



resolute
Forest Products

**WE ARE
RESOLUTE**

2010

SUSTAINABILITY REPORT

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RENEWED

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RESPONSIBLE

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RESOLUTE

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FOREST REGENERATION

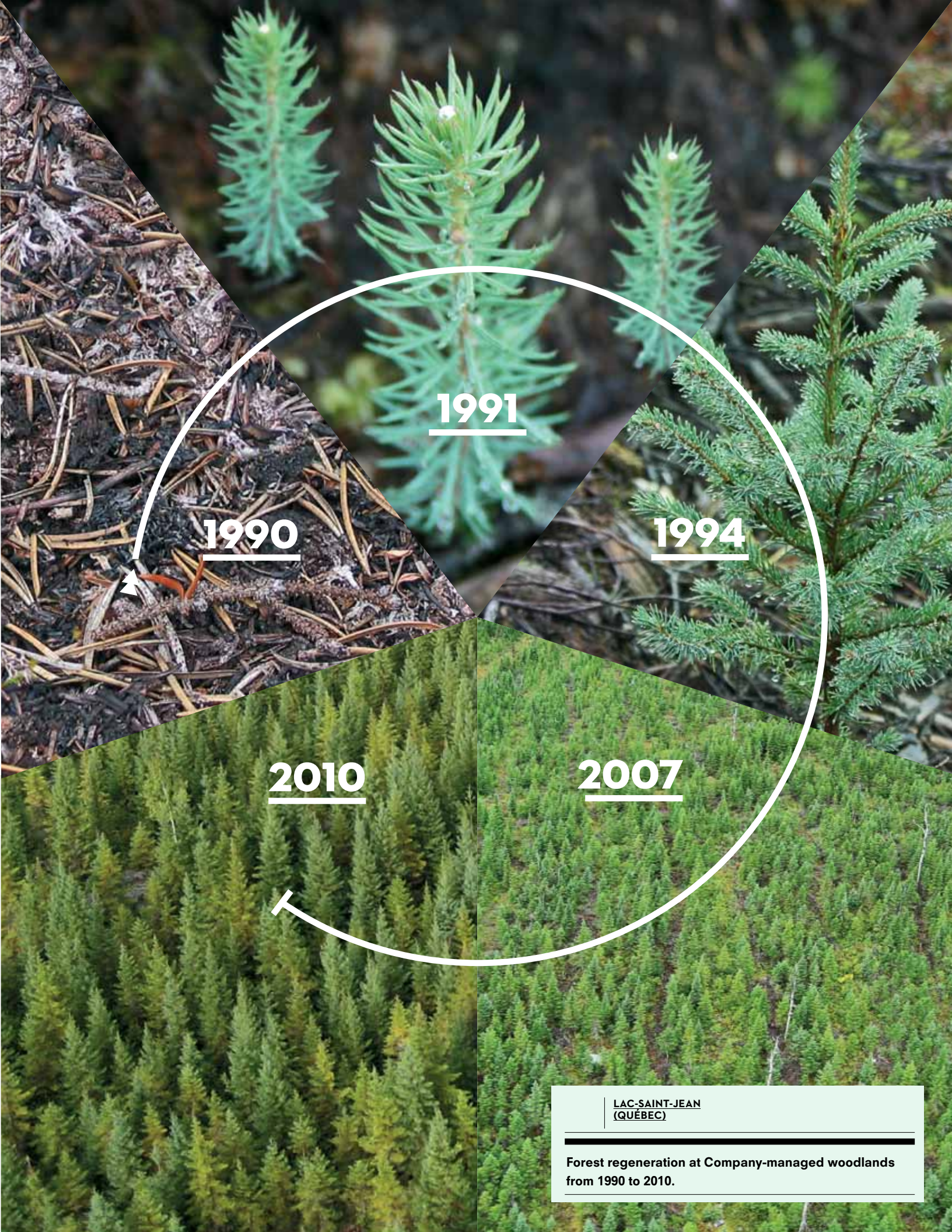
The regeneration of harvested areas is an essential component of sustainable forest management. As a responsible forest manager, Resolute seeks to respect the natural growth cycle of trees, while ensuring biodiversity. In Canada, fiber used in our products is sourced primarily from public land, located mainly in the boreal forest. By law, these woodlands must be promptly regenerated. The boreal forest has a remarkable ability to regenerate on its own. In fact, approximately 75% of the area harvested grows back naturally. Our foresters ensure that the rest is promptly reforested. We planted a total of 62.7 million seedlings in 2010.

To put the impact of the forest products industry in perspective, it should be noted that approximately 0.2% of the boreal forest is harvested by the industry each year.¹ By comparison, five times this amount on average is

disturbed annually by wildfires, insects and disease. The series of time-stamped images that follow are representative of the typical regeneration of a black spruce forest found in the northern Lac-Saint-Jean, Québec, region.

NOTE

¹ Natural Resources Canada (NRCan). 2005b. State of Canada's Forests: 2004-2005, The Boreal Forest, Canadian Forest Service, ISBN 0-662-40014-3, p. 48



1990

1991

1994

2010

2007

**LAC-SAINT-JEAN
(QUÉBEC)**

**Forest regeneration at Company-managed woodlands
from 1990 to 2010.**

WE ARE RENEWED





COMPANY PROFILE

Resolute Forest Products is a global industry leader with a diverse range of products, including newsprint, commercial printing papers, market pulp and wood products. In 2010, the Company owned or operated 18 pulp and paper mills and 24 wood products facilities in the United States, Canada and South Korea. Marketing its products in close to 90 countries, Resolute Forest Products managed approximately 16.8 million hectares (41.6 million acres) of forestland in North America as at December 31, 2010.

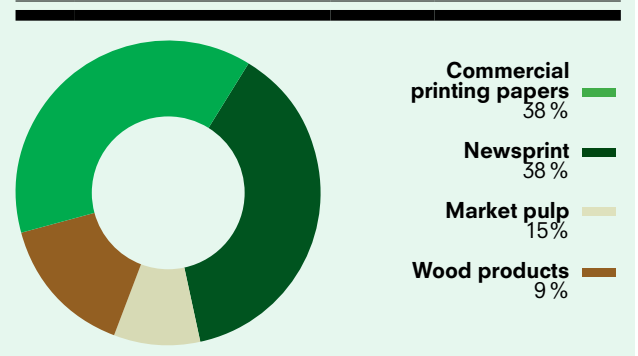
The shares of Resolute Forest Products, formerly doing business as AbitibiBowater, trade under the stock symbol ABH on both the New York Stock Exchange and the Toronto Stock Exchange.

For more information, please visit resolutefp.com.

FIG. 1.1 A **PRODUCTION CAPACITY** As at December 31, 2010

Newsprint	3.3 million metric tons
Commercial printing papers	2.5 million metric tons
Market pulp	1.1 million metric tons
Total pulp and paper	6.9 million metric tons
Wood products	2.2 billion board feet

FIG. 1.1 B **DISTRIBUTION OF SALES BY REVENUE** As at December 31, 2010



1.2

REPORT
HIGHLIGHTSFIG. 1.2
REPORT HIGHLIGHTS

As at December 31, 2010

ENVIRONMENTAL²	2010	2009	2008
Class 1 environmental incidents	3	3	4
Fuel energy used, GJ	97,354,760	97,019,820	115,272,825
Electricity – purchased, GWh	12,900	12,674	17,290
Electricity – self-generated or owned, GWh	2,758	4,201	4,568
Water discharged ³ , m ³	406,564,681	405,141,140	414,340,938
Greenhouse gas (GHG) emissions, mt CO ₂ e	4,879,678	4,287,686	5,956,250
Sulfur dioxide (SO ₂), mt	10,293	10,896	14,324
Nitrogen oxides (NO _x), mt	7,994	9,048	10,141
Total particulate matter (TPM), mt	2,368	2,716	3,332
Biochemical oxygen demand (BOD ₅), mt	8,656	8,466	9,663
Total suspended solids (TSS), mt	11,691	12,106	13,545
Solid waste to landfill, mt	508,059	514,512	683,760
Hazardous waste, % of total waste	<1	<1	<1
SOCIAL	2010	2009	2008
Employees	10,470	12,144	15,862
Occupational Safety and Health Administration (OSHA) incidents, rate per 100 employees	1.51	1.50	1.95
Employee turnover ⁴ , %	8.06	9.24	not available
Employee wages and benefits, \$ M	895	979	1,270
Philanthropy, \$ M	0.6	0.6	1
ECONOMIC	2010	2009	2008
Total sales, \$ M	4,746	4,366	6,771
Net income (loss), \$ M	2,614	(1,553)	(2,234)
Total operating costs ⁵ , \$ M	4,925	4,630	6,959
Total operating loss, \$ M	160	375	1,430
Capital expenditures, \$ M	81	101	186
Return on capital employed (ROCE), %	10.6	2.3	14.3

1.2

REPORT
HIGHLIGHTS**FORWARD-LOOKING STATEMENTS**

Statements in the 2010 Sustainability Report that are not reported financial results or other historical information of Resolute Forest Products are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to our: efforts to continue to reduce costs and increase revenues and profitability, including our cost-reduction initiatives regarding selling, general and administrative expenses; business outlook; assessment of market conditions; liquidity outlook, prospects, growth strategies and the industry in which we operate; and strategies for achieving our business or sustainability goals generally. Forward-looking statements may be identified by the use of forward-looking terminology such as the words “should,” “would,” “could,” “will,” “may,” “expect,” “believe,” “anticipate,” “attempt,” “project” and other terms with similar meaning indicating possible future events or potential impact on our business or Resolute Forest Products’ shareholders.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management’s current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. The potential risks and uncertainties that could cause our actual future financial condition, results of operations, and performance to differ materially from those expressed or implied in the 2010 Sustainability Report include those set forth under the heading “Risk Factors” in Part I, Item 1A in our annual report on Form 10-K for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission on April 5, 2011.

All forward-looking statements in the 2010 Sustainability Report are expressly qualified by the cautionary statements contained or referred to in this section and in our filings with the Securities and Exchange Commission and the Canadian securities regulatory authorities. We disclaim any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

NOTES

121 Environmental data is for pulp and paper mills only, except for environmental incidents, which are shown for all operations. Although all of our pulp and paper mills track the same KPIs, some historical data is not available for closed sites. The data presented in this report excludes the following:

BOD₅ – 2008: Alabama River (Alabama), Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)
 NO_x – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 SO₂ – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 TPM – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 TSS – 2008: Alabama River (Alabama), Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)
 Waste – 2008: Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec); 2009: Dolbeau (Québec)
 Water discharged – 2008: Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)

131 Resolute returns more than 90% of the water it withdraws, as 10% is lost to products and steam.

141 Figure does not include shutdowns.

151 Includes: cost of sales, excluding depreciation, amortization and cost of timber harvested; depreciation, amortization and cost of timber harvested; distribution costs and selling, general and administrative expenses.



1.3

**LETTER
FROM
THE CEO****RICHARD
GARNEAU**President and
Chief Executive Officer**RENEWED,
RESPONSIBLE,
RESOLUTE**

On November 7, 2011, AbitibiBowater changed its name and visual identity to Resolute Forest Products. We adopted this name to better reflect the Company as we see it today. Our new identity points toward our strength and determination to succeed and underlines our commitment to acting responsibly and in conformity with the three pillars of sustainability: environmental, social and economic. It is supported by our Company vision where: *profitability and sustainability drive our future.*

This report covers one of the most challenging years in our Company's history – a year marked by a long and difficult period of restructuring. During our restructuring, Resolute focused on becoming profitable by creating an organization with a competitive cost structure, a healthy balance sheet and a range of products able to address the reality of ongoing marketplace changes in demand. At the end of 2010, with the restructuring behind us, the Company markedly improved its competitive position.

In keeping with our commitment to sustainability and to better respond to growing environmental scrutiny, we looked for ways to increase transparency and share the information used to benchmark our progress. We have chosen to do this by preparing this sustainability report in accordance with the Global Reporting Initiative's (GRI) G3 Guidelines. This report highlights Resolute's sustainability performance during 2010. Going forward, the Company plans to publish sustainability reports in accordance with GRI guidelines on an annual basis.

REFINING OUR SUSTAINABILITY STRATEGY

In preparing this report, we undertook a process of determining materiality (explained in detail in [Section 1.4](#)) to identify the topics and trends most important to our stakeholders. In a number of areas, we have improved performance; however, our analysis revealed additional opportunities for improvement and clarified other areas where we need to focus.

In 2011, the Company decided it was important to more formally embed sustainability within our business objectives. To support this, we are forming a Sustainability Committee that includes key managers from all main areas of the Company and is accountable to the Executive Team. This Committee will: deepen our understanding of how sustainability aligns with business strategies; monitor and measure progress; and make recommendations on how future sustainability performance can contribute to meeting the Company's long-term objectives.

DELIVERING ON OUR COMMITMENTS

Over the past few years, Resolute has made major progress in several areas important to sustainability. As you will see in this report, we are proud of what we have accomplished, but we also understand that stakeholder expectations and marketplace trends are evolving. To address these developments, the Company has made a number of key commitments going forward including, among others:

Forestry and Fiber

Increasing Forest Stewardship Council (FSC) certification of managed woodlands from **18%** in 2010 to **80%** by 2015.

Climate Change

Achieving a **65%** absolute reduction in scope 1 and 2 greenhouse gas emissions by 2015 over the 2000 base year.

Environment

reducing environmental incidents by **15%** in 2011 compared to the 2010 baseline.

Employees

Ensuring the next generation of the Company's workforce, with the goal of recruiting between **2,500** and **3,500** employees over the next three years.

1.3

LETTER FROM
THE CEO**Health and Safety**

Reducing our Occupational Safety and Health Administration (OSHA) incident rate to 1.0 or below, with the ultimate goal of **zero** incidents, **zero** injuries across all Company facilities.

Communities

Improving relationships in our operating communities, many of which were affected by the period of restructuring and creditor protection.

In the years ahead, we will remain committed to continuous improvement on these issues, while we continue working to make progress on other priorities. In particular, Resolute is pleased to announce that in 2011 we entered into a partnership with the World Wildlife Fund (WWF) Climate Savers program to map out an approach to help us further improve our sustainability performance in a number of key areas related to reducing our carbon footprint and responsible forest management.

For additional details on our key commitments, see page 15.

At Resolute Forest Products, we are proud of our commitment to sustainability and pleased with the progress we have made so far. We hope to make our sustainability report more meaningful for our stakeholders year after year. I encourage you to share your thoughts and reaction to this report with me. Feedback can be sent to eco.info@resolutefp.com and will help us improve our 2011 report.

Sincerely,

**RICHARD
GARNEAU**

President and
Chief Executive Officer
Resolute Forest Products

1.4

**ABOUT
THIS
REPORT**

This is Resolute Forest Products' second sustainability report. Our first report was published for the 2008 reporting year, while we were operating under the name AbitibiBowater. The 2010 report describes the environmental, social and economic issues the Company seeks to address through its sustainability efforts and our performance on these issues.

For the first time, our sustainability report was prepared using the Global Reporting Initiative's (GRI) G3 guidelines bit.ly/rfp-sr10-23. We engaged PricewaterhouseCoopers LLP (PwC) to complete a set of specified procedures designed to test our assertion that our sustainability report was presented in conformance with the "C" level reporting standard set out in these guidelines. PwC completed these procedures and submitted their test results to management, who concluded that the test results supported our assertion. The PwC tests did not represent an audit or review of the sustainability report or the information contained therein. Please see Figure 1.4 A for details on GRI Application Levels. A GRI Content Index at the back of this report provides a cross-reference to the indicators included in this document.

The report is part of our commitment to be transparent and accountable for our actions. Performance data was collected for the 2010 calendar year and covers all of Resolute's operations where we have a controlling interest.⁶ Deviations from this boundary are clearly identified and stated in the report. Where appropriate, we report performance normalized to metric tons of production for a given year. All dollar values are expressed in U.S. currency, unless otherwise indicated.

DETERMINING
REPORT
CONTENT**STAKEHOLDER PERSPECTIVES**

For Resolute Forest Products, engaging in productive working partnerships with our stakeholders is a core part of our commitment to be a responsible and responsive company. GRI defines stakeholders as entities or individuals that can reasonably be expected to be significantly affected by our Company's activities, products and/or services, and whose actions can reasonably be expected to affect our ability to successfully implement our strategies and achieve our objectives. Based on this and for the purposes of this report, our stakeholder community includes customers, employees, suppliers and business partners, local communities and civil society, government and non-government organizations, shareholders, labor organizations, research and academic organizations, industry associations, and other concerned parties.

We regularly engage with stakeholders on a broad spectrum of sustainability issues. Much of this is done in the course of normal business operations through the

NOTE

161 For a complete list of operations, see the Company's Form 10-K for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission on April 5, 2011.

1.4

ABOUT THIS REPORT

Company’s various business groups, but more focused stakeholder outreach is also undertaken, including some done to support the development of this report. The topics and discussions raised during these stakeholder outreach efforts are discussed in the relevant sections of this report.

MATERIALITY ANALYSIS PROCESS

Following the 2010 reporting period, Resolute conducted a targeted stakeholder engagement process to better understand our sustainability issues of material importance (referred to as “material issues” in this report) and how stakeholders perceive them. Insights gained from this process helped frame the topics covered in this report and influenced our sustainability strategy.

We engaged with a third party to explore and assess stakeholder feedback on the Company’s social performance, environmental sustainability and corporate governance issues. Findings were reached through a series of confidential, one-on-one, in-depth interviews with stakeholders representing the research community,

industry, government, customers, (E)NGOs, organized labor, and investors. The interviews were conducted by a third party to ensure unbiased discussions, and only aggregate, unattributed responses were shared with Resolute.

Building on the results of this targeted engagement and in view of our ongoing exchange with stakeholders, we conducted a materiality analysis with the help of the third party. We consider material issues to be those issues that: 1) are of high concern to internal and external stakeholders, and 2) have an ability to impact our business financially.

Less material or non-material issues are those sufficiently addressed by legal and regulatory requirements in the jurisdictions in which we operate, where Company practices are already advanced, or which may not apply to our lines of business. Identifying an issue as having a lower level of materiality does not mean it is unimportant or that we will not monitor Company performance in that area. Rather, a lower level of materiality simply indicates the topic is of lower immediate concern to our operations or stakeholders compared to other issues.

FIG. 1.4 A | GRI APPLICATION LEVELS

REPORT APPLICATION LEVEL		C	C+	B	B+	A	A+
STANDARD DISCLOSURES	G3 profile disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	REPORT EXTERNALLY ASSURED	Report on all criteria listed for Level C, plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	REPORT EXTERNALLY ASSURED	Same requirement as for Level B	REPORT EXTERNALLY ASSURED
	G3 management approach disclosures	Not required	REPORT EXTERNALLY ASSURED	Management approach disclosures for each indicator category	REPORT EXTERNALLY ASSURED	Same requirement as for Level B	REPORT EXTERNALLY ASSURED
	G3 performance indicators and sector supplement performance indicators	Report on a minimum of 10 performance indicators, including at least one from each of economic, social and environmental	REPORT EXTERNALLY ASSURED	Report on a minimum of 20 performance indicators, at least one from each of economic, environmental, human rights, labor, society and product responsibility	REPORT EXTERNALLY ASSURED	Report on each core G3 and sector supplement indicator with due regard to the materiality principle by either a) reporting on the indicator, or b) explaining the reason for its omission ⁷	REPORT EXTERNALLY ASSURED

1.4

ABOUT THIS REPORT

From a sustainability perspective, the process of determining the materiality of issues is still an evolving craft based as much on informed insight and common sense as research. Resolute used the materiality analysis process, detailed below, to identify key issues and guide the development of our sustainability report and strategy. That said, this was not the only method we used to frame the topics covered in this report or design our strategic approach to sustainability issues.

A Sustainability Report Working Group (SRWG), comprised of a cross-section of Company employees, was assembled to conduct our materiality analysis. Stakeholder interview results were combined with a detailed industry scan of sustainability issues and a benchmarking of domestic and international peer company reports. Using this research as a foundation, the SRWG added its own insight to create a list of issues of material importance to the Company. Identified issues were reviewed in a facilitated workshop and, subsequently, through an online survey to control for 'group influence'. Where possible, the resulting list of material issues was mapped to specific GRI aspects,⁷ to ensure consistent language.

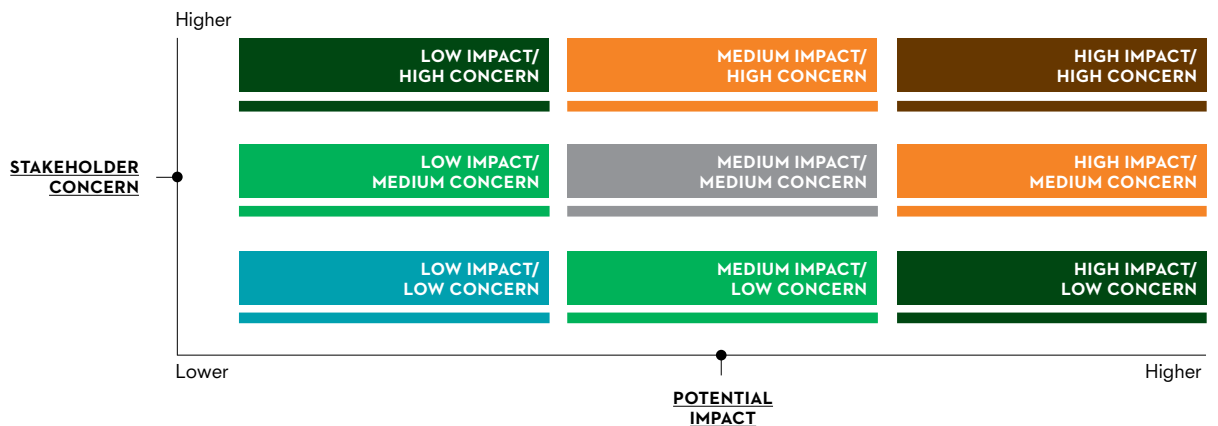
A second materiality analysis was conducted at the GRI indicator level. Individual members of the SRWG with specialized expertise prioritized GRI indicators within each material aspect by responding to a survey gauging materiality. Survey questions focused on the related environmental or social impacts and the potential effects on the financial and operational performance of the Company.

MATERIALITY ANALYSIS RESULTS

The results of our analysis highlighted several issues deemed to have high materiality and others considered to have moderate or low materiality. While less material or immaterial issues are important, Company focus is placed on monitoring rather than actively managing these matters.

This report includes information and performance data on most of the issues deemed to be of high or moderate materiality. For issues not included, we are working to better understand how we can improve performance, data collection and monitoring so they might be included in future reports. This will be a core objective of our Sustainability Committee, discussed in the governance section on page 57. For a complete index of the GRI indicators contained in this report, please refer to the GRI Content Index on page 88.

FIG. 1.4 B MATERIALITY GRID



NOTE

171 As there is no pulp and paper or forestry sector GRI supplement at this time, additional issues identified as material that were not easily mapped to the GRI list of aspects were also included.

