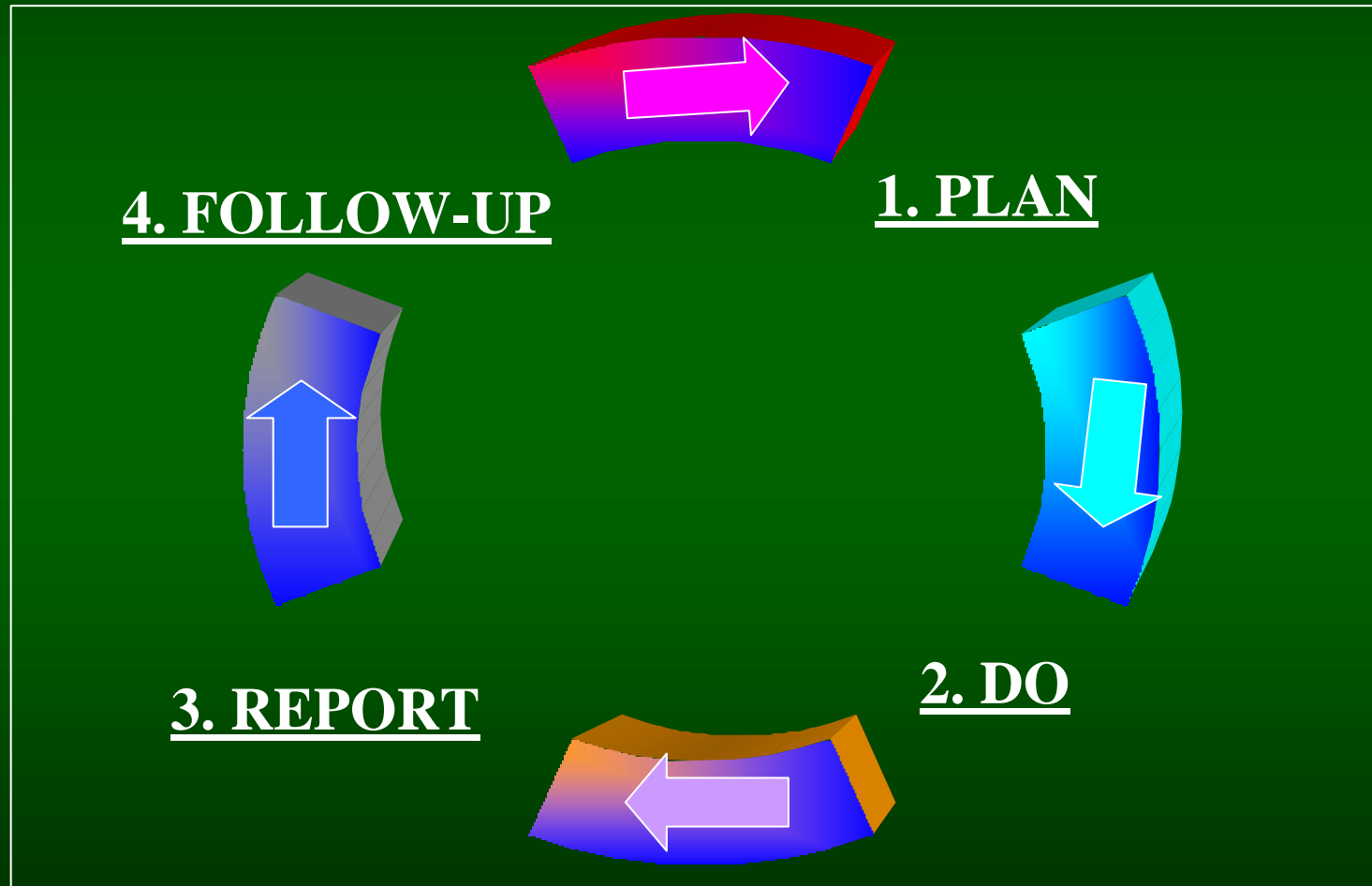


NorskeCanada Overview

- Divisions
 - Crofton
 - Elk Falls
 - Port Alberni
 - Powell River
 - Paper Recycling (Van)



AUDIT PROCESS



1. AUDIT PLANNING



FINANCIAL NEEDS

- Defining environmental liabilities
 - Above a predefined \$ value
 - Current/Future liability
 - Likelihood of expenditure and timeframe



LEGAL REQUIREMENTS

- Confidentiality
- Applicable legislation
- Permits
- Licenses
- Proposed changes
- Site and operational risks



AUDIT TOOLS

- Computer Auditing Software (eDICTS)
- Site Assessment Guidelines
- In-house risk assessment tools



LOGISTICS

- Assembling Team
- Short time frame (1 week/site – 4 sites)
- Ensuring good coffee!
- Unknown variables
 - Availability of Site Personnel
 - Site co-operation



ENVIRONMENTAL ASPECTS

- Air Emissions
- Energy Planning
- Waste Management
- Hazardous Waste
- Properties and Site Contamination
- Tanks
- Marine Aspects
- Liquid Effluents
- Water Supply
- Community Issues