1.4

ABOUT THIS REPORT

FIG. 1.4 c MATERIALITY ISSUES



ENVIRONMENTAL

- Environmental regulatory compliance
- Energy consumption
- Environmental incidents
- Lower environmental impact products
- Biodiversity
- Raw material supply chain (especially fiber)
- GHG emissions
- Water consumption and protection of water resources
- Sustainable forest management (to third party certification standards)

SOCIAL

- Community and stakeholder engagement
- Employee health and safety
- Labor relations
- Impact of entering or exiting operating communities
- Pension obligations
- Workforce turnover and recruitment needs

ECONOMIC AND GOVERNANCE

- Corporate economic viability
- Code of conduct and business ethics

ENVIRONMENTAL

- Green, responsible procurement/ investment policies
- Non-GHG emissions, effluents and waste
- Renewable energy (biofuels)
- Environmental impacts of transportation

SOCIAL

- Economic contribution through wages, taxes, etc.
- Employee benefits and programs
- Non-discrimination and diversity
- First Nations relations
- Grievance mechanisms
- Workforce training and education

ECONOMIC AND GOVERNANCE

- Economic risks associated with climate change
- Involvement in public policy
- Policies on bribery and corruption

SOCIAL

- Child labor, forced or compulsory labor
- Philanthropy
- Customer health and safety
- Customer privacy
- Responsible marketing

ECONOMIC AND GOVERNANCE

- Anti-competitive behavior
- Compliance with laws and regulations (non-environmental)

1.5

SUSTAINABILITY STRATEGY AND KEY COMMITMENTS

Resolute Forest Products' approach to sustainability has evolved over the past decade. Thanks to individual and group leadership, the Company has improved performance in areas such as health and safety, energy use and sustainable forest management.

We believe that being sustainable requires looking beyond compliance to mitigate our environmental and social impacts. Resolute considers working towards a balanced approach to our economic, social and environmental responsibilities will improve our long-term competitiveness.

Going forward, Resolute will refine our existing sustainability approach into a more clearly articulated sustainability strategy, one which is embedded into our corporate objectives. Through a structured and transparent planning process, we will align our sustainability efforts with our business strategies, such as: continuously driving out costs; optimizing our asset portfolio; selling a diverse range of innovative products in growth markets; focusing on capital spending with the best return; enhancing our reputation with stakeholders; and examining opportunities for future growth. The focus of our new Sustainability Committee will be to deepen our understanding of how our performance in these areas contributes to the long-term sustainability of the Company.

In developing a formal strategy, the Sustainability Committee will be guided by the following areas of focus:

Governance

The Sustainability Committee is mandated by our Executive Team to refine our sustainability strategy, develop and implement effective policies and programs to address issues of material importance to stakeholders, and ensure the strategy is embedded in the Company's long-term business objectives.

Transparency

Transparency is a cornerstone of our strategy. We expect this report to provide impetus to our effort to make Resolute more accountable for its sustainability performance. It also marks the starting line, providing a reference point to compare future performance.

Materiality

Our sustainability strategy will address material issues that impact or contribute to our long-term Company goals. The materiality analysis for this report was directly influenced by key stakeholders. Our discussion with stakeholder groups to identify and address material issues will continue to be an important part of our process, both in preparing our annual sustainability reports and identifying specific priorities.

Long-term Objectives and SMART Targets

To ensure continuous improvement, the strategy will contain clear objectives and commit to meeting SMART (specific, measurable, attainable, relevant and time-bound) targets. We have identified many important commitments for the near term, and as our strategy evolves, these commitments will expand and deepen.

Data and Monitoring

As we formalize our work, additional data management systems will be put in place to collect and analyze Company-wide information on matters relating to sustainability. In the future, we will use third party assurance of our sustainability reports to support this effort.

1.5

**SUSTAINABILITY STRATEGY
AND KEY COMMITMENTS****OUR KEY
COMMITMENTS**

Resolute believes that targets are an integral part of a sustainability strategy, and we will report annually on our progress towards meeting our commitments. Ensuring continuous improvement requires the use of SMART

targets. While some of the goals listed below meet this definition, others are still being refined. One of the main focuses of our new Sustainability Committee will be to refine our sustainability commitments in future reports.

FIG.
1.5**SUSTAINABILITY STRATEGY
AND KEY COMMITMENTS**

ISSUE AREA	COMMITMENT HIGHLIGHTS	FURTHER DETAILS
Fiber Sourcing	Increase Forest Stewardship Council (FSC) forest certification of managed forests from 18% in 2010 to 80% by 2015. Obtain chain of custody certification, either to FSC, Programme for the Endorsement of Forest Certification (PEFC) or Sustainable Forestry Initiative® (SFI), by 2012 at all North American pulp and paper mills and wood products facilities under Company management.	See pages 21-22
Carbon Management	Achieve a 65% absolute reduction of scope 1 and 2 GHG emissions by 2015 over the 2000 base year. Implement standard scope 3 accounting and begin full scope 3 reporting by 2015.	See pages 27-30
Water	Improve our understanding of our water footprint and voluntarily report to the Carbon Disclosure Project's Water Disclosure program by 2012.	See pages 36-37
Environmental Compliance	Reduce environmental incidents by 15% in 2011 compared to 2010 baseline, with a long-term view of zero incidents.	See page 37
Product Stewardship	Launch a marketing strategy in 2012 to promote eco-efficient products that provide more value with less environmental impact. Offer products that help our customers reduce their carbon emissions.	See pages 45-49
Stakeholder Engagement	Conduct external polling in key operating regions and a Company-wide survey of employees regarding sustainability issues for our 2011 Sustainability Report. Develop a systematic stakeholder engagement strategy for future sustainability reporting.	See page 11-13 and 51
Sustainability Governance	Develop a formal mandate and short- and long-term objectives for the Sustainability Committee by 2012. Refine our list of key sustainability metrics and establish SMART targets for material issues.	See pages 15 and 57
Human Resources	Develop a long-term strategy in 2012 to ensure workforce renewal; train and develop Company leadership.	See pages 61-62
Health and Safety	Achieve an Occupational Safety and Health Administration (OSHA) incident rate of 1.0 or below, with an objective of achieving zero incidents, zero injuries.	See pages 64-66
First Nations	Draft a formal Company policy on First Nations relations in 2012.	See pages 72-73

WE ARE RESPONSIBLE



2.1

FIBER AND FORESTRY



2.1

FIBER AND
FORESTRY

All of our products begin in the forest. At the end of 2010, Resolute Forest Products owned or managed over 16 million hectares (40 million acres) of timberland in Canada and the United States.⁸ Woodlands owned or managed by Resolute provide approximately 38% of our required supply of virgin fiber, with the remaining 62% purchased from external sources.

FOREST CERTIFICATION

100% of the timberlands managed by Resolute are third party certified to one of three internationally recognized sustainable forest management (SFM) standards: Forest Stewardship Council (FSC), Sustainable Forestry Initiative® (SFI) or Canadian Standards Association (CSA). A portion of our externally sourced fiber is also certified to one of these standards, or to the American Tree Farm System (ATFS) standard.

Resolute supports all four of these SFM standards and advocates for sustainable forest management in North America and worldwide. Only 9% of the world's forests

are third party certified to SFM standards, with 40% of these forests in Canada.⁹ This makes Resolute one of the world's largest SFM certificate holders.

These certifications provide independent assurance that our forests are responsibly managed according to rigorous standards developed specifically for local forest conditions, above and beyond any government regulatory requirements already in place. Among other considerations, these SFM certification standards include requirements for conservation of biodiversity and maintenance of soil and water resources, ensuring that harvest levels are sustainable and publicly disclosed.

FIG.
2.1**WOODLANDS OWNED OR MANAGED
BY RESOLUTE FOREST PRODUCTS**

As at December 31, 2010

REGION	SIZE		CERTIFICATION		
	HECTARES	ACRES	FSC	CSA	SFI
Maritimes (Nova Scotia)	234,270	578,647	X		X
Côte-Nord (Québec)	1,987,358	4,908,775		X	
Lac-St-Jean (Québec)	4,266,941	10,539,345	X	X	
Saguenay (Québec)	839,052	2,072,457		X	
Charlevoix (Québec)	214,640	530,161		X	
Mauricie (Québec)	262,736	648,957	X		
Outaouais (Québec)	708,692	1,750,469		X	
Abitibi (Québec)	1,516,929	3,746,814		X	
Ontario	6,325,256	15,623,382	X		X
United States	21,274	52,546			X

NOTES

181 99% of the forest lands Resolute Forest Products owns or manages are in Canada.

191 Source: FPAC, bit.ly/pklFbt.

2.1

FIBER AND
FORESTRY

We have made a commitment to increase the level of FSC certification for our owned and managed timberlands from 18% in 2010 to 80% by 2015 to better meet market demands for a diversity of credible certification options.

Our forest certifications and our wood and wood fiber procurement policy developed in 2011 are available on our website at bit.ly/rfp-sr10-14.

As required by Canadian provincial laws and regulations, Resolute prepares 20- or 25-year forest management plans that are revised every five years. Public participation in the preparation of these plans is a critical part of the process, and we encourage local community groups, individuals and First Nations communities to participate in the planning process.

In Ontario and Québec, provincial government regulators are currently implementing new tenure rules and forest management models for use on government-owned Crown lands. The implementation of these rules and processes will affect the way we plan for and manage harvesting activities but should have little impact on customer access to SFM-certified fiber. (For more detailed information, please see the sidebar.)

In Québec, tenure changes will result in about 30% of our timber supply being removed from current Company allocations and sold through public auction. As of April 2013, responsibility for forest management planning, silviculture and certification will also be taken over by the provincial government. Québec has committed to maintaining all forest certifications in place on forest lands on the date of transfer. This is part of the reason we are accelerating efforts to expand FSC certification in the province to ensure an adequate supply of FSC-certified fiber continues to be available to our customers.

In Ontario, the province is gradually moving towards a shareholder co-op model over the next five years, which will see responsibility for forest management and certification transferred to a new managing entity. Resolute's timber supply allocations will be fully maintained under the new system, and the Company will become a shareholder in the co-op group. SFM certification will be maintained by the managing entity and will be directed according to the interests of the shareholders. Customers should not notice any changes, as the SFM credits in place will continue to be transferable through the chain of custody systems in place at our mills.

NEW TENURE RULES AND FOREST MANAGEMENT MODELS

Ontario has passed enabling legislation to transition away from company-based sustainable forest management licenses to a new forest tenure and pricing system over the next five years, which will include the formation of Local Forest Management Corporations (LFMCs) and Enhanced Sustainable Forest Licenses (ESFLs). LFMCs are Crown agencies governed predominantly by a local board of directors responsible for managing Crown forests and overseeing the marketing and sale of timber in a given area.

ESFLs will involve cooperative shareholder arrangements potentially including forest products companies, contractors and other forest stakeholders. The new models are designed to help make the allocation of Ontario's wood, as well as prices, more responsive to market demand, create new opportunities for entrepreneurs, and facilitate greater First Nations and local involvement in the forest sector. More information can be found at bit.ly/rfp-sr10-16.

In Québec, the Sustainable Forest Development Act of 2010 sets forth a number of changes for the forest management of Crown lands on which we operate. Although some of these changes are being phased in, the most significant ones will come into effect on April 1, 2013. The new forest regime involves a clear departure from the previous one in that government will take over some of the responsibilities currently carried out by industry, such as development of forest management plans, harmonization of these with other stakeholders, forest certification, and silviculture work. Under the new system, local communities and other stakeholders will be directly involved in forest planning through Integrated Resource Management Committees. The two most significant changes for industry will be:

- > The replacement of the current Timber Supply and Forest Management Agreements by Timber Supply Guarantees; and
- > The implementation of an open market for roundwood through auctions. Stumpage charged for wood harvested on Crown land will be derived from the open market auctions. The current target is to sell approximately 25% of the total annual allowable cut through this new auction system.

2.1

FIBER AND
FORESTRY**RESPONSIBLE SOURCING**

In 2010, Resolute's wood products facilities consumed just over 7.5 million cubic meters (m³) of wood to manufacture lumber and value-added wood products, 100% of which was sourced in Canada. Of this amount, 87% came from Company-managed woodlands and 13% was procured externally. 68% of wood consumption at our sawmills came from certified sources, and 12% of the non-certified wood met minimum criteria for non-certified supply.¹⁰

To produce pulp and paper, Resolute used 7.4 million oven-dried metric tons (odmt) of virgin fiber in 2010 – all of which originated from timberlands in Canada or the United States – and over 1.1 million metric tons of recycled fiber.¹¹ Paper mills that are located in close proximity to sawmills can obtain up to 100% of their fiber supply from sawmill by-products. In 2010, 31% of our fiber supply for pulp and paper production was from sawmill by-products. Woodlands owned or managed by Resolute provide approximately 38% of our required virgin fiber supply, with the remaining 62% purchased from external sources.

On average, 35% of our total virgin fiber inputs for pulp and paper were certified in 2010,¹² and 55% of the non-certified fiber met minimum criteria for non-certified supply.¹³ The majority of the purchased fiber used by the Company originates from non-industrial private forest landholdings in the United States. Due to private ownership and the low average size of these holdings, the percentage of certified acreage in the U.S. is relatively low: 10% certified sources in the U.S. compared to 68% certified sources in Canada. Resolute participates in various industry association efforts to increase forest certification levels, especially in the U.S.

CHAIN OF CUSTODY CERTIFICATION

All of our pulp and paper mills and wood products facilities in Canada and the U.S. have fiber-tracking systems in place that allow us to identify the source of the fiber or wood used – from the forest through the supply chain, to the end user. Most of these tracking

systems are third party certified according to one or more of these internationally recognized chain of custody (CoC) standards: FSC, SFI and PEFC.

In 2010, 20 of our 24 wood products facilities and 13 of our 18 pulp and paper mills had CoC certification. All remaining North American facilities are slated to achieve certification in 2012.¹⁴ CoC certification standards include minimum criteria for non-certified sources.

Additional information about CoC and copies of certificates can be accessed on our website at bit.ly/rfp-sr10-7.

RECYCLED FIBER

Recycling is an important stage in the life cycle of paper and other forest products. In 2010, just over 13% of our overall fiber supply consisted of recycled fiber. For more information on our use of recycled fiber, please see the Products Section of this report, page 47.

CONSERVING BIODIVERSITY

As a company operating in the natural resources sector, we have an impact on the natural landscape through our harvesting, site preparation and tree planting activities. At the end of 2010, Resolute managed over 16 million hectares of timberland. As a result, some of our forest management activities may occur in areas adjacent to protected areas or in areas with significant biodiversity value.

Considerations for the protection of biodiversity are an important component of SFM standards. Forest certification audit reports are available on our website for each of our woodlands operations at bit.ly/rfp-sr10-17. These reports contain detailed information on the biodiversity value of each area and our forest management practices.

In addition, each woodlands operation maintains species-at-risk lists to support legislated forest management plans and applicable forest certification requirements. As species listings change periodically with the availability of new

NOTES

1101 See the Glossary for information related to certification standards.

1111 Includes Gatineau (Québec), which was indefinitely idled on April 15, 2010.

1121 This figure includes fiber tracked at mills that are not chain of custody certified.

1131 See the Glossary for information related to certification standards.

1141 Our paper mill in Mokpo, South Korea, is not seeking certification as it operates entirely using recovered fiber.

2.1

FIBER AND
FORESTRY

information, lists are maintained on databases that remain current, credible and auditable. Resolute currently manages woodlands that provide homes to approximately 70 plant and animal species that appear on state or provincial, national and international species-at-risk or threatened-species lists.

PARTNERSHIPS FOR PROTECTING AND CONSERVING BIODIVERSITY

We work closely with a variety of stakeholders on a number of initiatives to support and enhance biodiversity. Recent partnerships include:

Canadian Boreal Forest Agreement (CBFA)

In May 2010, 21 member companies of the Forest Products Association of Canada (FPAC), including Resolute, jointly announced with key environmental organizations the signing of the CBFA. (Please see page 52 for more information on the economic, social and environmental benefits of the agreement.) Conserving biodiversity is at the core of the CBFA, which includes commitments related to the faster identification of new protected areas such as parks, the development of comprehensive caribou recovery plans, and enhanced sustainable forest management practices in the boreal forest.

Dogwood Alliance

In June 2005, the Company signed a historic memorandum of understanding (MOU) with the Dogwood Alliance and the Natural Resources Defense Council (NRDC) to enhance the protection of forests on Tennessee's Cumberland Plateau as well as in other parts of the southern United States. Highlights of the MOU include: commitments to promote the management of natural forests; the study of certain lands of exceptional ecological, geological or historical significance on the Cumberland Plateau; and commitments to identify and promote recycling opportunities. All parties engage in regular dialogue on MOU commitments and implementation, and continue to look for new opportunities for further collaboration.

Woodland Caribou Nutrition Research

In 2009, Resolute made a three-year commitment of C\$25,000 per year to fund a new research project undertaken in part by the National Council for Air and Stream Improvement (NCASI) to study habitat influences on woodland caribou populations. This unique project

covers new ground by quantifying for the first time the relationship between caribou habitat, the nutrition they receive, and how well caribou reproduce and survive. Visit the NCASI website for more information: bit.ly/rfp-sr10-18.

2.1

FIBER AND FORESTRY



2.1 FIBER AND FORESTRY

EMPLOYEE PERSPECTIVE

MIKE MAXFIELD

Ontario Forest
Certification Coordinator

Thunder Bay
(Ontario) Canada

RESPONSIBLE FOREST MANAGEMENT THROUGH THIRD PARTY CERTIFICATION

“ Resolute worked hard in 2010 towards expanding our forest certification program in Northern Ontario through the FSC National Boreal Standard. Achieving FSC certification this past September on 2.5 million hectares (6.2 million acres) of forest has been a team effort that could only be achieved through the commitment of Company employees and contractors, local communities, residents, governments, First Nations, and other stakeholders.

As a professional forester for more than thirty years, it makes me proud to see certification become a cornerstone of Resolute’s SFM commitment. Achieving SFM certification demonstrates that the way we manage forests in Northern Ontario lives up to some of the world’s highest standards.

By accepting responsibility for the health of our forests and the wildlife, people and communities that depend on them, we are showing the public, customers and shareholders that forestry is part of a sustainable economy and will continue to provide jobs and enrich the lives of future generations.

Resolute’s commitment to certification in Ontario has been a key component in the evolution of our forest management standards for over a decade. Ten years ago, we implemented our first ISO 14001-certified environmental management system. Then we began adding SFM certification through the CSA and SFI standards, eventually securing 100% SFI certification in Ontario. All of our Northern Ontario mills are also CoC certified to three globally recognized standards. We are now layering FSC sustainable forest management certification on top of that.

Our growing commitment to certification drives us to continuously improve our forestry and business practices. Today, protecting water quality, identifying species at risk, and managing conservation values is a daily part of our forestry operations.

Demand for sustainably sourced products is also an increasingly important issue in the marketplace. Our forest certification and chain of custody programs ensure that our facilities are well-positioned to provide customers with certified forest products. ”

2.2

CLIMATE AND ENERGY



2.2

CLIMATE AND ENERGY

The forests are one of the world’s largest carbon sinks and play an important role in the carbon cycle. Climate change is an important issue for the forest products sector and poses both risks and opportunities.

Over the past several years, Resolute Forest Products has seen a steady increase in customer requests for information on the carbon footprint of our products. As a rule of thumb, energy costs account for approximately 30% of total papermaking costs. For these reasons, we have been tracking our carbon footprint and working to reduce our emissions since before 2000.

Resolute accepts its responsibility and role in helping to minimize the threat of climate change by reducing the carbon footprint of our pulp and paper operations.¹⁵ We are committed to reducing our scope 1 and scope 2 greenhouse gas (GHG) emissions by 65% by 2015, over the 2000 base year.

Resolute will start implementing scope 3 GHG accounting, with a commitment to introducing full scope 3 reporting by 2015. (For definitions of scope 1, 2 and 3 emissions, see the Glossary at the end of this report.) To this end, we will begin working with ten key chemical and fuel suppliers to quantify, assess and reduce GHG emissions associated with products purchased by Resolute. The

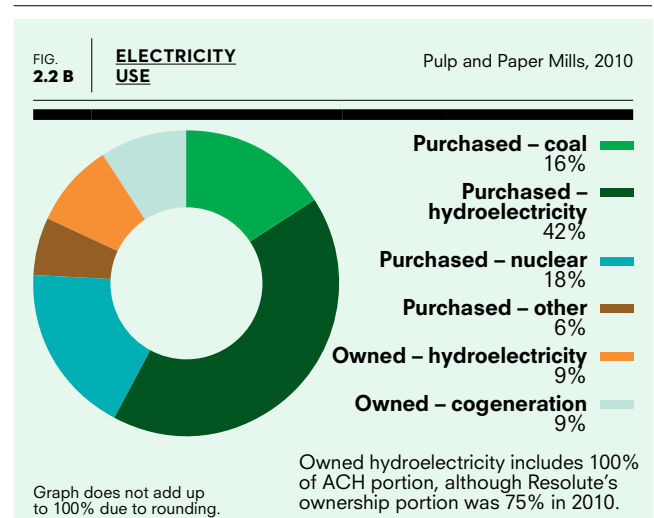
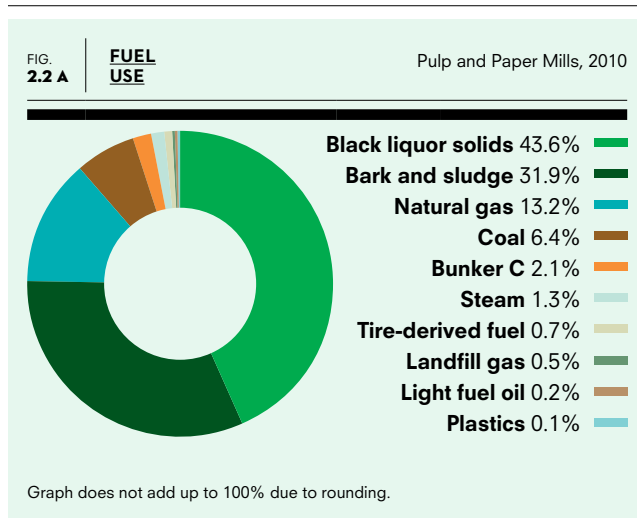
Company will also develop tools that will allow us to track GHG emissions generated through the transportation of our products.

ENERGY SOURCES AND CONSUMPTION

Excluding the consideration of scope 3 emissions, the majority of our GHG emissions come from the energy we purchase and produce to operate our mills. We purchase fuel, electricity and steam from external suppliers and generate some electricity at our hydroelectric facilities and through cogeneration at certain mills.

Fuel Energy

In 2010, we consumed approximately 97.5 million gigajoules (GJ) of fuel energy. Approximately 75% of this was derived from biomass, a 15% increase from 2008. In addition, 1% of our fuel energy was sourced from alternative energy technologies, specifically used tires, waste plastics and landfill gas, which otherwise would be flared off and the energy potential lost. Using old tires and waste plastics diverts these materials from landfills.



NOTE

[15] Energy and GHG information pertains to the Company’s pulp and papermaking operations only and excludes its wood products facilities. These facilities represent approximately 1% of the Company’s total energy consumption and GHG emissions.

2.2

CLIMATE AND ENERGY

Electricity

In 2010, we consumed close to 16 million megawatt hours (MWh) of electricity, most of which was purchased from the grid, with the remainder coming from our own production. We also purchased 1.2 million gigajoules (GJ) of steam.

GHG emissions from electricity depend on the energy mix of local utilities and vary significantly from region to region. We are working to better understand this with a view to optimize our energy and GHG emission reduction efforts.

GHG EMISSIONS

We have been tracking and monitoring our GHG emissions since before 2000. Our carbon footprint accounting and calculations are based on guidelines established by the Greenhouse Gas Protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) (bit.ly/rfp-sr10-19). We respond annually to the Carbon Disclosure Project. GHG emissions are converted and expressed in CO₂-equivalent (CO₂e) (bit.ly/rfp-sr10-20).

GHG emission performance is reviewed three times per year by the Company's Environment, Health and Safety Committee of the Board of Directors. In addition, a monthly report is provided to the Executive Team and operations managers on key performance indicators. To facilitate this process, a Company-wide carbon committee was formed in 2009 with a mandate to understand our carbon footprint, guide and lead reductions, and track risks and regulatory developments. The committee includes representatives from key departments and is sponsored by the Vice President, Corporate Communications, Sustainability and Government Affairs.

Resolute's GHG inventory includes scope 1 emission sources (direct GHG emissions from fuel combustion) and scope 2 emission sources (indirect GHG emissions from purchased electricity and steam). A preliminary evaluation of scope 3 emissions was completed in 2008 and 2009. Defining a more comprehensive scope 3 emission inventory and reduction strategy will be an important focus going forward.

In 2010, scope 2 emissions accounted for approximately 69% of the inventory, compared to 31% for scope 1 emissions. This is primarily due to two factors: First, Resolute's GHG reduction activities to date have favored actions that reduce direct energy consumption (scope 1). Scope 1 emissions are typically easier to reduce because they are fully controlled by the Company. Second, the Company produces a considerable amount of thermomechanical pulp (TMP), which uses a fixed amount of electricity to deliver required product quality metrics. For these reasons, a large portion of Resolute's GHG emissions are shaped by the energy mix of the local electricity grid at each mill location. As a result, more than half of the Company's total GHG emissions come from five operations that produce kraft pulp in addition to TMP and are located in regions with GHG-intensive energy grids.

In 2010, Resolute's pulp and paper mills produced 4,879,678 metric tons of CO₂e, including both scope 1 and scope 2 emissions, representing a decrease in emissions of 57.5% compared to the 2000 base year.¹⁶ While approximately 21% of this total is attributable to lower production due to capacity reductions, the remaining 37% can be credited to Resolute actively seeking out and implementing GHG abatement measures, such as improved energy efficiency (see information on Energy Blitzes on the next page) and increased use of biofuels. Both total GHG emissions and manufacturing

FIG. 2.2 C CARBON FOOTPRINT Pulp and Paper Mills, 2010

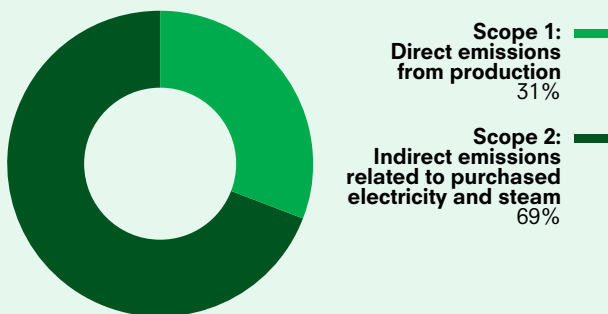
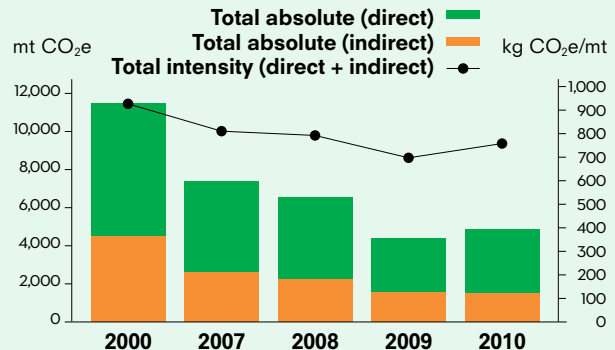


FIG. 2.2 D GREENHOUSE GAS EMISSIONS Pulp and Paper Mills, 2000-2010



2.2

output increased from 2009 to 2010. Production levels and emissions had been unusually low in 2009 due to market-related downtime that was taken at many of our facilities.

ENERGY BLITZES AND INVESTMENTS

Resolute's Energy Blitz program, which was developed in 2009, reduced total energy costs by 6.7% in 2010 compared to 2008, resulting in C\$50 million in savings. This program required minimal levels of capital investment.

The program is based on the use of "lean manufacturing tools". The Kaizen approach was used to identify savings opportunities, and, from 2009-2010, 11 out of 18 mills successfully completed the program. The approach, which looked at Company-wide electrical and thermal energy use and generation, resulted in significant financial savings as well as a reduction in GHG emissions. The main opportunities were found in steam usage reduction, fuel mix optimization and TMP reboiler optimization. The mills showing the highest opportunities for savings were prioritized, and the Company is planning to apply the same process to additional mills in 2011 and 2012.

Seven significant engineering projects at five different mills were approved for 2011 and are expected to achieve additional cost reductions through reduced fuel use, reduced reliance on electricity from the grid, improved energy efficiency and recovery, an increase in the use of biomass, and an overall reduction in GHG emissions. For example, the installation of a condensing turbine using biomass-generated steam at the Company's Thunder Bay

In 2009, Resolute was granted just over C\$33 million through the Pulp and Paper Green Transformation program administered by Natural Resources Canada. This credit is available to be used until March 2012, and will help Resolute increase energy efficiency and improve our use of renewable energy, such as biomass.

CLIMATE AND ENERGY

碳减排先锋
Defensores do Clima
クライメート・セイバーズ
Climate Savers

(Ontario) pulp and paper mill will allow a reduction in electricity from the grid equivalent to nearly 60,000 metric tons of CO₂e.

FUTURE COMMITMENTS

In our 2008 Sustainability Report, as part of our commitment to continually reduce our carbon footprint, Resolute publicly announced a vision to become a 'carbon neutral' Company without the purchase of offsets. While we understand there currently is no single internationally accepted standard for measuring the full carbon footprint of a company like ours, various possible approaches have been proposed. We are actively tracking the development of carbon footprint standards and the science regarding the relationship between forest carbon and forest management. Until a recognized standard emerges, we are using this commitment as a long-term vision to guide our efforts to reduce our impact on the climate in all aspects of our operations.

Resolute recently became a member of the World Wildlife Fund (WWF) Climate Savers program (bit.ly/rfp-sr10-24), a global program to engage businesses in establishing ambitious greenhouse gas reduction targets and voluntarily and creatively working to reduce emissions. Resolute's long- and short-term commitments include the following:

- > Achieve a 65% absolute reduction of scope 1 and 2 emissions by 2015 as compared to the 2000 base year;
- > Close gaps identified in the 2011 carbon footprint inventory gap analysis;
- > Implement tracking systems for biomass used for energy purposes;

NOTE

161 Following review by a 3rd party to ensure compliance to the Greenhouse Gas Protocol, our baseline emissions have been revised from previously stated results. (The GHG emissions of two paper mills have been removed because those facilities have been sold and continue to operate or could be restarted. Emissions for those sites are now attributed to their acquirers.) We are still reviewing how we calculate our GHG inventory; minor changes may occur in future reporting.

2.2

CLIMATE AND ENERGY

- > Comply with the WRI/WBCSD Corporate Value Chain (scope 3) Accounting and Reporting Standard and begin full scope 3 reporting by 2015;
- > Evaluate and prioritize suppliers for engagement activities related to scope 3 emissions, and complete work with our ten most significant suppliers by 2015;
- > Develop tools to track GHG emissions from the transportation of products;
- > Explore avenues to improve the understanding of the impact of our forest management activities on forest carbon; and
- > Develop and offer products with lower GHG footprints to assist our customers in reducing their GHG emissions.

ECONOMIC IMPLICATIONS OF CLIMATE CHANGE

There are a variety of economic implications for the Company as a result of climate change, including operational efficiency, regulatory and physical risks, and an opportunity to contribute to renewable energy supplies through the use of biomass.

In order to prepare for a carbon-constrained operating environment, Resolute's management has run scenario analyses to determine the potential impact of future greenhouse gas regulations on mill-level economic performance. These calculations were based on current values of voluntary carbon markets as well as estimated future carbon prices under the Western Climate Initiative's cap-and-trade system in Ontario and Québec. To date, we have not looked at the economic implications of long-term considerations such as adaptation risks.

Operational Efficiency Risk

Recently developed emission-reporting obligations in the United States are not a significant risk to business, but require extra work to set up procedures for monitoring, calibration, tracking and reporting, as well as training on new procedures. These requirements currently affect three of our operations in the U.S. Many of our Canadian facilities have been reporting to Environment Canada for many years, but new reporting regulations in Québec and Ontario now require more detailed reporting, involve more facilities, and will eventually require external verification of reported emissions.

Regulatory Risk

Proposed emission limits could affect some operations in the long term, requiring investment in reduction technology or the purchase of carbon credits to offset these emissions. Uncertainty in the regulated amounts of emission reductions, the timing of such reductions, the base year for calculating emission reductions, the possibility of credit for early action, and the future price of carbon credits all affect our ability to develop our GHG reduction strategy, as well as to finance capital projects that result in GHG reductions.

Physical Risk

As climate change occurs, precipitation patterns become less predictable. This could lead to increased floods or drought conditions and more frequent forest fires. In addition, the killing of trees by insects is becoming a more common event, as more insects survive winter due to shorter periods of cold temperatures. In either instance, we may have to travel further from our sawmills and pulp and paper operations to obtain wood. This would result in higher transportation costs and higher scope 3 emissions. These increased costs do not exist in our U.S. operations because our wood comes primarily from private lands, which have been more intensively managed and monitored for insect damage or fire hazards. However, some of our U.S. pulp and paper mills are located in areas more prone to droughts, which can require additional facilities for water treatment and reuse, representing additional operating costs.

Opportunity

Climate change also represents an opportunity for our Company in three ways. First, we generate renewable power from biomass at several pulp and paper mills through cogeneration of steam and power, and we can sell the renewable attributes of this power to utilities to help these mills reach their renewable mandates. We plan to increase renewable power from biomass in the years to come. Second, to meet consumer demand for low environmental impact products, we have developed several new printing paper lines that feature a reduced carbon footprint, and will continue to look for additional opportunities for product innovation. Third, our focus on energy reduction and efficiency has resulted in significant cost savings with limited capital investment.

2.2

CLIMATE AND ENERGY



2.2 CLIMATE AND ENERGY

EMPLOYEE PERSPECTIVE

PASCALE LAGACÉ

Environment Manager,
Canadian Operations
and Climate Change

Montréal
(Québec)

WITH WWF CLIMATE SAVERS, PROGRESS STARTS WITH SELF-AWARENESS

“ Resolute’s recent acceptance into the WWF Climate Savers program caps a year-long journey of self-discovery of our impact on the global climate.

Coming out of creditor protection, Resolute wanted to make a bold statement on our commitment to sustainability and identified the reduction of greenhouse gas (GHG) emissions as a key issue to address. We knew WWF Climate Savers was the global standard for companies serious about climate change and sensed that becoming a member would help us achieve our stretch goals.

When we approached WWF Canada in 2009, their response was friendly but guarded. They knew Resolute was restructuring and were concerned that our need to cut costs would limit our ability to meet the stringent demands of the program. Through many months of meetings and conversations, we were able to demonstrate that we considered sustainability a cornerstone of the Company’s long-term success and that we were committed to reducing our GHG emissions.

WWF told us up front that they were going to push us to the point where we might feel uncomfortable with what they were asking us to commit to in order to become part of the Climate Savers program. But that was what we wanted.

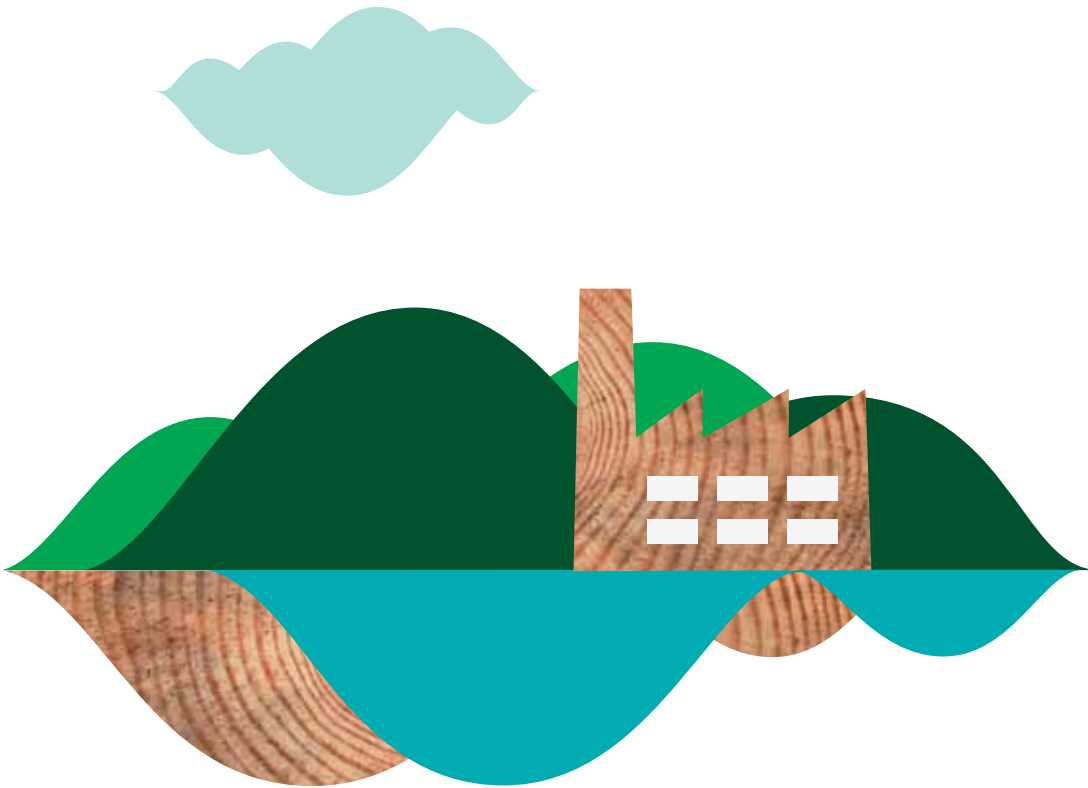
None of our initial proposed targets were considered aggressive enough, and we were continually benchmarked against competitors and other industries and asked to explain our performance, action plans and targets in great detail. We did not always have the answers, and we learned that we needed to know ourselves better before we could plan for the future.

We knew our big numbers – pulp and paper plant emissions and energy intensity savings – but knew little about the impacts of woodlands operations, sawmills, warehouses, sales, recycling and employee travel. And we knew even less about the impacts of contractors, suppliers and business partners. Along the way we realized that the commitment we were seeking to make was not only about managing and monitoring our emissions; it was about everything we did.

With our membership in the Climate Savers program in place, the rewarding work of implementing further GHG reduction initiatives now begins. It will be a challenge, but we are up for it and believe we can succeed. ”

2.3

MILL ENVIRONMENTAL PERFORMANCE



2.3

MILL ENVIRONMENTAL
PERFORMANCE

Our manufacturing processes, particularly at our pulp and paper mills, have an inherent environmental impact through the consumption of resources and the generation of waste. We seek to minimize these impacts and to go beyond meeting minimum requirements through environmental management systems and continuous improvement.

ENVIRONMENTAL MANAGEMENT

At Resolute Forest Products, environmental performance is managed on a local level with oversight from the highest levels of the organization. Guided by the Company's Environmental Policy,¹⁷ our environment coordinators have on-the-ground responsibility to ensure compliance with local laws and regulations, as well as to facilitate continuous improvement.

Corporate environment managers work closely with each mill environment coordinator to identify and manage the issues most relevant to a specific operation. Performance is tracked monthly in a report circulated to senior operations management, and the Environmental, Health and Safety Committee of the Board of Directors meets at least three times per year to review performance and approve programs.

All our operations have environmental management systems (EMS) in place. At the end of 2010, 12 out of 18 paper mills, 22 out of 24 wood products facilities, and 10 out of 10 woodlands operations had an EMS that was certified to ISO 14001 environmental management standards. Resolute has committed to certifying all remaining paper mill operations to this standard by the end of 2011.

While Resolute has several Company-wide environmental initiatives, many issues are highly specific to particular mills due to geographic and technological differences at each operation. Issues that are highly important to one mill may not be as relevant at another operation.

In 2010, Resolute continued the practice of assembling continuous improvement teams comprised of senior engineers at the corporate office and technical staff managers and superintendents at each mill to share best practices and identify opportunities for improvement. Teams are tasked with finding ways to improve the efficiency of our operations by reducing water consumption, fiber loss and energy use. Action plans are developed, investment needs are identified and progress is tracked.

KEY PERFORMANCE INDICATORS

All operations track key performance indicators (KPIs) to measure environmental performance. Pulp and paper mills measure and report KPIs on water use, emissions to air and water, fiber loss, energy use and waste, and other criteria. Corporate environment managers work closely with each mill to identify and manage the issues most relevant to that specific operation.

In 2011, each mill identified two KPIs for which reduction targets were set. Rather than adopting a cookie-cutter approach, these KPIs were selected through a rigorous process that evaluated site-specific challenges in relation to environmental risk. The operational vice presidents are responsible for tracking KPI performance and will be evaluated on the achievement of specific goals for the mills under their control.

The following sections outline mill-level efforts to continuously improve environmental performance in five key areas: water, environmental incidents, air emissions, waste and residuals, and material use.¹⁸

NOTES

[17] Our environmental policy can be found at bit.ly/rfp-sr10-22.

[18] Environmental data is for pulp and paper mills only, except for environmental incidents, which are shown for all operations. Although all of our pulp and paper mills track the same KPIs, some historical data is not available for closed sites. The data presented in this report excludes the following:

BOD₅ – 2008: Alabama River (Alabama), Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)
 NO_x – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 SO₂ – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 TPM – 2008: Alabama River (Alabama), Bridgewater (U.K.), Donnacona (Québec); 2009: Bridgewater (U.K.)
 TSS – 2008: Alabama River (Alabama), Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)
 Waste – 2008: Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec); 2009: Dolbeau (Québec)
 Water discharged – 2008: Belgo (Québec), Dalhousie (New Brunswick), Donnacona (Québec)

2.3

MILL ENVIRONMENTAL PERFORMANCE

1) WATER

Paper manufacturing operations are water intensive, and water use has emerged as an important sustainability issue. Resolute understands the vital importance of water in sustaining ecosystems, in ensuring health and sanitation, and in supporting food, water and energy security.

For Resolute, water is an issue of growing importance as several mills operate in regions subject to occasional drought conditions that result in effluent flow or quality restrictions.

In addition, water withdrawals and discharges have a big impact on costs related to energy and treatment. As a result, we have identified water use as an area requiring greater focus. In the near term, we need to improve our understanding of our water footprint and the role it plays in our business. In 2012, we intend to voluntarily report our water footprint to the Carbon Disclosure Project's Water Disclosure program.

WATER SOURCES

Excluding our hydroelectric facilities, most of Resolute's water use occurs in our pulp and paper operations. Water is used to clean and transport wood fiber in the

papermaking process. It is used for cooling at both pulp and paper and sawmill facilities. A small amount of water is also used for internal steam production.

Resolute's pulp and paper mills primarily withdraw water from rivers adjacent to operations. Withdrawal from groundwater sources is undertaken only at the Company's Grenada (Mississippi) mill, and comprises less than 1% of total Company water use.

WATER USE AND DISCHARGE

Resolute's pulp and paper operations discharged¹⁹ 406 million m³ of water in 2010. It is estimated that 90% of the entire volume of water removed from nearby surface water is returned to the body of water within a few hundred meters of the point of withdrawal. Most of the remaining 10% is released to the atmosphere as steam, with a small amount incorporated into the manufactured product.

Reflecting the fact that using water translates into higher costs related to energy and treatment, Resolute has set mill-level reduction targets at locations where water is a priority issue, equivalent to a Company-wide decrease of 6% by the end of 2012. Company efforts to reduce water use include increasing process water recycling and recovery systems.

FIG. 2.3 A WATER DISCHARGED Pulp and Paper Mills – Total, 2008-2010

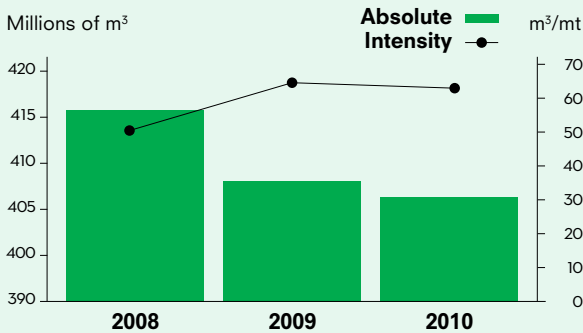
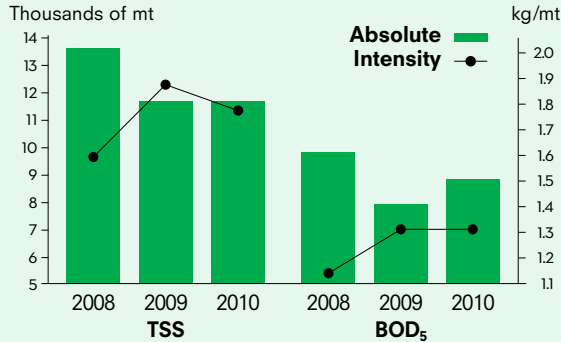


FIG. 2.3 B TOTAL SUSPENDED SOLIDS, BIOCHEMICAL OXYGEN DEMAND Pulp and Paper Mills – Total 2008-2010



NOTE

[19] Resolute returns more than 90% of the water it withdraws, as 10% is lost to products and steam.

2.3

MILL ENVIRONMENTAL PERFORMANCE

All water used in papermaking and pulp processes passes through primary and secondary effluent treatment systems before being discharged into the natural environment. In Canada, as part of Environment Canada’s mandatory Environmental Effects Monitoring Program, Resolute monitors the impact of mill effluent on receiving water bodies. Similar research has been undertaken voluntarily through our participation in the National Council for Air and Stream Improvement (NCASI) for certain U.S. bodies of water. Where necessary, mills have implemented or are in the process of implementing a plan to reduce ammonia and/or phosphorus discharges.

Over the past several years, the Company’s normalized levels of biochemical oxygen demand (BOD) and total suspended solids (TSS) have fluctuated due to changes in production levels, resulting in a loss of operational efficiency. We have identified mills at which effluent quality is a priority and have set relevant targets to be achieved by 2011.

2) ENVIRONMENTAL INCIDENTS

Environmental incidents can represent either a spill or an exceedance of a legally allowable limit. Incidents are tracked at all paper mills, sawmills, hydroelectric facilities and woodlands operations. Resolute classifies environmental incidents as having either significant risk (class 1) or moderate risk (class 2).

In 2010, Resolute experienced three class 1 incidents and 40 class 2 incidents, an overall decrease of 22% from 2009. Class 1 incidents that occurred in 2010 are described in Figure 2.3 E on the following page. In 2010, the Company paid \$43,700 in environmental fines for incidents that occurred in previous years, including \$30,000 levied in relation to an incident that took place in the 1980s.

The Company has set a goal for a further 15% reduction in environmental incidents in 2011 from 2010, with an ultimate goal of zero incidents. To support this, in 2010 Resolute invested over \$1 million in spill risk reduction at our five operations that produce kraft pulp. This investment supported additional containment, removing underground tanks, and improved black liquor control. As well, following the example of our health and safety program, all relevant staff is required to participate in a conference call within 24 hours of an environmental incident to determine corrective actions and preventive measures. Key findings from these conversations are shared with other mills.