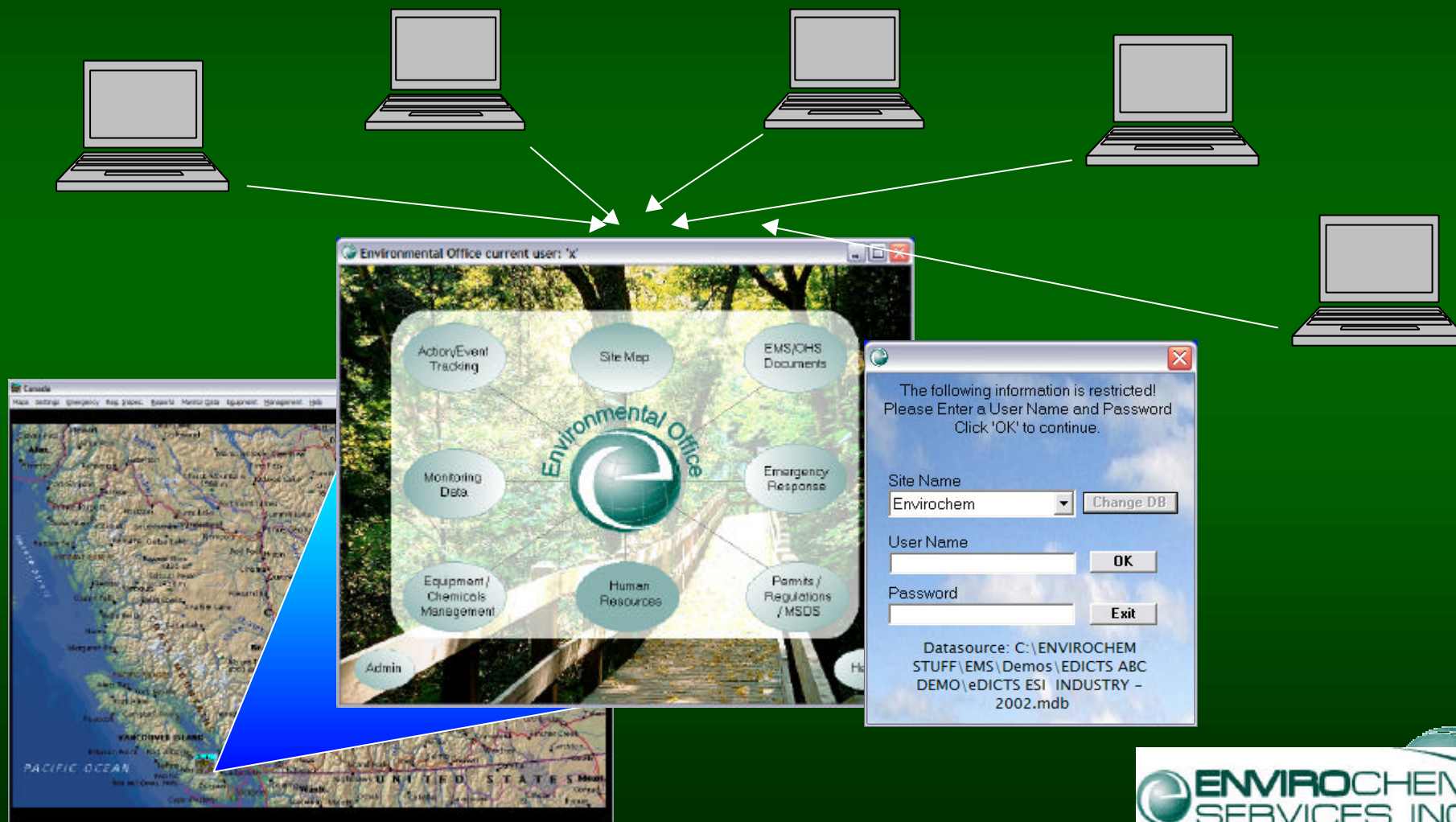


2. ON-SITE VISITS

- ~ 1 week per site
- Each site visit consisted of:
 - Opening meeting
 - Auditing (interviewing, on-site document review, inspections/observations)
 - Entering audit findings into EDICTS and recommended actions
 - Risk assessment of findings and financial liability of finding
 - Preparation of draft report
 - Closing meeting and presenting of report



Reporting – use of eDICTS



Reporting - Quantifying Liabilities

- Audits identify both the site and operational deficiencies
- Audits focused to identify possible corrective actions or solutions and reasonable costing for identified/possible corrective actions
- Use of suitable methodology to quantify probable costs for business valuation models



Follow-up

Included being available to:

- explain risk and remediation issues
- assist legal counsel with final terms
- Follow-up audits



Outcome

Significant environmental liabilities were realized and quantified where possible before purchasing of sites.

Similar auditing process was duplicated for assessment of Paper Recycling Site



Success Factors!

- **Experience of Audit Team**
- **Understanding of the Issues and Needs**
- **Demonstrated Risk Ranking Approach**
- **Proprietary Software**
- **Speed of Response and Completion**
- **Accepted Reports**
- **Good Cooperation from sites**