FIG. 2.3 C | INCIDENT SEVERITY LEGEND

Class 1	Significant	Events that present a risk of significant adverse environmental impact, contamination, liability, and/or damage to the Company’s reputation. This includes regulatory charges, fines and the initiation of legal action against the Company.
Class 2	Moderate	Events that present a risk of moderate adverse environmental impact, contamination, liability and/or damage to the company’s reputation. This includes regulatory charges, fines and the initiation of legal action against the Company.

FIG. 2.3 D | SUMMARY OF PERFORMANCE

	2010	2009
Exceedances – Class 1	2	3
Exceedances – Class 2	16	18
Spills – Class 1	1	0
Spills – Class 2	24	34
Total	43	55

2.3

MILL ENVIRONMENTAL PERFORMANCE

FIG. 2.3 E 2010 CLASS 1 INCIDENTS

MILL/ PRODUCTION	CLASS 1 INCIDENTS	INCIDENT AND CORRECTIVE ACTIONS
Clermont (Québec) Paper	Spill	In June 2010, a pump fitting failure caused 48 m ³ of 50% caustic solution to be released to the secondary containment dike at our Clermont mill. A vacuum truck recovered 7.4 m ³ , but the remainder leaked into the ground through cracks and other openings in the dike. A safety perimeter was immediately set up, and the remaining solution in the dike was pumped and disposed of. A consulting firm was retained to help develop an emergency response plan for the spill, in close collaboration with regulatory authorities. The plan included intensive monitoring of nearby surface water, and installing and monitoring pumping wells deeper than 60 meters into the bedrock. Close inspection and leak tests were performed on the dike, and high pH groundwater was pumped into the mill's effluent treatment plant. A preventive action plan was developed, and all mills conducted containment dike integrity checks.
Fort Frances (Ontario) Pulp and Paper	Exceedance	In 2010, Ontario's total reduced sulfur (TRS) limit was exceeded at our Fort Frances mill. The facility has developed a reduction plan that has been approved by the Ontario Ministry of the Environment and is working on implementing this plan. The action plan includes an effluent treatment plant upgrade, as well as various improvements in the kraft pulp operations. As of the time of this report, plan implementation is on schedule.
Fort Frances (Ontario) Pulp and Paper	Exceedance	Effluent samples collected at Fort Frances in January 2010 exceeded the provincial daily and monthly biochemical oxygen demand (BOD) limit. Management decided to cease operations in order to investigate possible causes. The investigation indicated that the cause of the problem was a combination of lower treatment efficiencies associated with winter operation, a temperature shock caused by heavy snowfall and extreme cold weather during recent mill shutdowns, and a power failure that resulted in settling of biomass in the effluent treatment system. Alarms were configured on critical instruments, and trigger points were identified for lab results and operating parameters in order to provide an early warning of potential treatment plant issues. Biomass from a nearby kraft mill not owned by Resolute was added to the treatment plant to increase biological activity in the system. Longer term corrective actions included detailed analysis of treatment plant operations and inclusion of the findings into the improvement project that was already planned to resolve the mill's TRS issue. Commercial biomass will also be kept on hand to quickly supplement the treatment plant if needed.

FIG. 2.3 F SULFUR DIOXIDE, NITROGEN OXIDES Pulp and Paper Mills – Total 2008-2010

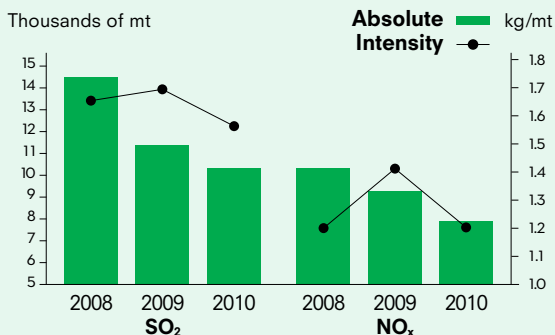
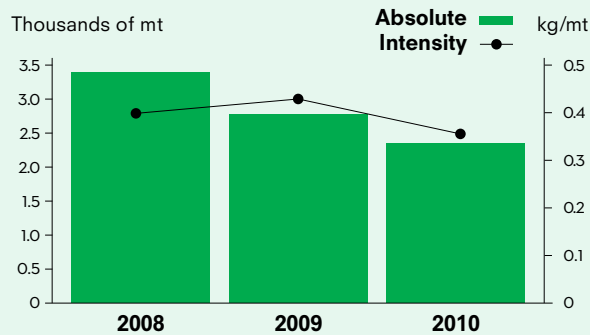


FIG. 2.3 G TOTAL PARTICULATE MATTER Pulp and Paper Mills – Total 2008-2010



2.3

MILL ENVIRONMENTAL PERFORMANCE

3) AIR EMISSIONS

Minimizing air emissions continues to be a priority for Resolute. Atmospheric emissions result mainly from the combustion of fuels used in production processes, including biomass and fossil fuels. These emissions include carbon dioxide (CO₂), sulfur dioxide (SO₂), nitrogen oxides (NO_x) and total particulate matter (TPM) and are primarily managed through pollution control technologies. Production level changes at many facilities over the past three years have impacted operational efficiency with the result that while the total volume of Company air emissions has decreased, emission intensity has fluctuated.

Resolute will continue making investments in pollution control technologies to help reduce air emissions and maintain regulatory compliance. Information on how we work to reduce our CO₂ and other greenhouse gas emissions can be found on pages 27-33.

4) WASTE AND RESIDUALS

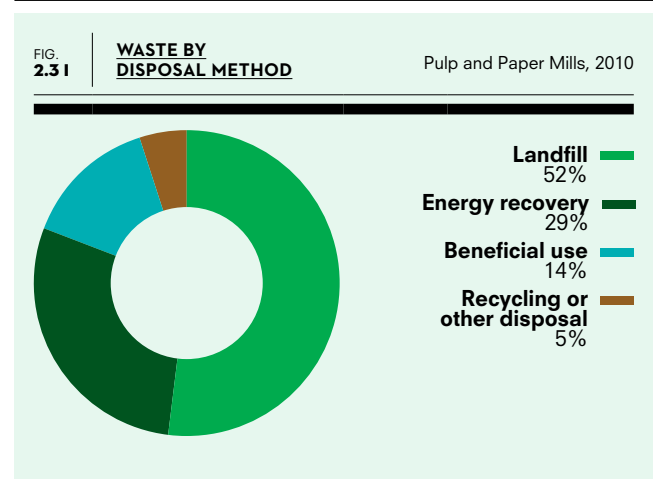
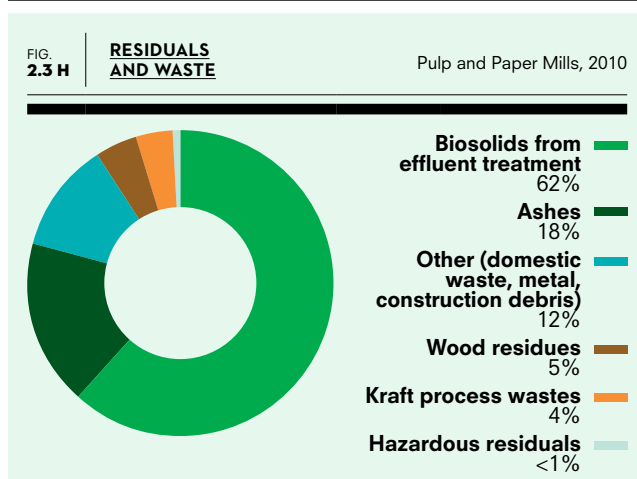
Resolute's production processes generate various waste and residual materials, including: process waste (such as bio-solids from the effluent treatment plant, wood residues²⁰ and ashes); domestic waste; construction and demolition

debris; and a small quantity of residual hazardous materials, primarily consisting of solvents and used oils. Waste diversion is the process of diverting waste from landfill through reduction, reuse and recycling.

In 2010, the Company produced a total of 974,800 metric tons of waste and residual material. Approximately 48% of total solid waste generated was reused, with the remainder going to landfill.

Opportunities to reduce waste are mostly based on improving segregation of waste streams at the mill. Beneficial use of waste depends on local opportunities available, such as the availability of a local mine site or agriculture operation. Almost all of our paper mills convert bio-residuals, such as bark and effluent treatment bio-solids, into energy.

Our La Doré (Québec) sawmill has achieved top recognition in the RECYC-QUÉBEC "ICI ON RECYCLE!" program. To obtain this award, the facility invested in a comprehensive recycling and segregation program that included screening biomass from yard clean-up and sending it to local blueberry farms for beneficial re-use. Thanks to their efforts, at least 80% of the sawmill's residual materials are diverted from landfill.



NOTE

^[20] Includes wood residues produced by a mill that are not being used internally as a fuel source.

2.3

MILL ENVIRONMENTAL
PERFORMANCE

5) MATERIAL USE

Resolute requires various raw materials in our production processes. Wood fiber, a renewable raw material, accounts for the largest share of material found in Company products. Other resources include water and energy.

Pulp and paper production also require inorganic materials such as sodium hydroxide and hydrogen peroxide to brighten the products, and clay and starch as coatings and fillers. Several years ago, pulp and paper manufacturers discontinued the use of hypochlorite and elemental chlorine bleaching by converting to chlorine dioxide bleaching for chemical pulp, resulting in a significant step-change reduction in effluent adsorbable organic halides (AOX) loadings.

FIG. 2.3 J TOTAL KEY MATERIALS USED²¹

2010

FIBER AND LOGS²²

Logs to sawmills (thousand m ³)	7,565
Virgin fiber to pulp and paper mills (thousand odmt)	7,407
Recycled fiber to pulp and paper mills (thousand odmt)	1,140

COATINGS AND FILLERS

Clay (thousand odmt)	323.3
Latex (thousand odmt)	25.1
Starch (thousand odmt)	15.2

PULP/BLEACHING CHEMICALS

Sodium hydroxide (thousand odmt)	92.5
Oxygen (thousand odmt)	75.3
Limestone (thousand odmt)	59.7

PULP/BLEACHING CHEMICALS

Sulfuric acid (thousand odmt)	58.0
Hydrogen peroxide (thousand odmt)	47.7
Chlorine dioxide (thousand odmt)	43.1
Sodium chlorate (thousand odmt)	40.7
Sodium hydrosulfite (thousand odmt)	12.4
Sulphur dioxide (thousand odmt)	2.1

ENERGY

Electricity – purchased (GWh)	12,900
Electricity – self-generated/owned (GWh)	2,758
Fuel (thousand GJ)	97,355

WATER

Water discharged²³ (thousand m ³)	406,565
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NOTES

1211 Materials used for pulp and paper production only, except for logs (supplied to sawmills); excludes Opitciwan sawmill; all data is based on 100% of production in the case of partnerships.

1221 Because 31% of the virgin fiber supply to pulp and paper mills in 2010 was sawmill by-product, there is double-counting in the log and virgin fiber consumption data.

1231 Resolute returns more than 90% of the water it withdraws, as 10% is lost to products and steam.

2.3

MILL ENVIRONMENTAL PERFORMANCE



2.3 MILL ENVIRONMENTAL PERFORMANCE

EMPLOYEE PERSPECTIVE

**DAN
DIEHL**

Environmental,
Safety and Health
Manager

Coosa Pines
(Alabama)

TURNING ENVIRONMENTAL PERFORMANCE INTO A COMPETITIVE ADVANTAGE

“ Many companies see their environment departments as cost centers. At our Coosa Pines operation, we made a deliberate decision to think of what we do as something that adds value and efficiency to our mill.

Our approach to environmental management is not based solely on compliance. Rather than managing to achieve minimum standards for operation, we try to turn environmental performance into a value-added benefit. We do this by tracking emissions and effluents from our operations back to the source, and then finding solutions to save costs and make our operations more efficient.

Wastewater is a prime example. If you approach wastewater as a compliance issue, then the strategy is to spend money on treatment chemicals to bring the water up to a minimum standard for release into the environment. However, this end-of-pipe approach is expensive and provides no competitive advantage because most companies do the same thing.

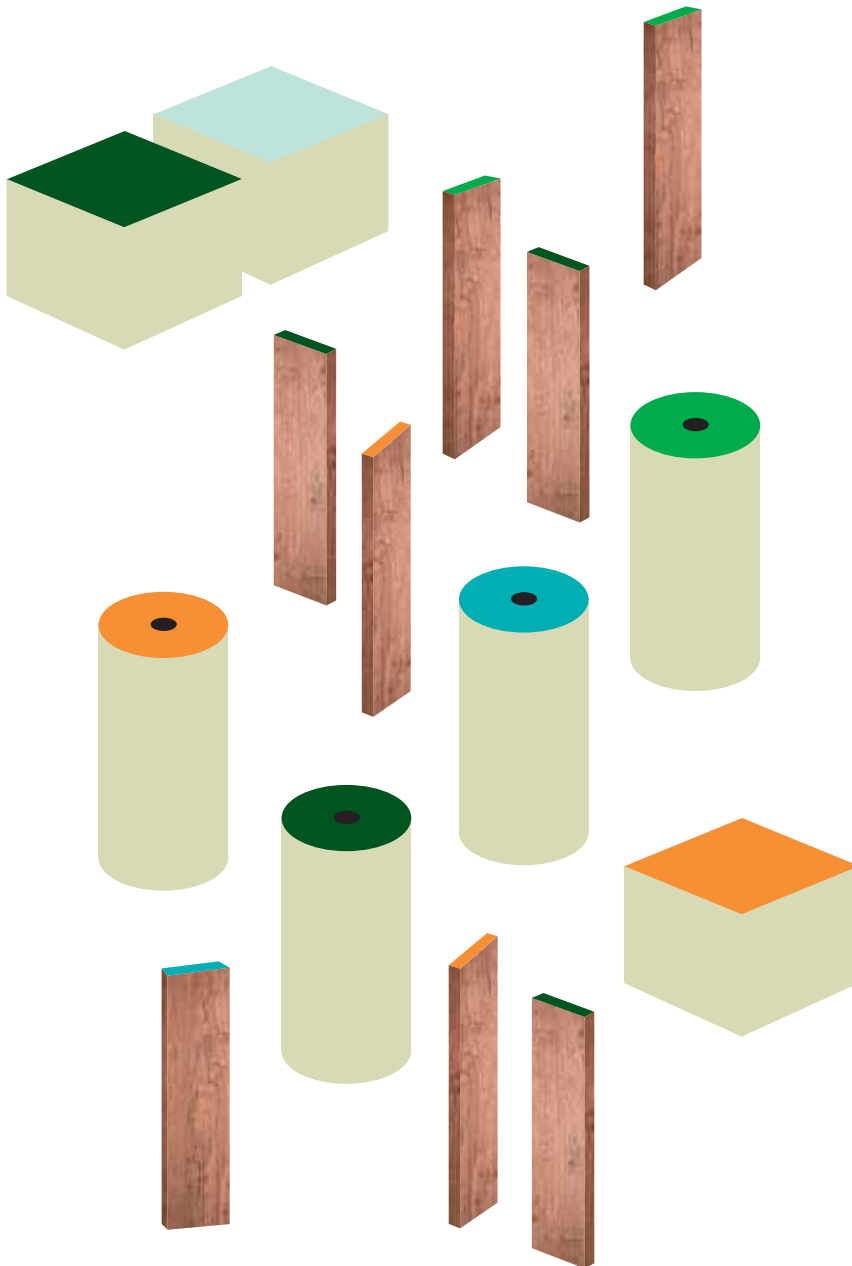
If you approach the issue more strategically and follow the water back to the beginning of pipe and reduce the waste inputs at the source, the environmental impact is reduced, efficiency is improved and cost savings are realized – providing a competitive advantage.

This has made a tangible difference at Coosa Pines. By taking a proactive approach to environmental issues rather than a reactive one, we work to provide value to the Company, turning environmental liabilities into opportunities. We also lower the overall operating costs for the mill, which improves its long-term sustainability.

The results are great for the Company, but they also give me a lot of personal satisfaction. The challenge of finding efficiency savings is the reason I joined Resolute in the first place. There is little pleasure in helping a company meet its permit levels; I enjoy exceeding those results and having a measurable effect on my mill's bottom line. ”

2.4

PRODUCTS



2.4

PRODUCTS

As a global industry leader, Resolute Forest Products manufactures and markets a diverse range of products, including commercial printing papers, newsprint, market pulp and wood products. Resolute is fortunate that our primary input – wood – is a renewable resource, and that our paper products are recyclable. Yet this alone does not make our products sustainable.

To further improve our environmental performance, Resolute has implemented sustainable forestry practices and responsible fiber sourcing, and has made significant investments in improving the environmental performance of our manufacturing processes, including the development of innovative products that maximize our use of fiber. In 2012, we are launching a strategy to promote our eco-efficient grades of paper, further supporting product stewardship by building awareness of these grades in the marketplace. Among other environmental benefits, eco-efficient papers will help our customers reduce their carbon footprint. We also are looking to expand our value-added wood products offering.

TRACING OUR PRODUCTS TO THEIR SOURCE

Increasingly, customers are asking for assurance that the pulp, paper and wood products they buy from us are sourced from sustainably managed and certified forests. All of our pulp and paper mills and wood products facilities have fiber-tracking systems in place, which allow us to follow the flow of wood from origin, through manufacturing processes, to the customer. Most of these tracking systems are certified to one or more internationally recognized chain of custody (CoC) standard, providing independently audited, third party documentation of the source of the wood and wood fiber used in our products.

A CoC-certified tracking system allows us to declare exactly how much wood and wood fiber comes from forests certified to a sustainable forest management (SFM) standard. Under CoC standards, minimum criteria must also be met for the uncertified content, such as procurement from legal sources and avoiding fiber sourced from protected areas.

Additional information on certification and fiber sourcing can be found in the Forestry and Fiber section of this report on pages 18-25, in the Glossary at the end of this report, and on our website at bit.ly/rfp-sr10-7.

SUSTAINABLE PRODUCTS

Resolute manufactures and markets a portfolio of super-brite commercial printing papers that use up to 50% less wood fiber than offset papers, such as uncoated freesheet (UFS), due to the use of a fiber-efficient thermomechanical pulping (TMP) process. Because mechanical papers deliver better opacity and bulk than UFS at equivalent basis weights, a lower basis weight can be used, saving the end-user money. These papers, in addition to using less wood fiber than UFS, also use on average less energy and fewer chemicals to produce and are more eco-efficient than UFS papers.

To fully understand the environmental benefits of our super-brite papers, in 2009 we commissioned an independent peer-reviewed life cycle assessment (LCA) to compare Equal Offset™ (EO) to UFS. The LCA looked at a full range of inputs and outputs throughout the product life cycle, from harvesting to final disposal. The results showed that in 14 of the 15 categories examined, EO had a lower environmental impact than UFS, particularly in issue areas highly relevant to forestry such as land occupation, terrestrial ecotoxicity and climate change. More information on the LCA and its methodology can be found on our website at bit.ly/rfp-sr10-8. In 2011, we commissioned additional LCAs on a range of Company paper grades.

The latest additions to our high-yield super-brite grades include: Ecopaque™, a high-opacity offset paper; Ecopaque Laser™, which is specially formulated for laser printing; and Ecopaque Jet™ with ColorPRO Technology for inkjet printing.

2.4

PRODUCTS

Resolute's Ecopaque Laser is a true technological innovation as it is the first and only laser printing paper to be made with thermomechanical pulp. Digital printing is a fast-growing technology for the printing industry, and no mechanical fiber paper had ever worked successfully in laser printers prior to Ecopaque Laser. There are two key advantages to the consumer in using mechanical fiber paper over UFS: 1) mechanical fiber paper offers significant cost savings, and 2) it has a much smaller environmental footprint than the competitive UFS paper on the market – even without using recycled content (as demonstrated in our LCA study). By developing sustainable digital printing papers, Resolute is innovating paper for the future.

BIOMASS AND SUSTAINABLE FORESTRY

Given our experience in responsible forest harvesting and access to forest biomass, Resolute has been investigating a number of technologies that would bring liquid biofuels into commercial production. The potential products identified range from second-generation transportation fuels, such as ethanol and biodiesel, to industrial heating oil derived through a thermochemical process, and value-added solid fuels used for power generation. As part of this process, Resolute will target unused forest residues and non-merchantable timber as feedstock, in an effort to optimize forest resources, while maintaining the highest standards of forest stewardship.

In partnership with FPIInnovations and with C\$1.35 million of government funding, Resolute is participating in a state-of-the-art demonstration plant at our Thunder Bay (Ontario) pulp mill, which will be capable of producing up to 100 kg of lignin per day from the kraft pulp mill's black liquor stream. Lignin is being researched for its potential as a replacement for petroleum-based products, such as chemicals and adhesives.

PRODUCT EDUCATION AND COMMUNICATION

Every day, Resolute responds to customer inquiries regarding the environmental profile of our products, and we regularly meet with our customers to discuss sustainability issues. Educating customers and consumers about the environmental profiles of our products, manufacturing processes and forest management systems is an important activity for Resolute. We do this in a number of ways, including:

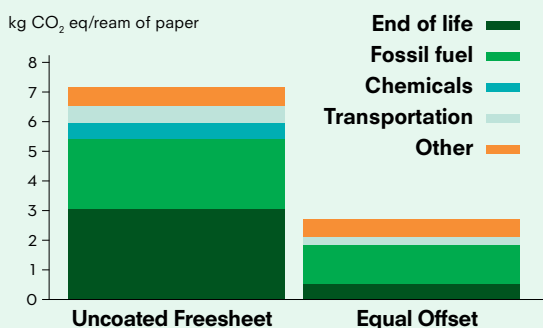
Certification Labeling

By certifying pulp and paper mills and wood products facilities to third party CoC standards, our pulp, paper and wood products qualify for on-product certification labels, attesting to the sustainable sourcing of the product. We offer CoC certification to several standards: Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative® (SFI). For customers to use an on-product label, their facility must also be chain of custody certified to a compatible standard. Visit bit.ly/rfp-sr10-7 for additional details.

Consumer Education

Being an informed partner is a critical part of our customer relationships. As a member of the Forest Products Association of Canada (FPAC), the American Forest Paper Association (AF&PA) and various state and provincial industry associations, we stay on top of environmental market issues, including climate change and certification. We also participate actively in industry-wide education initiatives, like the Paper Life Cycle project (bit.ly/rfp-sr10-9) and the Environmental Footprint Comparison Tool (bit.ly/rfp-sr10-10), which are online resources designed to help companies make informed environmental decisions about the paper they buy, use and sell.

FIG. 2.4 A
LIFE CYCLE CARBON FOOTPRINT
BY SOURCE OF EMISSIONS



2.4

PRODUCTS

Product Transparency

On request, we can provide detailed information on our mills' environmental performance. Resolute participates in the Environmental Paper Assessment Tool (EPAT) (bit.ly/rfp-sr10-11), a membership-based online database developed by the sustainability non-profit GreenBlue in collaboration with leading paper buyers and suppliers, including Resolute. EPAT allows buyers and sellers of paper products to make informed decisions about the environmental attributes and trade-offs involved in paper purchasing using a consistent framework and metrics. EPAT captures mill-level data on environmental indicators, fiber sourcing and social criteria in order to provide a sustainability snapshot of a paper product. 2010 EPAT data is available for the following Resolute paper mills: Alma (Québec), Calhoun (Tennessee), Catawba (South Carolina), Clermont (Québec), Fort Frances (Ontario), Iroquois Falls (Ontario), Kénogami (Québec), Laurentide (Québec) and Mersey (Nova Scotia).

PAPER RECOVERY AND RECYCLED FIBER

Recycling is an important stage in the life cycle of paper. While virtually all of the recycled fiber available on the market gets reused because of high global demand, the total supply is limited. As a result, recycled fiber pricing has more than doubled over the past two years. Recovery rates are highly dependent on end-user behavior and the availability of efficient recovery systems usually managed by local governments.

In 2010, the paper recovery rate in Canada was approximately 68.8%²⁴, while in the U.S. it was 63.5%²⁵, representing increases over 2000 of 38% and 28% respectively. For Resolute, approximately 13% of our overall fiber supply came from recycled fiber in 2010, which was used to

produce over 30 different grades of paper. However, because less bleaching and processing is required to produce newsprint from recycled fiber compared to commercial printing paper grades, most of this recycled fiber was directed to newsprint grades, which had an average recycled content of 23% in 2010.

There are limitations to the environmental benefits of using recycled fiber that can only be fully understood through life cycle analysis models. Factors to consider include: fiber breaks down as it is recycled and can only be reused a finite number of times; the environmental impacts related to transportation of recycled furnish; or that recycled fiber operations generally use fossil fuels whereas virgin fiber operations rely more heavily on biomass. These variables mean that the benefits of recycled content must be assessed and considered on a case-by-case basis.

In 2010, Resolute's Recycling Division handled over 1.5 million metric tons of recyclable materials, 70% of which was sold internally to our own paper mills for the production of newsprint and other paper products. In 2010, the Division continued several initiatives to raise awareness and encourage recycling in commercial and institutional organizations. It also offers unique fee structures to further encourage recycling, including our EcoRewards® (bit.ly/rfp-sr10-12) and Paper Retriever® (bit.ly/rfp-sr10-13) programs.

NOTES

1241 Source: Pulp and Paper Products Council (PPPC)

1251 Source: American Forest & Paper Association (AF&PA)



2.4 PRODUCTS

EMPLOYEE PERSPECTIVE

LAURA ASHLEY

Manager,
Marketing

Catawba
(South Carolina)

MARKETING INNOVATIVE PAPERS TO ECO-CONSCIOUS CUSTOMERS

“ As someone who closely follows paper market trends, I have seen customer demand for eco-conscious paper grow steadily over the last few years. At one time, recycled content paper was the only option paper buyers thought they had. But with products like our innovative line of super-brite commercial printing papers made from mechanical pulp, there are choices that can provide customers with even more environmental benefits than recycled paper, while saving them money.

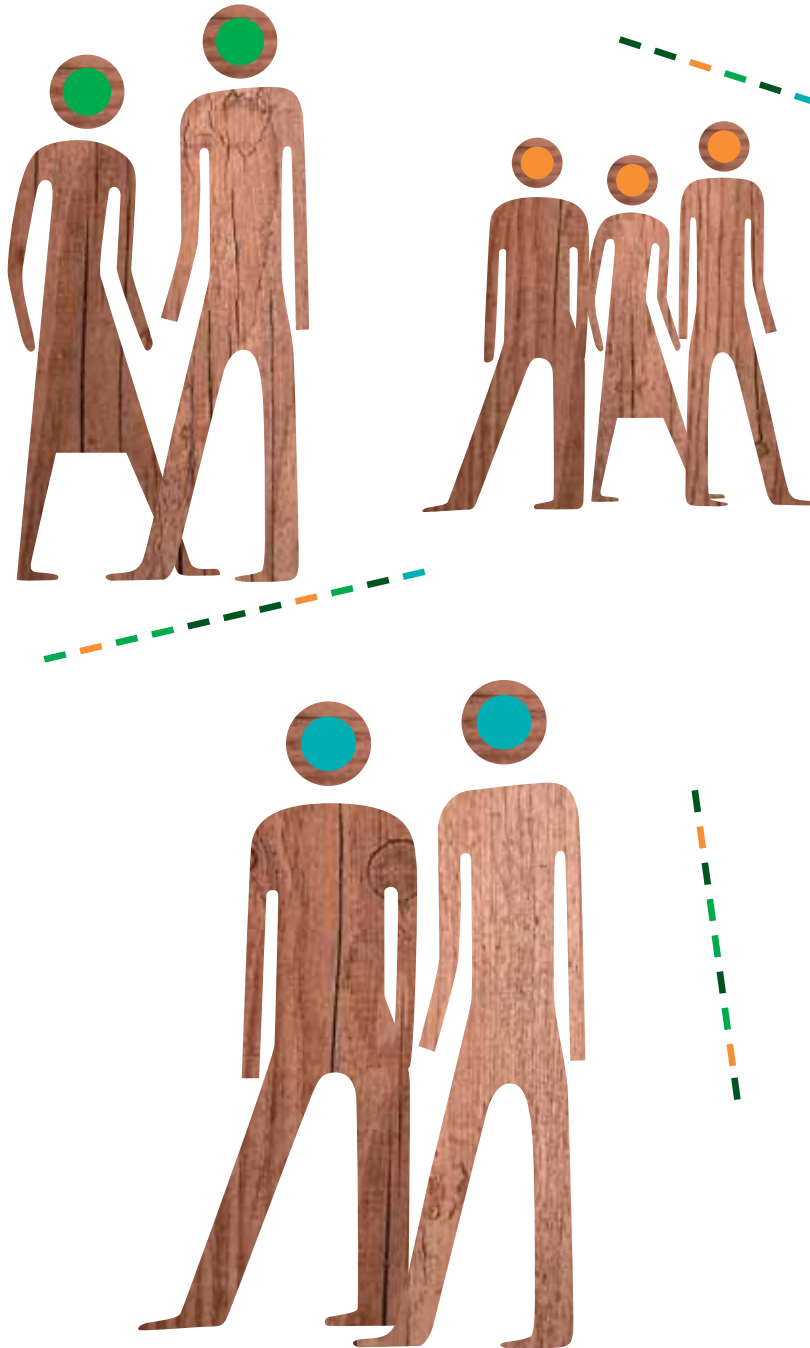
Our sales team is excited about the potential of these papers to help our customers reduce their own environmental footprints – and spend less. A key environmental advantage of our super-brite grades is that they are made with up to 50% less wood fiber than traditional uncoated freesheet (UFS). Besides the fiber savings, these papers are more opaque and have a higher bulk than UFS, so lighter basis weights can be used – and less paper by weight is needed. These qualities make it attractive to both environmentally conscious and cost-conscious customers.

Many people are still under the impression that paper made from mechanical pulp is not bright enough. Thanks to our product development group, that problem has been addressed and we have a selection of papers at super-brite levels that can compete with uncoated freesheet. Add certified responsible fiber sourcing to the equation, and I think a huge potential market for eco-efficient papers is open to us.

The challenge we face going forward is how to educate our customer base about the environmental and cost benefits of UFS alternatives. It takes time and effort to convince customers to change years of ingrained buying patterns. But the mix of increased eco-efficiency, high brightness, lighter weight and responsible fiber sourcing makes for a compelling story that I look forward to telling in today's market. ”

2.5

STAKEHOLDER ENGAGEMENT



2.5

STAKEHOLDER ENGAGEMENT

Resolute Forest Products’ operations affect many different stakeholders, including customers, employees, investors, suppliers, government and non-governmental/environmental organizations ((E)NGOs), as well as those living in communities near our operations. We recognize a need to better understand our stakeholders and to engage with them in an open and meaningful way.

As part of our materiality analysis (page 12), we conducted interviews with representatives of eleven stakeholder groups. This process included interviews with customers, (E)NGOs, investors, provincial and federal governments, and others. Some key insights garnered from this process:

- > All eleven interviewees identified Resolute’s sustainability performance as important, citing risks to reputation as a primary consideration. Each stakeholder recognized that poor sustainability performance on the part of the Company could have an impact on its bottom line.
- > Ensuring sustainability is important because end-consumers increasingly demand environmentally sound products like certified paper and building materials, and ‘eco-friendly’ packaging solutions. Consumer-facing companies able to meet this demand will be viewed

favorably and preferred by an increasing number of consumers. As a supplier to consumer-facing companies, Resolute has a critical role to play in ensuring a green supply chain.

- > In general, respondents see the forest products sector’s performance on environmental and social issues as positive. Yet, while they recognize companies in this industry sector operate within a complex business framework that is characterized by significant government involvement and structural economic shifts, it was felt that historically these companies used these challenges to avoid making strong sustainability commitments. Stakeholders agree that companies in this sector play a key role in sustainable development but believe that effort beyond minimum expectations is required.

FIG. 2.5 A

TYPES OF STAKEHOLDER OUTREACH

Operating our business requires regular collaboration with a broad range of stakeholder groups. Examples of the kind of engagement that occurs each year include:

<u>STAKEHOLDER GROUP</u>	<u>TYPES OF ENGAGEMENT</u>	<u>STAKEHOLDER GROUP</u>	<u>TYPES OF ENGAGEMENT</u>
Customers	<ul style="list-style-type: none"> • One-on-one meetings • Customer surveys 	Government	<ul style="list-style-type: none"> • One-on-one meetings • Lobbying and political involvement • Public input process for forest management plans and land tenure • Membership of various industry associations
Employees/Unions	<ul style="list-style-type: none"> • One-on-one meetings • Employee surveys • Performance conversations • Training and orientation programs • Contract negotiations 	(E)NGOs/ Certification Bodies	<ul style="list-style-type: none"> • One-on-one meetings • Industry/(E)NGO coalitions • Sustainable forest management and product certification auditing processes
Investors	<ul style="list-style-type: none"> • One-on-one meetings • Investor conferences • Quarterly telephone and web conferences • Annual General Meeting 	Suppliers/ Partners	<ul style="list-style-type: none"> • One-on-one meetings • Industry association meetings/conferences • Supplier evaluation and auditing • Joint ventures
Civil Society/ Local Communities	<ul style="list-style-type: none"> • Corporate and local outreach (various mill-level communication activities) • Public input process for forestry management plans 		

2.5

CANADIAN BOREAL FOREST AGREEMENT

On May 18, 2010, 21 member companies of the Forest Products Association of Canada (FPAC), including Resolute Forest Products, jointly announced with key environmental organizations the signing of the Canadian Boreal Forest Agreement (CBFA) (bit.ly/rfp-sr10-6). The CBFA is a landmark agreement that ushers in a new era of conservation and forest management for Canada's boreal forest. The key goals for the accord include:

- 1. World-leading “on-the-ground” sustainable forest management practices** based on the principles of ecosystem-based management, active adaptive management and third-party verification;
- 2. The completion of a network of protected areas** that, taken as a whole, represents the diversity of ecosystems within the boreal region and serves to provide ecological benchmarks;
- 3. The recovery of species at risk** within the boreal forest, including species such as the woodland caribou;
- 4. Reducing greenhouse gas emissions** along the full life cycle, from forest to end of product life;
- 5. Improved prosperity of the Canadian forest sector** and the communities that depend on it; and
- 6. Recognition by the marketplace** (e.g., customers, investors, consumers) of the CBFA and its implementation in ways that demonstrably benefit FPAC members and their products from the boreal.

The agreement covers 72 million hectares (178 million acres) of public forests licensed to FPAC member companies. Under the agreement, FPAC members, who manage two-thirds of all certified forest land in Canada, commit to the highest environmental standards of forest management within an area twice the size of Germany, and conservation groups commit to global recognition and support for FPAC member efforts.

STAKEHOLDER ENGAGEMENT

OVERVIEW OF PROGRESS

Since the launch of the agreement, a substantial organizational structure has been put in place, including planning and reporting processes. This includes a secretariat to oversee project management and logistics, and a steering committee comprised of equal numbers of ENGO and industry representatives. In September 2011, noted environmentalist Monte Hummel was named Chairman and Andrew Bevan became the first full-time Executive Director of the CBFA secretariat. Resolute participates in several CBFA mechanisms, including the steering committee, six out of seven of the national working groups, and the Ontario and Québec regional working groups.

FIG. 2.5 B | FOREST REGIONS OF CANADA

There are more than 30 species of softwoods and 100 species of hardwoods in Canada.



LEGEND

■ Boreal–predominantly forest	■ Colombian
■ Boreal–forest and barren	■ Deciduous
■ Boreal–forest and grass	■ Great Lakes–St. Lawrence
■ Subalpine	■ Acadian
■ Montane	■ Grasslands
■ Coast	□ Tundra

Source: Natural Resources Canada

2.5

STAKEHOLDER ENGAGEMENT



2.5 STAKEHOLDER ENGAGEMENT

EMPLOYEE PERSPECTIVE

MARC BÉDARD

Forestry Manager,
Québec

Saint-Félicien
(Québec)

WORKING TOGETHER TO BETTER PROTECT FORESTS AND JOBS

“ In May 2010, industry members of FPAC and several environmental organizations signed the CBFA, a process to work cooperatively to increase conservation in the boreal forest while making the Canadian forest products industry more competitive.

The CBFA is really all about discussion, consultation and consensus. The first task in our work is to explain our position to other parties and to listen to and understand their points of view. It sounds easy, but is actually hard work and has been a huge learning process for all of us.

For many of us, it is the first time we are sitting at the same table to share ideas and find common ground. It can be a challenge. The ENGOs ask pointed questions and push us to explain how our actions affect forests, wildlife and First Nations. We consider their point of view and provide them with our perspective as well. From our collaborative discussions, we build a stronger approach and rationale.

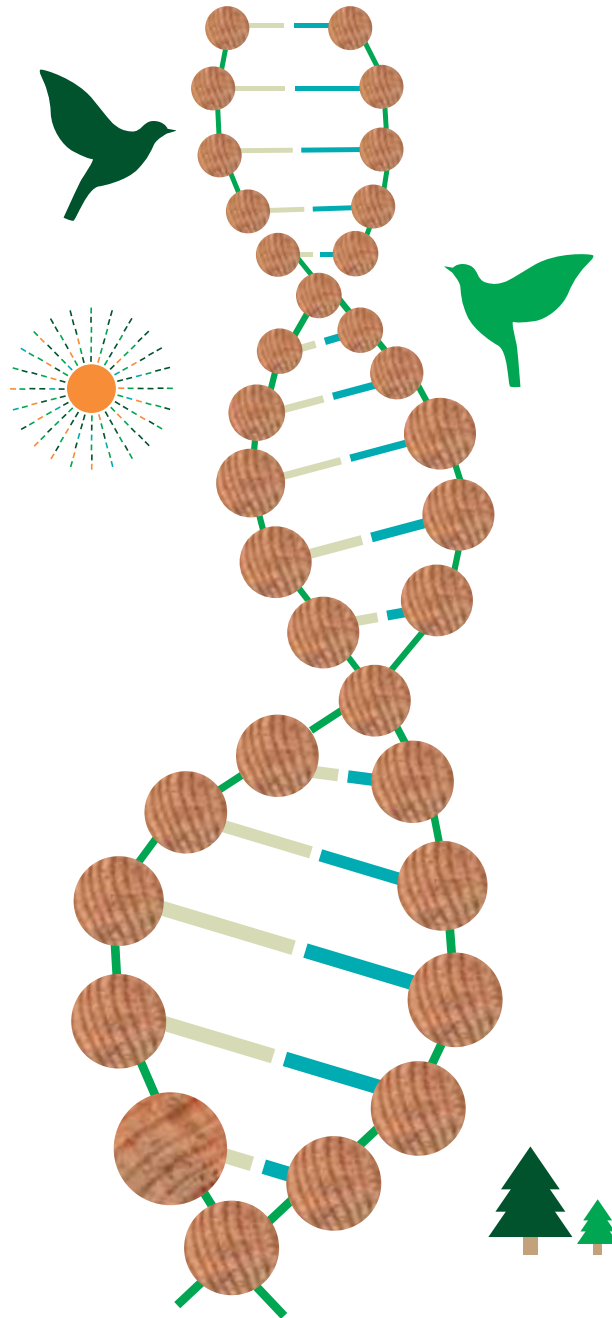
What I did not expect, however, is the way industry and environmentalists – traditional opponents – now find ourselves working together to explain the CBFA approach to other stakeholders, like the Québec government, which at the same time is implementing a new forest act that will change forest management in the province.

The CBFA Québec working group aspires to achieve a common proposal on a balanced approach to job protection and forest conservation that industry and ENGOs together can take to the provincial government, First Nations and communities. Ultimately, we will collectively need to align governments and other stakeholders with a common view. This is certainly a very different way of doing business.

The CBFA has been a natural step in the evolution of my career. For years, we managed forests according to government regulations. Then we went through the forest certification process, where our practices were reconciled with international standards. Now we are also incorporating the expectations of ENGOs, communities and First Nations. It is a big challenge, but it makes my job all the more interesting. ”

2.6

**GOVERNANCE
AND CORPORATE
CULTURE**



2.6

GOVERNANCE AND CORPORATE CULTURE

Strong corporate governance and company culture are critically important to the long-term success of Resolute Forest Products. Well-developed governance practices and strong buy-in for the Company’s redefined vision and values will help ensure the organization is accountable for meeting the expectations of our stakeholders and that we conduct business and manage the resources in our care in keeping with the values of society.

Resolute’s full corporate governance structure and details on the Company’s vision and values can be found on our website at resolutefp.com.

CORPORATE GOVERNANCE PRINCIPLES

Resolute’s approach to corporate governance is designed to ensure that all aspects of our business are conducted with integrity, transparency and in full compliance with the laws and regulations of the jurisdictions in which we operate. Our corporate governance aspirations go well beyond legal compliance.

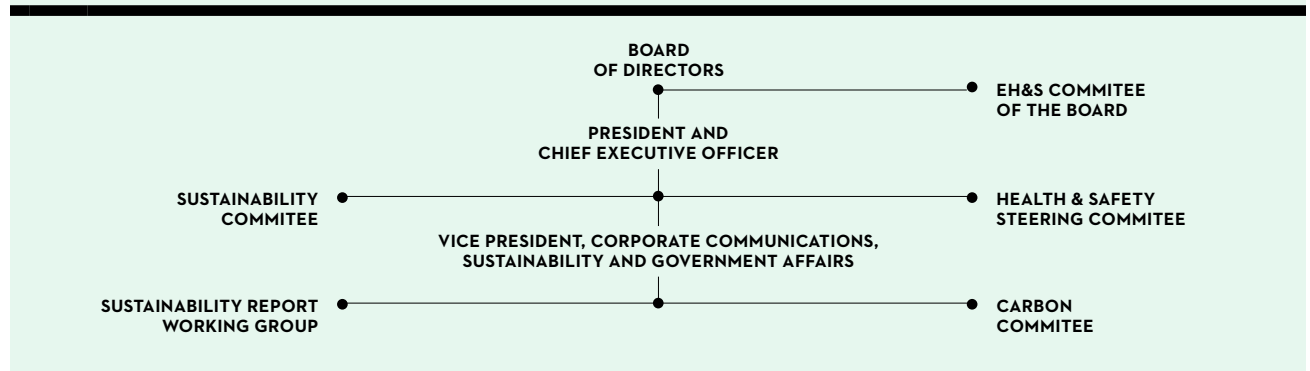
Resolute has adopted corporate governance principles related to certain key areas such as director qualifications and responsibilities, the responsibilities of Board committees and director compensation. We also have adopted a Board of Directors Code of Conduct and Ethics and a Code of Business Conduct for directors, officers and employees. These codes are available on our website at bit.ly/rfp-sr10-5.

SUSTAINABILITY GOVERNANCE

Following the publication of our 2010 Sustainability Report, Resolute will establish a Sustainability Committee to oversee our work in this area. It will include senior managers from our various business units with the goal of developing a balanced sustainability strategy and reviewing how important environmental and social issues are currently addressed by the Company. The Sustainability Committee will report to the Executive Team, who in turn reports to the Environment, Health and Safety Committee of our Board of Directors.

In 2009, a corporate-level carbon committee was formed that involves all key departments and is sponsored by the Vice President, Corporate Communications, Sustainability and Government Affairs. The Carbon Committee meets eight to ten times per year and has a mandate to understand our carbon footprint, guide and lead reductions, and track risks and regulatory development. Resolute has also had a Safety and Health Steering Committee in place since 2007.

FIG. 2.6 | SUSTAINABILITY GOVERNANCE STRUCTURE



2.6

**GOVERNANCE AND
CORPORATE CULTURE****VISION AND VALUES**

In 2010, Resolute undertook an extensive process to examine the Company culture in order to improve employee engagement, and help define a new Company vision and supporting values.

To begin the process, a culture audit was undertaken to better understand the strengths and weaknesses of the existing culture from the employee perspective. Views and perceptions were obtained from members of Resolute's Leadership Team, the Company's key 75 senior managers, through over 50 individual interviews and three working sessions, including approximately 20 additional people.

Audit findings indicated insufficient communication within the Company on business objectives and a need for more discussions between supervisors and employees regarding performance. Breaking down the organizational silos that had persisted since the time of the 2007 merger was also identified as an opportunity to reduce conflict and inefficiency within the organization. Furthermore, participants felt the Company needed to engage more with employees to address morale issues and minimize turnover.

The results of these consultations led to the creation of a new vision and supporting values for the Company, which were launched following Resolute's emergence from creditor protection. The Company vision is:

At Resolute, we are one team with one vision where profitability and sustainability drive our future.

This vision is supported by the following four Company value statements:

Work safely

We always put the safety of our people first. Creating an injury-free workplace is everyone's business. We maintain world-class standards and continuously measure and improve our safety efforts and results.

Be accountable

We are accountable for our performance. The future of our Company is in our hands. By empowering people, acting with integrity, setting goals and measuring progress, we deliver first-class products and services to customers and create value for shareholders.

Ensure sustainability

We make decisions with tomorrow in mind. We know that our long-term profitability depends on preserving the natural resources in our care and being a responsible partner in the communities where we live and work.

Succeed together

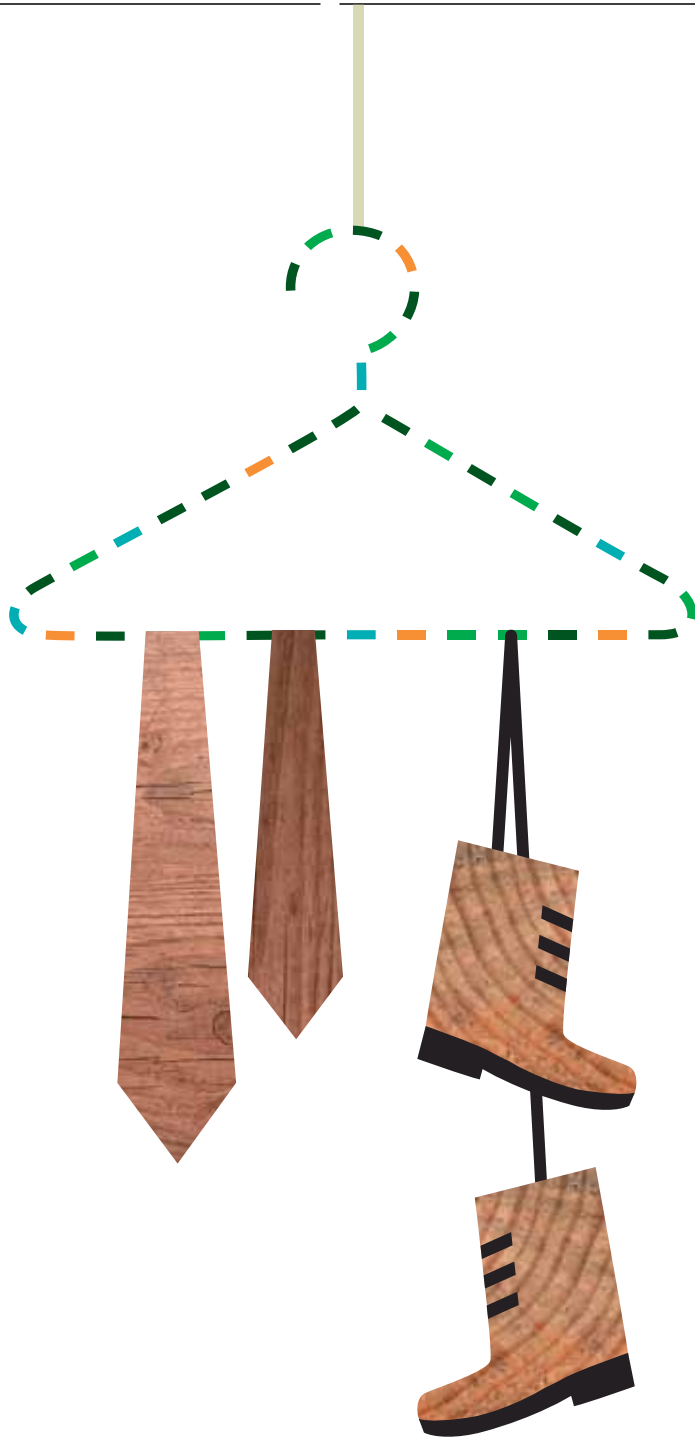
We win together. Teamwork starts with a winning attitude and a true desire to support each other. We welcome ideas, communicate frequently and share best practices.

2.6

**GOVERNANCE AND
CORPORATE CULTURE**

2.7

EMPLOYEES



2.7.1

EMPLOYEES – HUMAN RESOURCES

Resolute Forest Products needs to continue attracting natural leaders who are results- and action-oriented, with business sense and an aptitude for strategic thinking. We value our workforce and believe our long-term competitiveness depends on our ability to recruit, retain and develop the right employees with the right skills.

The Company understands the importance of being an attractive employer. Since exiting creditor protection in 2010, we have worked hard to reposition ourselves positively with our workforce and in the employment market. We recognize that if we want to retain our current talent pool and attract new workers, we must promote our vision and values, talk about our business priorities and work together to support Resolute’s long-term success.

We have developed strategies to ensure the ongoing viability of our workforce, including a long-term plan for workforce renewal as well as training and development of Company leadership.

RESTRUCTURING

At the end of 2010, Resolute had 10,470 employees in Canada, the United States and South Korea, with a small number of employees situated in international sales offices in countries around the world. This number represents a decrease of 38% from 2008, largely attributable to the closure of operations and restructuring efforts since the time of the merger of Abitibi-Consolidated and Bowater.

In 2010, 763 employees were laid off due to mill closures and capacity reductions, efficiency improvements and a weakened market outlook. We provided support to these employees through outplacement services and, in Canada, through Reclassification Assistance Committees which were set up in partnership with the provincial governments. Employees were provided needs assessments, career transition counseling and planning, and help with resume writing.

EMPLOYEE TURNOVER

In 2010, Resolute’s employee turnover rate was 8%²⁶, or approximately 900 employees. While most of this turnover came through employee resignations, about 39% of departing employees left through early retirement options. Turnover can be partly attributed to aggressive competition for workers from other industries. For example, 60% of all departures took place in Québec and 19% in Ontario – provinces where the Company faces strong competition for workers from the mining sector.

FIG. 2.7 A TOTAL NUMBER OF EMPLOYEES 2010

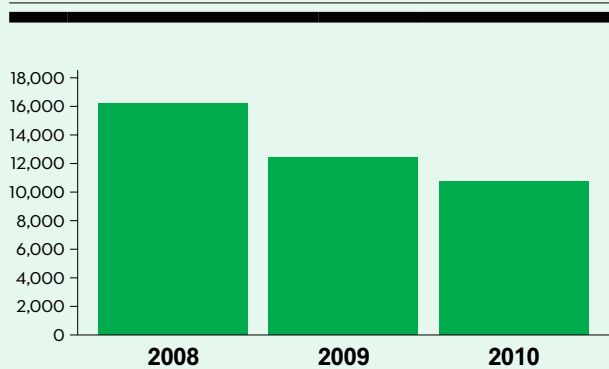
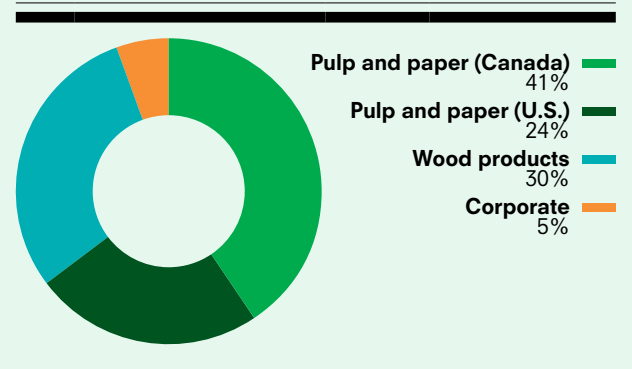


FIG. 2.7 B EMPLOYEES BY DIVISION 2010



NOTE

1261 Figure does not include shutdowns.

2.7.1

**EMPLOYEES –
HUMAN RESOURCES****WORKFORCE RENEWAL AND RETENTION**

Resolute's workforce is undergoing a phase of renewal due to a high number of employees becoming eligible for retirement. It is estimated that between 2,500 and 3,500 employees could retire or voluntarily leave the Company between 2011 and 2013. This presents particular challenges for the operations of the Company. 65% of all employees work in pulp and paper operations (41% in Canada, 24% in the U.S.), while 30% work at wood products operations and 5% in corporate positions. Regionally, 48% of all employees live in Québec, 29% in the U.S., 17% in Ontario, and the remainder in the Atlantic region of Canada and in international locations.

To ensure workforce renewal, Resolute has developed a long-term strategy to attract new talent and maintain a strong human resources program. The strategy will leverage social media to attract the next generation of workers, increase our presence in local communities, and support the creation of partnerships with educational institutions to ensure that people are equipped with the right skills to work in our industry.

Resolute has a highly experienced management team. As senior leaders leave, successors must be identified and developed to take over these key positions. We have a strategy that focuses on identifying and nurturing top performers in the Company. It includes an annual performance appraisal process for all non-unionized employees. For identified potential senior management successors, personal development plans are being developed, which can include a manager-in-training program, special assignments, coaching and mentoring.

PROFESSIONAL DEVELOPMENT

An apprenticeship program for union production employees in Canada was established in 2010 and is being implemented in 2011-2012 to support the achievement of general competencies, including: knowledge of the organization; our sustainability approach and products; health and safety; the basics of finance; and our approach to continuous improvement.

EQUAL EMPLOYMENT OPPORTUNITIES

As stated in our Code of Business Conduct located on our website at bit.ly/rfp-sr10-5, Resolute is committed to providing equal employment opportunities to all qualified persons without regard to race, color, religion, national origin, disability, gender, age, marital status or any other basis prohibited by law. This principle applies to all employees at all locations. Resolute also takes affirmative action in employment as required by the applicable laws in effect at our operations.

**EMPLOYEE REPRESENTATION AND
LABOR ORGANIZATION**

Freedom of association and the right to collective bargaining is protected by law in the countries where Resolute has operations. Approximately 72% of Resolute's employees are represented by bargaining units. Our unionized employees are represented predominantly by the Communications, Energy and Paperworkers Union (CEP) in Canada and the United Steelworkers International in the United States.

FIG. 2.7 C **EMPLOYEES BY REGION** 2010

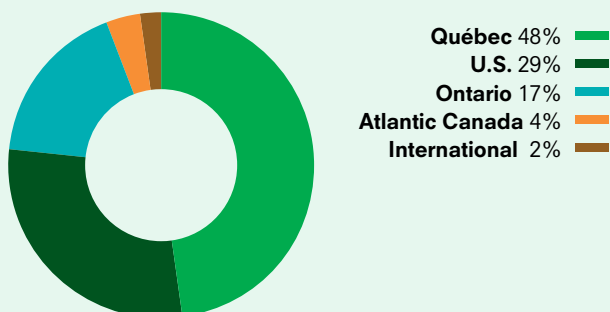


FIG. 2.7 D **EMPLOYEE REPRESENTATION AND LABOR ORGANIZATION**

	<u>UNIONIZED</u>
Canada	77%
United States	63%
South Korea	40%

2.7.1

EMPLOYEES – HUMAN RESOURCES

LABOR RELATIONS

To maintain strong labor relations, Resolute engages in ongoing dialogue with local union representatives and employees from all pulp and paper mills, sawmills and woodlands operations on business realities. As part of our restructuring efforts in 2010, the Company and certain unions renewed the majority of our collective bargaining agreements, a process that resulted in salary concessions and other cost savings.

In Canada, Resolute and our paper operation unions also negotiated: a freeze of our defined benefit pension plans; relief from funding requirements regarding the deficit in these defined benefit pension plans; and the introduction of a new target benefit plan for future service. Achieving new labor agreements with our unions was an essential component of Resolute's restructuring process and our successful emergence from creditor protection.

In the United States, Resolute and our paper operation unions negotiated the first master agreement covering four mills, which included: closing the defined benefit pension plans for new hires; freezing the defined benefit pension plans for those employees not "grandfathered" based on age and years of service; and establishing a defined contribution retirement savings plan.

A significant portion of our collective bargaining agreements will expire in 2014. The Company is developing strategies to proactively manage the risks associated with the renewal of labor contracts.

2.7.2

**EMPLOYEES –
HEALTH AND SAFETY****Ensuring the health and safety of our employees has been a major concern to Resolute Forest Products for many years.**

The central importance of safety within the Company's culture is reinforced in our Company values, introduced in 2010:

Work safely

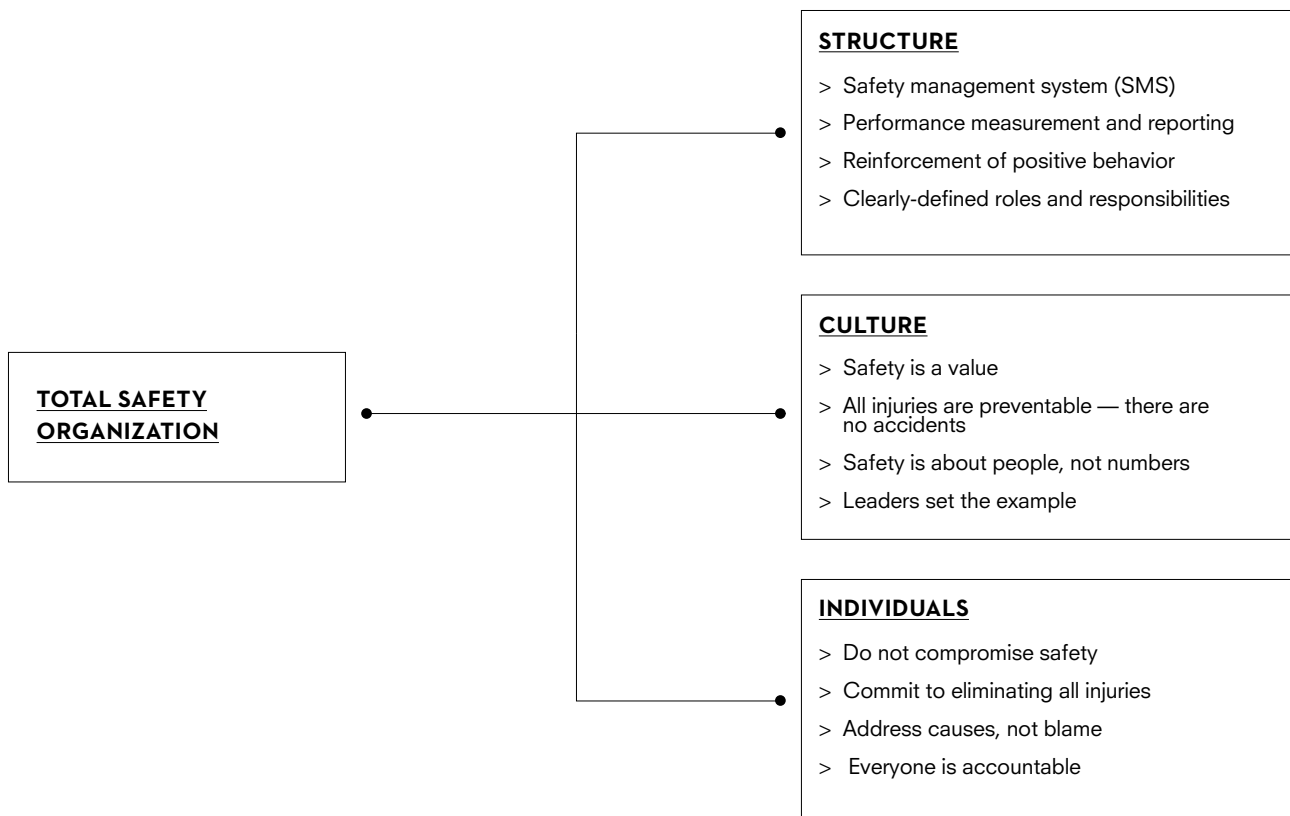
We always put the safety of our people first. Creating an injury-free workplace is everyone's business. We maintain world-class standards and continuously measure and improve our safety efforts and results.

Resolute sees our achievements in promoting a culture of safety within the Company as a model for engaging employees on other Company values. Some successful health and safety practices, such as convening an incident review call within 24 hours of an injury, are now being used for environmental incidents as well.

Our approach to health and safety in 2010 remained focused on strengthening our safety management system at all facilities and embedding safety into our everyday culture through training and workshops.

TOTAL SAFETY ORGANIZATION

Our aspiration is to be a "total safety organization". This means being an organization where safety is embedded into the cultural DNA of day-to-day operations, where all individuals put safety first, and where the structure and management systems are in place to support and ensure total safety.

FIG.
2.7 E**TOTAL SAFETY
ORGANIZATION**

2.7.2

EMPLOYEES – HEALTH AND SAFETY

SAFETY MANAGEMENT SYSTEM (SMS)

We have implemented a safety management system (SMS) at all Company facilities. Our health and safety policy, updated in May 2011, applies to all employees and contractors worldwide and in all locations.

The SMS contains key elements including training and awareness, audits and monitoring, and employee engagement through the use of joint health and safety committees at all sites. The SMS has detailed policies and procedures for dozens of activities, such as employee orientation, incident investigations and emergency response procedures. We also have a standard specifically for contractors through which the historical health and safety performance of prospective contractors is reviewed before work is allowed to begin.

At a minimum, this system meets the most stringent regulatory standards and applies equally to all facilities in all regions. In addition, sites are audited on their implementation of the SMS on a three-year rotating schedule. Audits focus on management leadership and employee involvement, worksite analysis, hazard prevention and control, training, and monitoring and compliance.

CROSS-FACILITY COMMUNICATION

Ensuring communication across facilities is a key element of our SMS. In 2010, safety managers and relevant senior managers at each mill continued our practice of participating in monthly conference calls to review incidents and share best practices. As well, within 24 hours of a work-related injury or incident, a call is held with everyone involved, including the supervisor of the injured employee, the general manager of the site where the

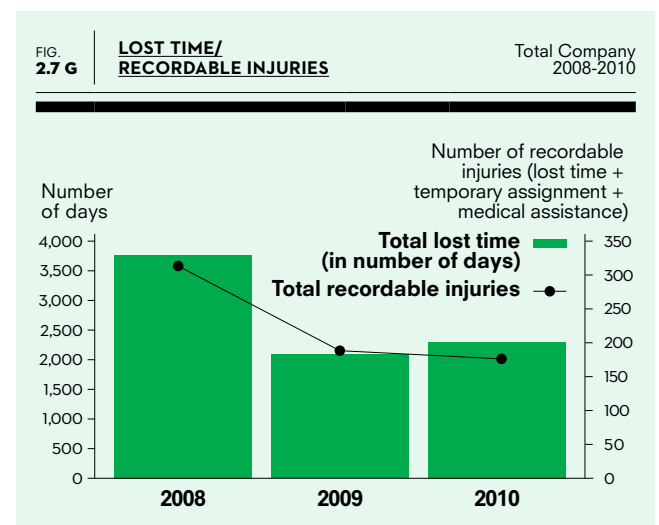
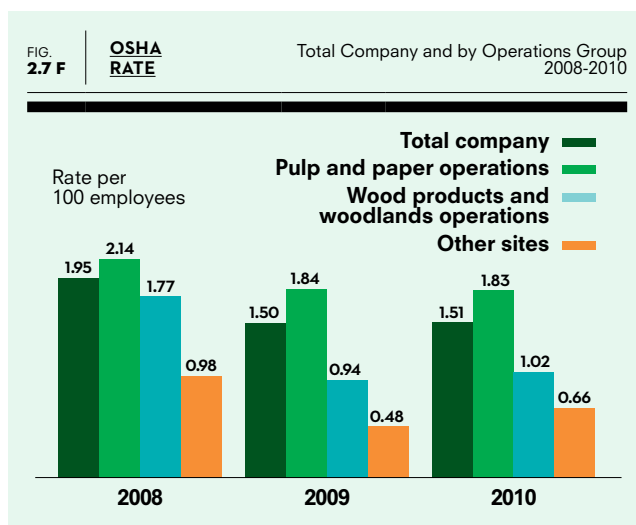
incident occurred, the Vice Presidents, Operations, the Senior Vice President, Operations and the corporate Safety and Health Manager. Transferable lessons from these discussions are shared with other operations.

All managers in the Company have access to our online safety portal, developed in 2008, which contains information about health and safety, best practices, details on the SMS, etc. Resolute's success in sharing health and safety information among facilities has become a model for information-sharing on other activities, such as environmental performance.

CREATING A CULTURE OF SAFETY

To embed safety into our culture, we have been delivering a corporate workshop called "Changing the Way We Think about Safety" since 2008. The workshop was developed based on extensive research that included site visits to examine other company practices, and academic research on people's behavior related to safety. The goal of the research was to identify safety best practices.

By the end of 2010, over 2,500 employees had been trained. Our goal is for all employees to complete this workshop, including those at our corporate office. We have also begun conducting one-day workshops for leaders of the Company (any person who has an influential role on other people – not necessarily managers by title). These leaders will be responsible for communicating safety to all workers. In 2011, the Company's short-term incentive plan (STIP) for non-unionized employees (approximately 2,000 people) has two indicators tied to safety performance (frequency and severity), representing 20% of potential bonus payout for STIP participants.



2.7.2

**EMPLOYEES –
HEALTH AND SAFETY****HEALTH AND SAFETY PERFORMANCE**

Our objective is to operate with zero incidents, zero injuries. We have an annual target²⁷ to achieve an Occupational Safety and Health Administration (OSHA) incident rate of 1.0 or below. We review our performance on a monthly basis with the Health and Safety Steering Committee, as well as three times a year with the Environment, Health and Safety Committee of the Board of Directors.

Total recordable injuries declined by 44% from 2008 to 2010, and lost-time days went down 39% over the corresponding period. This is due in part to the 28% reduction in total hours worked, but also reflects the strengthening of our safety management system. From 2008 to 2010, our total Company OSHA rate declined 23% to 1.51. Regrettably, in 2010, there was one fatality of a contract employee working in our Mokpo paper mill in South Korea. A root-cause investigation was performed and preventive measures were implemented and communicated.

We also track the severity rate of injuries (number of workdays lost due to injury per 200,000 hours worked, divided by the number of hours worked), enabling us to see the actual impact on the health of our employees. Because some of our sites had different interpretations of this indicator, the Company-wide results do not provide us with an accurate picture for 2010. To address this issue, a standardized approach was introduced in 2011 and all sites have been reporting using the same tool.

HEALTH AND SAFETY FOCUS

Hand and arm injuries account for about 41% of incidents at pulp and paper mills, and 67% of incidents at wood products facilities. In 2008 we launched a “hand and arm” initiative at our wood products facilities to help minimize incidents, and the following year it was implemented at pulp and paper mills. Unfortunately, the initiative did not result in the expected decline in hand and arm injuries in 2009-2010. Many of these injuries were identified as stemming from employees either not wearing personal protective equipment (PPE), or using the wrong PPE for the task.

Consequently, in 2011, we are focusing on deepening our safety practices related to PPE by implementing a more rigorous policy and procedures that apply to all employees, visitors and contractors, for example, ensuring PPE is worn gate-to-gate.

HEALTH AND SAFETY RECOGNITION

Resolute recognizes outstanding achievements in consecutive safety hours. In 2010, the Company granted 28 awards to 26 facilities for reaching significant milestones in safety performance: 23 awards for 250,000 consecutive hours without an incident, one award for 500,000 consecutive hours, and four awards for 750,000 hours. Award-winning facilities received a monetary prize to be donated to the charity of their choice. Total reward money awarded to facilities in 2010 was \$185,000.

NOTE

[27] These targets do not include contract workers. We currently only track the number of recordable injuries for contractors. This said, due to the seasonal nature of the work, we have a higher number of contract workers in our woodlands operations. In 2011, we will begin tracking the OSHA incident rate calculations for contractors in our woodlands operations.

2.7.2

**EMPLOYEES –
HEALTH AND SAFETY**



2.7.2 EMPLOYEES – HEALTH AND SAFETY

EMPLOYEE PERSPECTIVE

PAUL GRONDIN

Sawmill and
Woodlands Manager

Maniwaki
(Québec)

CREATING A TOTAL SAFETY ORGANIZATION

“ To me, a true safety culture is one where we are as concerned for our fellow employees’ safety in the workplace as we are for our own families’ well-being. It is a culture where people feel comfortable speaking out and are accountable for the safety of those around them – where people are proud of their active engagement and take ownership of their safety performance.

I am a professional accountant, and my previous experience was in finance. When I was asked to join the Operations group at Resolute, the first question I asked myself was “What would I do if something – an accident – happened to an employee?”

I am committed to ensuring that every close call – no matter how small or seemingly insignificant – is reported. We must work together to address safety issues at all levels, avoiding the escalation of issues to major problems.

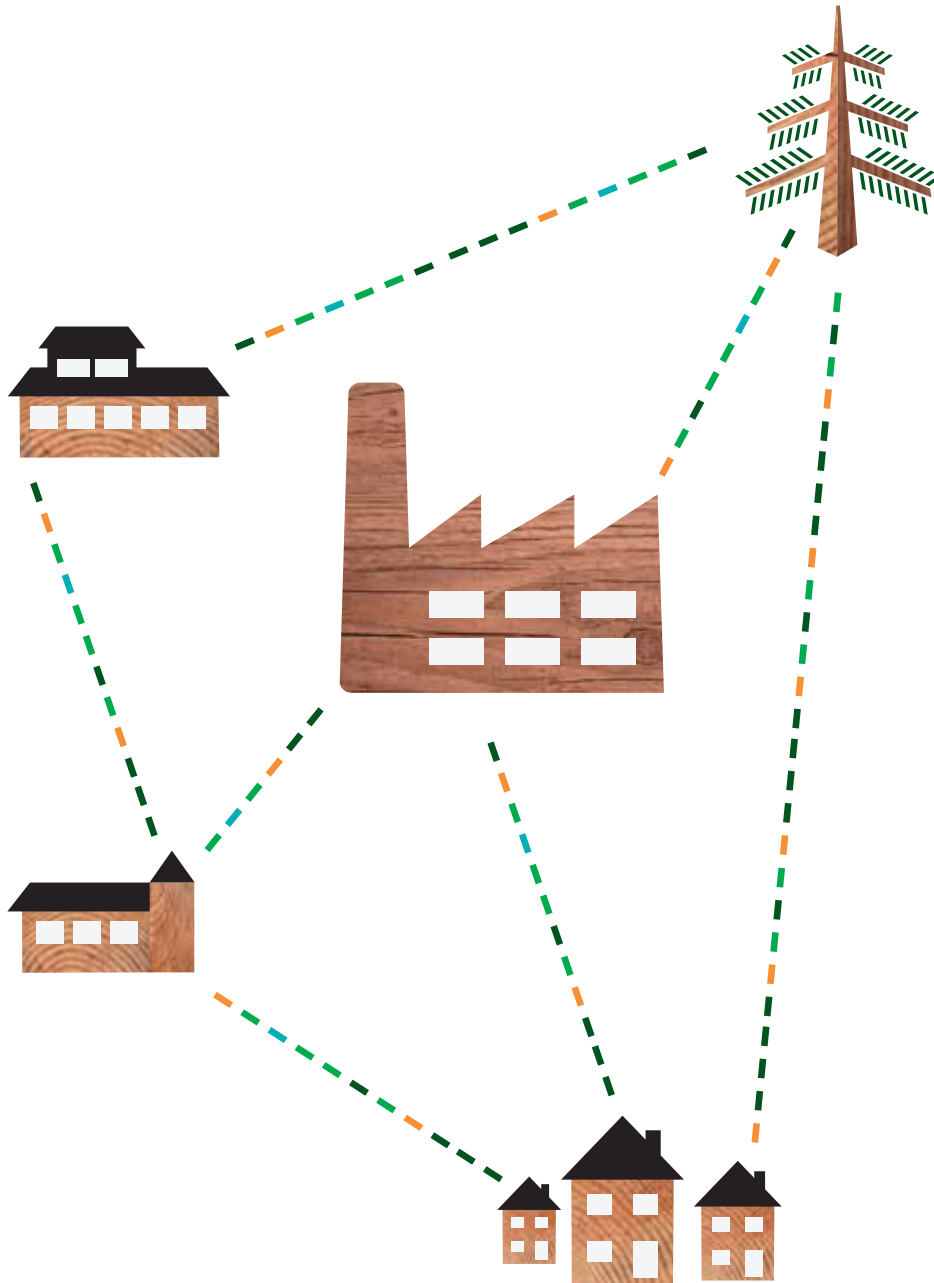
This approach has at its foundation transparent, daily communication and interaction where everyone’s safety matters. Given the risks associated with some of our daily tasks, we must come to know and trust each other like family. It is only then that we can truly know if someone is not up to the task at hand on a given day. Our approach to safety also allows our employees to feel comfortable enough to voice their concerns. It is a mutual commitment and what a true safety culture is all about.

I visit with employees at the start and at the end of each week so I can get to know everyone, share Company news and exchange ideas. At times, it can be difficult to motivate employees given what the Company has been through in recent years. It is only by being transparent in our communications that we can overcome this and focus on safety.

Sometimes people ask me why I am so passionate about health and safety. I believe the answer lies in what a co-worker’s spouse once said to me: “Thank you for everything that you do to protect him.” In reality, however, promoting a safety culture is really about what we all do to protect each other. ”

2.8

COMMUNITY



2.8

COMMUNITY

Resolute Forest Products greatly appreciated the support received from communities and local leaders throughout our restructuring. We know, at times, the process strained some relationships built over the years. As a stronger, more sustainable Company, it is our intention to work on these relationships by becoming a better and more engaged neighbor.

As we gain further positive momentum in our profitability, Resolute will continue to invest in our operations, better positioning our facilities to take advantage of future opportunities. We also plan to re-engage with the people who live in our operating regions, for example through a reputation survey we are conducting in 2011. The survey findings will be included in our 2011 Sustainability Report.

This report only tells part of the story around our relationships with our communities. Most local interactions occur at the mill level as part of the normal course of community life, rather than as organized activities.

STRUCTURAL CHANGES AND LOCAL COMMUNITIES

To stay competitive and return to profitability, the Company underwent major structural changes that significantly impacted the regions in which we operate. Closing machines and entire facilities impacts employees as well as the host communities. During our restructuring, we made several decisions that had such an impact:

- > In 2010, the Company completed the sale of several assets, including mills at Mackenzie (British Columbia), Dalhousie (New Brunswick), Fort William (Ontario), Beaupré, Belgo and Donnacona (Québec), as well as recycling processing facilities in Texas.
- > As part of our restructuring, in August 2010 Resolute confirmed the indefinite closure of our Gatineau and Dolbeau (Québec) paper mills. The Gatineau closure reduced our newsprint and commercial printing paper capacity by 360,000 metric tons, while the permanent shutdown of Dolbeau removed 244,000 metric tons of commercial printing paper capacity. The Company also announced one permanent machine idling at our Thorold (Ontario) mill, representing just over 200,000 metric tons in capacity reduction.

> In our Wood Products division, our Saint-Fulgence and Petit-Saguenay sawmills (Québec) were idled due to difficult market conditions, and wood products operations in Saint-Raymond (Québec) and Mackenzie (British Columbia) were sold.

> On February 2, 2010, Resolute announced that our Bridgewater Paper Company Limited (BPCL) subsidiary had filed for administration in the United Kingdom. Joint Administrators from Ernst & Young LLP were appointed as part of this filing to manage the affairs, business and assets of BPCL.

Since our emergence from creditor protection, Resolute has continued to optimize our asset portfolio. The Company announced in August 2011 plans to restart the Ignace (Ontario) sawmill.

ECONOMIC IMPACTS

Resolute has substantial economic impacts in our operating communities through the purchases we make, taxes paid, other financial obligations, charitable giving and employee wages. For example, in 2010, we paid over \$895 million in employee wages. In many communities, our operations anchor the local economy, providing thousands of direct and indirect jobs and driving additional economic development and prosperity.

As we continue to generate positive earnings and reinvest in our business, Resolute will be better-positioned to prosper under a variety of market conditions.

EMPLOYEE PENSIONS

In 2010, as part of our restructuring, Resolute was required to address a solvency deficit in our registered Canadian pension plans. Obligation to pay this deficit over 5 years as per provincial legislation requirements

2.8

COMMUNITY

would have forced Resolute into a liquidation of the Company and consequently the winding up of all pension plans in Canada. In this scenario, retirees would have lost an average of 25% of their pensions.

Rather than take that approach, Resolute worked diligently to ensure that pensioners and beneficiaries continued to receive 100% of their benefits during and following the creditor protection process. The Company worked with government authorities in Ontario and Québec to address requirements regarding pension plan solvency and to establish a manageable cost structure for the payment of pension fund obligations. As a result, in both provinces, the Company entered into special pension funding agreements that balanced our financial ability to make pension contributions with the protection of the rights of pension plan members.

COMMUNICATION

Resolute has established procedures to communicate proactively with stakeholders in our operating communities, including meetings led by mill managers with local officials. Each facility develops and implements a plan to maintain stakeholder relationships through ongoing communication and outreach, and to manage participation in strategic community, state and provincial programs.

At each location, Communication Leaders are designated to support the cascading of information throughout the Company and to manage public affairs programs at the operating level. Mill-level communication functions include the sharing of information through: local newsletters; common area postings; organizing meetings and internal correspondence; management of local activities following an incident; local political grassroots outreach; and coordination of stakeholder visits and meetings.

PHILANTHROPY

Resolute recognizes the strategic role contributions play in community relations, customer and consumer interactions, and the overall positioning of our corporate identity. We have chosen two pillars of sustainable development as our priority areas for strategic philanthropic contributions: social (health and education with an emphasis on pre-university programs) and environmental (education and specific projects such as recycling). Philanthropic support for economic (community entrepreneurship) activities has been set as a secondary priority.

Due to financial performance and the creditor protection proceedings, Resolute's level of philanthropic contributions has been limited for a number of years. The Company has also established a formal mechanism to review all funding requests that exceed \$10,000.

At the operational level, each facility is provided with a local contributions guideline for community donations and sponsorships. Managers are allowed a certain amount of discretion on how they allocate their respective budgets, provided that 75% of funded activities fall within the Company's target areas of funding.

Humanitarian contributions are supported through participation in local Centraide/United Way campaigns, and the Company encourages employee-led regional or site-specific workplace campaigns. In 2010, Resolute matched Montreal-based employee contributions of C\$50,000 and donated a total of C\$100,000 to the United Way of Greater Montreal.

We also contribute to communities through our Paper Retriever® program (bit.ly/rfp-sr10-13), a collection service that places paper recycling bins throughout metropolitan areas and rebates sponsors based on the volume of paper collected. In 2010, we paid over \$3.6 million to schools, places of worship, community associations, libraries and small businesses for their participation in the program.

COMMUNITY PARTNERSHIPS AND ENGAGEMENT

Resolute values the opportunity to build local partnerships in our operating communities and views this collaborative approach with our host communities as a critical component of conducting business.

FIG. 2.8	ECONOMIC IMPACTS ²⁸			2008-2010
	2010	2009	2008	
Revenues (\$ millions)	4,746	4,366	6,771	
Operating costs (\$ millions)	4,925	4,630	6,959	
Employee wages and benefits ²⁹ (\$ millions)	895	979	1,270	
Payments to providers of capital (\$ millions)	198	276	559	
Taxes paid ³⁰ (\$ millions)	2.6	2.3	6.1	
Philanthropy (\$ millions)	0.6	0.6	1.0	

2.8

COMMUNITY

Resolute engages with local governments, elected officials and civic organizations to review our operational plans. As required by provincial laws and regulations, Resolute prepares 20- or 25-year forest management plans that are revised every five years. Public participation is a critical part of the process, and we encourage local community groups, individuals and First Nations communities to participate in the planning process.

In some operating communities, First Nations peoples make up a large portion of the population. Resolute has numerous partnerships with First Nations groups near our operations for the cooperative management of sustainable forestry licenses, engineering, financing, reforestation, forest road access, harvesting, forestry and tree planting, transportation, and wood processing.

In Thunder Bay (Ontario), Resolute has a financial partnership with the Fort William First Nation to operate a sawmill employing over 175 people. Since 1998, Resolute and the Council of Atikamekw Ojibwa in Québec have operated the Ojibwa sawmill in the territory of the Ojibwa reserve. The forestry operations and sawmill employ 135 people.

The Company has made a commitment to draft a formal policy regarding our relations with First Nations in 2012.

POLITICAL PARTICIPATION AND PUBLIC POLICY

Resolute participates in the political process on issues directly related to the Company and the forest products industry. As a company that manufactures products for sale globally, we are affected by a diverse set of public policy issues, such as climate change and emission limits, transportation matters, labor issues, tax reform, postal reform, paperless communications, international trade, extended producer responsibility, forestry management programs, among others. Resolute's participation in the political process involves grassroots and grassroots outreach, lobbying, and political contributions as governed by the laws and regulations of the jurisdictions where we do business.

Financial support is provided to individuals and political parties sharing beliefs, principles and concerns relative to key business issues. Resolute makes direct political contributions in both the U.S. and Canada at the state/provincial and federal levels. In 2010, the Company directly contributed C\$5,000 for various political events in Ontario, Canada. These contributions were consistent with provincial laws governing political contributions. In the U.S., Resolute has a political action committee (PAC), which directly involves eligible employees in the political process. In 2010, employees contributed \$33,000 through our PAC to various candidates, primarily at the federal level.

Resolute is also involved in lobbying activities via its membership in various industry associations, including the American Forest and Paper Association (AF&PA), Forest Products Association of Canada (FPAC), Ontario Forest Industries Association (OFIA) and Conseil de l'industrie forestière du Québec (CIFQ), and plays an active role on governance boards and in various issue-specific committees within these associations.

NOTES

1 281 For more information, see the Company's Form 10-K for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission on April 5, 2011.

1 291 Does not include wages and benefits for sawmills and wood products facilities closed over the last 3 years: Albertville, Champneuf, Chibougamau, Laterrière, Mackenzie, Saint-Raymond and Westover.

1 301 Includes Canadian capital taxes, U.S. corporate taxes and state franchise taxes. Property taxes are not included in these tallies as time-series data was not available at press time. The Company intends to include property tax figures in future sustainability reports.



2.8 COMMUNITY

EMPLOYEE PERSPECTIVE

BENOÎT BRIÈRE

Director,
Pension and Benefits,
Canada

Montréal
(Québec)

COLLABORATING TO SUPPORT RETIREE PENSIONS

“ One of the toughest issues facing Resolute over the last two years of creditor protection and restructuring was ensuring the future of employee pension plans.

Upon entering into creditor protection, Resolute's Canadian registered employee pension plans had aggregate unfunded liabilities of C\$1.3 billion. Under provincial law in Canada, Resolute had five years to pay down this deficit.

Obligation to pay this deficit would have forced Resolute into a liquidation of the Company and consequently the winding up of all pension plans in Canada. In this scenario, retirees would have lost an average of 25% of their pensions.

In order to avoid this, Resolute approached the Québec and Ontario governments with a plan to continue paying retirees 100% of their pension benefits while amortizing the unfunded liability payments over a longer period of time.

The proposal was well-received. The provincial governments wanted to support Resolute and prevent any hardship for retirees. During the fall of 2010, we announced agreements with each government, and in the summer of 2011, the agreements were implemented.

The solution was not perfect for all retirees, but most accepted that it was the best scenario under the circumstances.

So far, it seems to be working. In August 2011, Resolute announced it was accelerating the payment of future contributions and also made an additional voluntary contribution of C\$20 million to help improve the plans' aggregate solvency ratio.

For me personally, finding a win-win outcome for Resolute's 20,000 pensioners has been the challenge of my career. The outcome made for a rewarding experience, and I appreciate the efforts of the Company, the governments of Ontario and Québec, our retirees, and the unions for their invaluable contributions in finding a collaborative solution. ”

2.9

ECONOMIC IMPACTS



2.9

**ECONOMIC
IMPACTS**

At Resolute Forest Products, profitability and sustainability drive our future. To be a sustainable company, we must be financially viable, we must be profitable, and we must create value for our shareholders. At the same time, Resolute's sustainability efforts have been a critical factor in attracting customers, employees and investors, and we believe that continuous improvement in our sustainability performance helps us manage environmental, social and economic risks that can impact shareholder value.

FINANCIAL AND OPERATIONAL RESTRUCTURING

Resolute Forest Products is not the same company that filed for creditor protection in 2009. The Company has built a solid foundation and now has the financial flexibility to execute our business strategy of sustained profitability.

Resolute's competitive position has become stronger by streamlining our asset profile to top-performing facilities. This was achieved by closing or idling 3.4 million metric tons of paper capacity since 2007, bringing us to a total capacity of 6.9 million metric tons at the time of the Company emergence from creditor protection in December 2010. We also rebalanced our product portfolio, reducing exposure to any one grade and placing us in a better position to adapt to future market fluctuation or changes in demand.

The Company's realigned capital structure has put us in a more robust financial position. From the 2007 merger to emergence from creditor protection, Resolute dramatically reduced its debt burden by 88%, from \$6.8 billion to \$850 million, excluding approximately \$239 million in non-recourse joint-venture debt. As at November 2011, we had taken additional steps to reduce total debt to approximately \$586 million. Our 2011 debt-reduction efforts will be detailed in next year's report.

Resolute eliminated \$880 million of annual fixed costs, from \$1,353 million at the time of the merger to \$473 million at emergence, in part, by reducing selling, general and administrative (SG&A) and cash interest expenses associated with the Company's debt, as well as developing a plan to address our pension obligations. In total, SG&A costs have been reduced to \$155 million, 53% lower than in 2007, and additional reductions are well underway in 2011.

To better focus on our core businesses and monetize non-strategic assets, the Company also completed a strategic review and sold assets and land holdings for total proceeds of over \$940 million since the 2007 merger. Through restructuring, we have transformed into one of the leanest, lowest cost forest products companies in North America.

2010 FINANCIAL PERFORMANCE

The last several years have been challenging for Resolute and the forest products industry overall. Despite a total reported operating loss of \$160 million, Resolute's financial results improved significantly in the second half of 2010. While the Company reported an operating loss in quarters one and two, it had net operating income in quarters three and four, and full-year results were significantly improved compared to 2009.

Manufacturing costs increased in 2010 over 2009, primarily due to: a significant increase in the value of the Canadian dollar, resulting in an unfavorable currency exchange; the expiration of the alternative fuel mixture tax credits at the end of 2009; higher maintenance costs, particularly for market pulp; and higher costs for energy.

Sales increased by \$380 million, or 8.7%, from \$4,366 million in 2009 to \$4,746 million in 2010, primarily due to significantly higher transaction prices for market pulp and wood products, higher transaction prices for newsprint, and higher shipments for coated papers, specialty paper and wood products.

As at December 31, 2010, the Company had a strengthened liquidity position, with cash and cash equivalents of approximately \$319 million and approximately \$265 million of availability under its \$600 million asset-backed loan credit facility.

2.9

ECONOMIC
IMPACTS

Resolute's financial statements for the 2010 fiscal year, which were filed on April 5, 2011 (bit.ly/rfp-sr10-4), provide more detailed insight into our operations. Readers should note that due to various adjustments made to implement the Company's plans of reorganization under its creditor protection proceedings and the application of "fresh start accounting" following emergence from court protection, these statements will not be directly comparable to future financial statements.

We are confident that our strategy moving forward is the right roadmap to navigate the challenging market conditions we will continue to face.

FINANCIAL OUTLOOK

Resolute is committed to capitalizing on its competitive position and building value. Our company strategy has three areas of focus:

- 1) Operational, where we will work to improve our performance and margins by leveraging our low-cost position, continuing to drive costs lower, capitalizing on our economical access to international markets and selling only profitable tons;
- 2) Corporate, where we will continue to de-leverage the Company, reduce our overhead and spend capital in a disciplined, strategic and focused manner; and
- 3) Strategic, where we will take an opportunistic approach to strategic opportunities for low-cost, competitive diversification and growth.

FIG. 2.9 A RETURN ON CAPITAL EMPLOYED³¹ 2008-2010

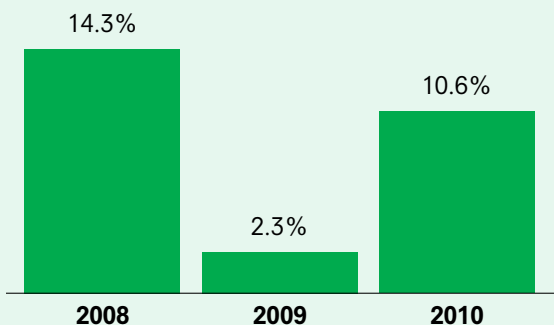
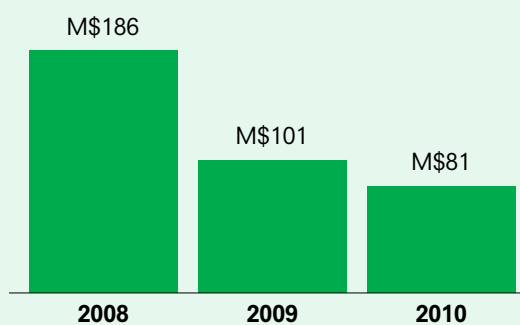


FIG. 2.9 B CAPITAL EXPENDITURES 2008-2010



NOTE

311 Annualized return on capital employed (ROCE) is calculated for active pulp and paper mills as at December 31, 2010. Figures exclude Wood Products, hydroelectric facilities and the Recycling Division.

**WE ARE
RESOLUTE**



3.1

MILL ENVIRONMENTAL PERFORMANCE DATA

FIG. 3.1 A | PRODUCTION AND CERTIFICATION

MILL	Chain of Custody Certification ³²	ISO 14001 Certification	2010 TOTAL PRODUCTION ³³ mt
Alma (Québec)	FSC, PEFC	Yes	365,705
Amos (Québec)	FSC (2011), PEFC (2011)	Yes	193,633
Augusta (Georgia)	FSC CW, PEFC, SFI	Yes	403,499
Baie-Comeau (Québec)	FSC (2011), PEFC (2011)	Yes	520,925
Calhoun (Tennessee)	FSC CW, PEFC, SFI	To come in 2011	658,038
Catawba (South Carolina)	FSC CW, PEFC, SFI	Yes (2011)	859,302
Clermont (Québec)	To come in 2012	Yes	336,266
Coosa Pines (Alabama)	FSC CW, PEFC, SFI	Yes	406,238
Fort Frances (Ontario)	FSC (2011), PEFC	Yes	319,341
Gatineau (Québec)	PwC	Yes	86,902
Grenada (Mississippi)	FSC CW, PEFC, SFI	To come in 2011	241,730
Iroquois Falls (Ontario)	FSC (2011), PEFC, SFI (2011)	Yes	235,732
Kénogami (Québec)	FSC, PEFC	Yes	203,687
Laurentide (Québec)	FSC, PEFC	Yes	329,849
Mersey (Nova Scotia)	FSC, PEFC, SFI	To come in 2011	222,277
Mokpo (South Korea)		To come in 2011	242,163
Ponderay (Washington)	To come in 2012	To come in 2011	243,986
Thorold (Ontario)	FSC	Yes	201,474
Thunder Bay (Ontario)	FSC, PEFC, SFI	Yes	539,993
Total – Pulp and Paper Mills			6,610,741

NOTES

[32] FSC Forest Stewardship Council

FSC CW FSC Controlled Wood

PEFC Programme for the Endorsement of Forest Certification

PwC PricewaterhouseCoopers

SFI Sustainable Forestry Initiative®

[33] Production shown here includes facilities and machines permanently closed as of December 31, 2010 and differs from what is reported in our 2010 10-K; data represents 100% of production for all mills, including those where we have less than 100% ownership; for details refer to page 7 of our 2010 10-K.

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG. 3.1 B ENERGY -
ELECTRICITY

MILL	Purchased Electricity Used (absolute) GWh	Purchased Electricity Used (absolute) GJ	Internally-Generated Electricity Used (absolute) GWh	Internally-Generated Electricity Used (absolute) GJ	Electricity (intensity) MWh/mt	Renewable Electricity %
Alma (Québec)	600	2,159,831	511	1,839,856	3.04	98%
Amos (Québec)	559	2,012,364	—	—	2.89	96%
Augusta (Georgia)	965	3,474,526	—	—	2.39	3%
Baie-Comeau (Québec)	1,662	5,982,091	—	—	3.19	96%
Calhoun (Tennessee)	1,254	4,514,000	385	1,387,152	2.49	29%
Catawba (South Carolina)	1,241	4,467,730	319	1,148,976	1.82	19%
Clermont (Québec)	1,166	4,198,244	—	—	3.47	96%
Coosa Pines (Alabama)	262	943,160	154	555,685	1.02	27%
Fort Frances (Ontario)	223	804,197	340	1,224,220	1.76	59%
Gatineau (Québec)	240	865,775	0.38	1,367	2.77	96%
Grenada (Mississippi)	734	2,640,730	—	—	3.03	0%
Iroquois Falls (Ontario)	380	1,368,479	347	1,250,449	3.09	62%
Kénogami (Québec)	287	1,032,569	452	1,627,909	3.63	99%
Laurentide (Québec)	772	2,777,998	—	—	2.34	96%
Mersey (Nova Scotia)	675	2,429,340	—	—	3.04	35%
Mokpo (South Korea)	261	938,238	—	—	1.08	1%
Ponderay (Washington)	753	2,710,260	—	—	3.09	80%
Thorold (Ontario)	238	856,386	—	—	1.18	27%
Thunder Bay (Ontario)	629	2,263,954	249	894,784	1.62	45%
Total – Pulp and Paper Mills	12,900	46,439,871	2,758	9,930,397	2.36	58%

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG. 3.1 C ENERGY -
FUEL³⁴

MILL	Fuel Used (absolute) GJ	Biomass Fuel Used %	Fuel Used (intensity) GJ/mt
Alma (Québec)	1,598,294	31%	4.37
Amos (Québec)	1,621,753	97%	8.38
Augusta (Georgia)	2,060,168	94%	5.11
Baie-Comeau (Québec)	2,430,253	92%	4.67
Calhoun (Tennessee)	18,581,082	82%	28.24
Catawba (South Carolina)	19,032,547	86%	22.15
Clermont (Québec)	673,797	22%	2.00
Coosa Pines (Alabama)	12,419,038	56%	30.57
Fort Frances (Ontario)	12,551,792	76%	39.31
Gatineau (Québec)	1,021,517	80%	11.75
Grenada (Mississippi)	1,495,220	87%	6.19
Iroquois Falls (Ontario)	1,474,911	14%	6.26
Kénogami (Québec)	452,948	0%	2.22
Laurentide (Québec)	2,344,181	36%	7.11
Mersey (Nova Scotia)	4,104,416	99%	18.47
Mokpo (South Korea)	1,995,150	59%	8.24
Ponderay (Washington)	735,272	90%	3.01
Thorold (Ontario)	1,549,560	30%	7.69
Thunder Bay (Ontario)	11,212,861	90%	20.76
Total – Pulp and Paper Mills	97,354,760	76%	14.73

NOTE

[34] Does not include fuel for mobile equipment.

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG. 3.1 D | TOTAL ENERGY –
ELECTRICITY + FUEL

MILL	Total Energy Used (absolute) GJ	Total Energy Used (intensity) GJ/mt	Total Renewable Energy %
Alma (Québec)	5,597,980	15.31	79%
Amos (Québec)	3,634,117	18.77	96%
Augusta (Georgia)	5,534,693	13.72	37%
Baie-Comeau (Québec)	8,412,344	16.15	95%
Calhoun (Tennessee)	24,482,235	37.20	69%
Catawba (South Carolina)	24,649,253	28.69	70%
Clermont (Québec)	4,872,042	14.49	86%
Coosa Pines (Alabama)	13,917,883	34.26	52%
Fort Frances (Ontario)	14,580,208	45.66	73%
Gatineau (Québec)	1,888,659	21.73	88%
Grenada (Mississippi)	4,135,949	17.11	32%
Iroquois Falls (Ontario)	4,093,839	17.37	44%
Kénogami (Québec)	3,113,425	15.29	84%
Laurentide (Québec)	5,122,179	15.53	69%
Mersey (Nova Scotia)	6,533,756	29.39	0%
Mokpo (South Korea)	2,933,388	12.11	40%
Ponderay (Washington)	3,445,532	14.12	82%
Thorold (Ontario)	2,405,946	11.94	29%
Thunder Bay (Ontario)	14,371,598	26.61	79%
Total – Pulp and Paper Mills	153,725,028	23.25	69%

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATA

FIG. 3.1 E GREENHOUSE GAS (GHG) EMISSIONS

MILL	Scope 1 GHG (absolute) mt CO ₂ e	Scope 1 GHG (intensity) kg CO ₂ e/mt	Scope 2 GHG (absolute) mt CO ₂ e	Scope 2 GHG (intensity) kg CO ₂ e/mt
Alma (Québec)	57,270	156.60	4,017	10.98
Amos (Québec)	7,837	40.47	5,053	26.09
Augusta (Georgia)	10,801	26.77	602,556	1,493.33
Baie-Comeau (Québec)	20,516	39.38	15,020	28.83
Calhoun (Tennessee)	250,663	380.92	743,813	1,130.35
Catawba (South Carolina)	170,691	198.64	470,668	547.73
Clermont (Québec)	40,021	119.02	10,541	31.35
Coosa Pines (Alabama)	476,710	1,173.48	156,476	385.18
Fort Frances (Ontario)	161,252	504.95	53,480	167.47
Gatineau (Québec)	14,954	172.08	2,174	25.02
Grenada (Mississippi)	13,152	54.41	432,270	1,788.23
Iroquois Falls (Ontario)	3,433	14.56	91,612	388.63
Kénogami (Québec)	23,136	113.59	2,593	12.73
Laurentide (Québec)	76,815	232.88	6,975	21.15
Mersey (Nova Scotia)	10,714	48.20	369,911	1,664.19
Mokpo (South Korea)	66,183	273.30	162,710	671.90
Ponderay (Washington)	4,578	18.76	10,520	43.12
Thorold (Ontario)	53,873	267.39	57,330	284.55
Thunder Bay (Ontario)	67,800	125.56	151,559	280.67
Total – Pulp and Paper Mills	1,530,400	231.50	3,349,278	506.64

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG. 3.1 F
AIR EMISSIONS

MILL	NO _x (absolute) mt	NO _x (intensity) kg/mt	SO ₂ (absolute) mt	SO ₂ (intensity) kg/mt	Particulate Matter (TPM) (absolute) mt	Particulate Matter (TPM) (intensity) kg/mt
Alma (Québec)	104	0.28	31	0.08	98	0.27
Amos (Québec)	329	1.70	49	0.25	4	0.02
Augusta (Georgia)	230	0.57	25	0.06	146	0.36
Baie-Comeau (Québec)	246	0.47	97	0.19	12	0.02
Calhoun (Tennessee)	1,335	2.03	1,185	1.80	446	0.68
Catawba (South Carolina)	1,444	1.68	2,681	3.12	611	0.71
Clermont (Québec)	184	0.55	272	0.81	35	0.11
Coosa Pines (Alabama)	1,309	3.22	4,488	11.05	220	0.54
Fort Frances (Ontario)	921	2.89	145	0.45	163	0.51
Gatineau (Québec)	143	1.64	28	0.33	41	0.47
Grenada (Mississippi)	169	0.70	2	0.01	94	0.39
Iroquois Falls (Ontario)	32	0.14	1	0.00	191	0.81
Kénogami (Québec)	31	0.15	1	0.01	2	0.01
Laurentide (Québec)	177	0.54	14	0.04	96	0.29
Mersey (Nova Scotia)	259	1.17	26	0.12	96	0.43
Mokpo (South Korea)	157	0.65	27	0.11	4	0.02
Ponderay (Washington)	30	0.12	14	0.06	5	0.02
Thorold (Ontario) ³⁵	56	0.28	0	0.00	2	0.01
Thunder Bay (Ontario)	837	1.55	1,208	2.24	100	0.18
Total – Pulp and Paper Mills	7,994	1.21	10,293	1.56	2,368	0.36

NOTE

1351 As of June 2010, the Thorold mill no longer has any direct air emissions.

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG. 3.1 G | WATER
EFFLUENT

MILL	Volume Discharged (absolute) 000 m ³	Volume Discharged (intensity) m ³ /mt	BOD ₅ (absolute) mt	BOD ₅ (intensity) kg/mt	TSS (absolute) mt	TSS (intensity) kg/mt	AOX – Kraft Mills Only (absolute) mt	AOX – Kraft Mills Only (intensity) kg/mt
Alma (Québec)	16,760	45.83	141	0.39	478	1.31		
Amos (Québec)	7,038	36.35	114	0.59	202	1.04		
Augusta (Georgia)	16,670	41.31	NA	NA	NA	NA		
Baie-Comeau (Québec)	22,053	42.33	133	0.26	183	0.35		
Calhoun (Tennessee)	49,787	75.66	2,622	3.99	2,129	3.23	36	0.05
Catawba (South Carolina)	40,025	46.58	1,183	1.38	1,316	1.53	60	0.07
Clermont (Québec)	9,411	27.99	71	0.21	182	0.54		
Coosa Pines (Alabama)	57,320	141.10	745	1.83	944	2.32	50	0.12
Fort Frances (Ontario)	61,907	193.86	1,274	3.99	2,038	6.38	70	0.22
Gatineau (Québec)	6,804	78.30	34	0.39	71	0.82		
Grenada (Mississippi)	6,903	28.56	333	1.38	397	1.64		
Iroquois Falls (Ontario)	13,404	56.86	154	0.65	349	1.48		
Kénogami (Québec)	7,603	37.33	47	0.23	132	0.65		
Laurentide (Québec)	16,515	50.07	382	1.16	610	1.85		
Mersey (Nova Scotia)	6,849	30.81	177	0.79	1,149	5.17		
Mokpo (South Korea)	2,950	12.18	588	2.43	406	1.68		
Ponderay (Washington)	5,269	21.59	93	0.38	118	0.48		
Thorold (Ontario)	11,647	57.81	133	0.66	388	1.92		
Thunder Bay (Ontario)	47,650	88.24	432	0.80	601	1.11	119	0.22
Total – Pulp and Paper Mills	406,565	61.50	8,656	1.31	11,691	1.77	335	0.05

3.1

MILL ENVIRONMENTAL
PERFORMANCE DATAFIG.
3.1 H SOLID WASTE

MILL	Total Waste (absolute) mt	Total Waste (intensity) kg/mt	Waste to Landfill (absolute) mt	Waste to Landfill (intensity) kg/mt
Alma (Québec)	37,747	103.22	33,629	91.96
Amos (Québec)	13,634	70.41	6,403	33.07
Augusta (Georgia)	78,305	194.07	73,839	183.00
Baie-Comeau (Québec)	47,224	90.65	14,731	28.28
Calhoun (Tennessee)	126,662	192.48	54,124	82.25
Catawba (South Carolina)	111,896	130.22	110,619	128.73
Clermont (Québec)	19,389	57.66	181	0.54
Coosa Pines (Alabama)	130,702	321.74	68,170	167.81
Fort Frances (Ontario)	38,844	121.64	38,826	121.58
Gatineau (Québec)	14,511	166.98	7,859	90.44
Grenada (Mississippi)	16,276	67.33	297	1.23
Iroquois Falls (Ontario)	31,108	131.96	956	4.05
Kénogami (Québec)	14,142	69.43	2,552	12.53
Laurentide (Québec)	24,430	74.06	15,584	47.24
Mersey (Nova Scotia)	20,340	91.51	89	0.40
Mokpo (South Korea)	106,658	440.44	11,499	47.48
Ponderay (Washington)	30,351	124.40	1,136	4.66
Thorold (Ontario)	50,399	250.15	25,033	124.25
Thunder Bay (Ontario)	62,177	115.14	42,533	78.77
Total – Pulp and Paper Mills	974,796	147.46	508,059	76.85

3.2

GLOBAL REPORTING INITIATIVE (GRI) INDEX

This sustainability report was prepared using the Global Reporting Initiative's (GRI) G3 guidelines (bit.ly/rfp-sr10-23) at Application Level C (see page 12 for reporting requirements), although we provide full or partial disclosures on more than the required indicators. The GRI Content Index on the following pages provides a cross-reference to the indicators included in this report.

F = Fully reported **SR** = 2010 Sustainability Report
P = Partially reported **AR** = 2010 Annual Report
N = Not reported **10-K** = 2010 10-K
 PR = 2010 Proxy Statement

<u>GRI INDICATOR</u>	<u>LEVEL OF REPORTING</u>	<u>LOCATION OF REFERENCE</u>
PROFILE		
1. Strategy and Analysis		
1.1	F	SR 9-10
1.2	P	SR 11-16
2. Organizational Profile		
2.1	F	SR 5
2.2	F	SR 5
2.3	F	10-K 7-11, 68
2.4	F	SR Inside back cover
2.5	F	SR 5; AR 6-7
2.6	F	SR 5; 10-K 1
2.7	F	AR 4-5
2.8	F	SR 5-6; 61-62
2.9	F	SR 9-10, 61, 71; AR 3
2.10	F	SR 39
3. Report Parameters		
3.1	F	SR 11
3.2	F	SR 11
3.3	F	SR 9
3.4	F	SR Inside back cover
3.5	F	SR 11-14, 51
3.6	F	SR 11
3.7	F	SR 11
3.8	F	SR 11
3.9	N	
3.10	F	SR 28-29
3.11	F	SR 7, 9, 11, 29, 35

3.2

GRI INDEX

<u>GRI INDICATOR</u>	<u>LEVEL OF REPORTING</u>	<u>LOCATION OF REFERENCE</u>
3.12 Location of the Standard Disclosures in the report	F	SR 88-92
3.13 External assurance for the report	N	
4. Governance, Commitments and Engagement		
4.1 Governance structure of the organization	F	SR 28, 35, 57, 66; AR 9; bit.ly/rfp-sr10-5
4.2 Chair of the highest governance body	F	10-K 12; bit.ly/rfp-sr10-27
4.3 Independent and/or non-executive members of the highest governance body	F	PR 6-7; bit.ly/rfp-sr10-5
4.4 Mechanisms to provide recommendations or direction to the highest governance body	F	SR 57; PR 8; bit.ly/rfp-sr10-25
4.5 Link between compensation for members of the highest governance body, senior managers and executives and the organization's performance	F	SR 65; PR 28-29
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	F	PR 8; bit.ly/rfp-sr10-5
4.7 Qualifications and expertise of the members of the highest governance body	F	PR 9-10
4.8 Mission or values, codes of conduct and principles relevant to economic, environmental and social performance	F	SR 9-16, 57-58; bit.ly/rfp-sr10-5
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	F	SR 28, 35, 57, 66; bit.ly/rfp-sr10-5
4.10 Evaluation of the highest governance body's own performance	N	
4.11 Precautionary approach or principle	N	
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	N	
4.13 Memberships in associations	F	SR 22, 46, 52-55, 73
4.14 List of stakeholder groups engaged by the organization	F	SR 11-13, 51
4.15 Identification and selection of stakeholders	F	SR 11-12, 51
4.16 Approaches to stakeholder engagement	P	SR 11-12, 51
4.17 Key topics and concerns raised through stakeholder engagement	F	SR 11-14, 51-52
ECONOMIC PERFORMANCE INDICATORS		
Economic Performance		
EC1 Direct economic value generated and distributed	P	SR 6, 72, 77
EC2 Financial implications for the organization's activities due to climate change	F	SR 29-30 ³⁶
EC3 Coverage of the organization's defined benefit plan obligations	P	SR 63, 71-72; 10-K 109-114
EC4 Significant financial assistance received from government	P	SR 29, 46
Market Presence		
EC5 Range of ratios of standard entry level wage compared to local minimum wage	N	
EC6 Policy, practices, and proportion of spending on locally-based suppliers	N	
EC7 Procedures for local hiring	N	

NOTE

1361 Dollar value not disclosed for proprietary reasons.

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GRI INDEX

GRI INDICATOR	LEVEL OF REPORTING	LOCATION OF REFERENCE
Indirect Economic Impacts		
EC8 Infrastructure investments for public benefit	N	
EC9 Indirect economic impacts	P	SR 71-73
ENVIRONMENTAL PERFORMANCE INDICATORS		
Materials		
EN1 Materials used by weight or volume	F	SR 6, 21, 27-28, 40, 47
EN2 Recycled input materials	F	SR 21, 40, 47
Energy		
EN3 Direct energy consumption	F	SR 6, 27, 28, 81-83
EN4 Indirect energy consumption	P	SR 27, 81
EN5 Energy saved due to conservation	P	SR 29
EN6 Initiatives to provide energy-efficient or renewable energy-based products	P	SR 29
EN7 Initiatives to reduce indirect energy consumption	P	SR 29
Water		
EN8 Total water withdrawal by source	F	SR 6-7, 36, 86
EN9 Water sources significantly affected by withdrawal of water	N	
EN10 Percentage and total volume of water recycled and reused	N	
Biodiversity		
EN11 Location and size of land in, or adjacent to, protected areas	F	SR 21; bit.ly/rfp-sr10-17
EN12 Impacts of activities, products and services on biodiversity	N	
EN13 Habitats protected or restored	P	SR 2, 19-25, 52; bit.ly/rfp-sr10-26
EN14 Strategies, current actions and future plans for managing impacts on biodiversity	P	SR 9, 16, 19-25, 52; bit.ly/rfp-sr10-17
EN15 Number of IUCN Red List species and national conservation list species in areas of operation	P	SR 21-22
Emissions, effluents and waste		
EN16 Total direct and indirect greenhouse gas emissions	F	SR 6, 28-29, 84
EN17 Other relevant indirect greenhouse gas emissions	F	SR 6, 28, 84
EN18 Initiatives to reduce greenhouse gas emissions	F	SR 28-29
EN19 Emissions of ozone-depleting substances	N	
EN20 NO _x , SO _x and other significant air emissions	F	SR 6, 39, 85
EN21 Water discharge by quality and destination	F	SR 6, 36-37, 86
EN22 Waste by type and disposal method	F	SR 6, 39, 87
EN23 Significant spills	F	SR 37-38
EN24 Waste deemed hazardous	P	SR 6, 39
EN25 Biodiversity value of water bodies and related habitats	N	
Products and services		
EN26 Initiatives to mitigate environmental impacts of products	P	SR 29, 45-46
EN27 Products sold reclaimed by category	F	SR 47
Compliance		
EN28 Non-compliance with environmental laws and regulations	P	SR 37; 10-K 123

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GRI INDEX

<u>GRI INDICATOR</u>	<u>LEVEL OF REPORTING</u>	<u>LOCATION OF REFERENCE</u>
Transport		
EN29 Significant environmental impacts of transporting products	N	
Overall		
EN30 Environmental protection expenditures	P	10-K 70, 123
SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICES AND DECENT WORK		
Employment		
LA1 Employment type, employment contract and region	P	SR 62
LA2 Employee turnover by age group, gender and region	P	SR 61
LA3 Benefits provided to full-time employees	N	
Labor/management relations		
LA4 Collective bargaining agreements	F	SR 62
LA5 Notice period(s) regarding significant operational changes	N	
Occupational health and safety		
LA6 Formal joint management-worker health and safety committees	P	SR 65
LA7 Injury, occupational diseases, lost days, absenteeism and number of work-related fatalities	P	SR 65-66, 96
LA8 Education, training, counseling, prevention and risk-control programs	N	
LA9 Health and safety topics covered in formal agreements with trade unions	N	
Training and education		
LA10 Training per employee	N	
LA11 Programs for skills management and lifelong learning	P	SR 61
LA12 Performance and career development reviews	P	SR 62
Diversity and equal opportunity		
LA13 Gender, age group and minority group membership	N	
LA14 Ratio of basic salary of men to women	N	
SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS		
Investment and procurement practices		
HR1 Investment agreements that include human rights clauses or human rights screening	N	
HR2 Suppliers and contractors that have undergone screening on human rights	N	
HR3 Employee training on policies and procedures on human rights	N	
Non-discrimination		
HR4 Incidents of discrimination	N	
Freedom of association and collective bargaining		
HR5 Risk to the right to exercise freedom of association and collective bargaining	F	SR 62-63
Child labor		
HR6 Risk for incidents of child labor	N	
Forced and compulsory labor		
HR7 Risk for incidents of forced or compulsory labor	N	

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GRI INDEX

GRI INDICATOR	LEVEL OF REPORTING	LOCATION OF REFERENCE
Security practices		
HR8 Security personnel trained in policies or procedures on human rights	N	
Indigenous Rights		
HR9 Incidents of violations involving rights of indigenous people	N	
SOCIAL PERFORMANCE INDICATORS: SOCIETY		
Community		
SO1 Impacts of operations on communities, including entering, operating and exiting	P	SR 72-73
Corruption		
SO2 Business units analyzed for risks related to corruption	N	
SO3 Training in organization's anti-corruption policies and procedures	N	
SO4 Response to incidents of corruption	N	
Public policy		
SO5 Public policy and lobbying	P	SR 73
SO6 Financial and in-kind contributions to political parties, politicians and related institutions	F	SR 73
Anti-competitive behavior		
SO7 Anti-competitive behavior, anti-trust and monopoly practices	N	
Compliance		
SO8 Fines and non-monetary sanctions for non-compliance with laws and regulations	N	
SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY		
Customer health and safety		
PR1 Health and safety impacts of products and services	N	
PR2 Non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	N	
Product and service labeling		
PR3 Product and service information required by procedures	F	SR 21, 45-49
PR4 Non-compliance with regulations and voluntary codes concerning product and service information and labeling	N	
PR5 Customer satisfaction	N	
Marketing communications		
PR6 Adherence to laws, standards and voluntary codes related to marketing communications	N	
PR7 Non-compliance with regulations and voluntary codes concerning marketing communications	N	
Customer privacy		
PR8 Breaches of customer privacy and losses of customer data	N	
Compliance		
PR9 Fines for non-compliance with laws and regulations concerning the provision and use of products and services	N	

3.3

GLOSSARY

Acre	An area measure of land, normally used in the U.S. 1 acre = equals roughly 2/5 (or 0.40) hectare.
Ammonia	An inorganic nitrogen compound. In water, ammonia levels in excess of the recommended limits may harm aquatic life.
AOX	Adsorbable organic halides; A class of chlorine containing organic compounds formed during pulp bleaching when chlorine or hypochlorite is used.
ATFS	American Tree Farm System: A program of the American Forest Foundation that promotes the sustainable management of forests in the U.S. through education and outreach to private forest landowners. ATFS is endorsed by the Programme for the Endorsement of Forest Certification (PEFC). www.treefarmssystem.org
Biodiversity	The variety and abundance of life forms, processes, functions and structures of plants, animals and other living organisms, including the relative complexity of species, communities, gene pools and ecosystems at spatial scales that range from local to regional to global.
Biomass	Any material derived from organic sources. Forest biomass can come from mill residues or forest harvest residues. The carbon stored in biomass can be used as a source of renewable energy.
Black liquor	A thick, dark liquid that is a byproduct of the process that transforms wood into pulp, which is then dried to make paper. One of the main ingredients in black liquor is lignin, which is the material in trees that binds wood fibers together and makes them rigid.
BOD	Biological oxygen demand: A measure of the oxygen demand exerted on receiving water by effluent constituents.
Boreal forest	The overall forested area within the boreal zone, and sometimes refers to the boreal zone itself because forests dominate this landscape. The boreal zone is the broad circumpolar vegetation zone of the high northern latitudes. About 30% of the world's boreal zone lies within Canada.
Carbon cycle	The constant movement of carbon from land and water through the atmosphere and living organisms. Forests are a vital part of the carbon cycle, both storing and releasing this essential element in a dynamic process of growth, decay, disturbance and renewal.
Carbon footprint	The sum of all greenhouse gases (GHG) that are caused by a product or entity within a stated period of time. It includes all emissions associated with the production, use and disposal of goods purchased and produced.
Carbon sink/carbon source	A carbon sink absorbs more carbon from the atmosphere than it releases, while a carbon source releases more carbon than it absorbs. A forest can be either a carbon sink or a carbon source. Carbon is absorbed from the atmosphere through photosynthesis. It then becomes deposited in forest biomass, in dead organic matter and in soils. This process of carbon absorption and deposition is known as carbon sequestration. Forest carbon is then released when trees burn or when they decay after dying (as a result of old age or of fire, insect attack or other disturbance).
CDP	Carbon Disclosure Project: An independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. CDP Water Disclosure program; Provides water-related data from a subset of the world's largest water-intensive corporations to inform the global marketplace on investment risk and commercial opportunity. www.cdproject.net
Chemical pulp	See <i>Pulp</i>
CO₂e	Carbon dioxide equivalent: Emissions of greenhouse gases are typically expressed in a common metric so that their impacts can be directly compared, as some gases are more potent (i.e., have a higher global warming potential) than others. The international standard practice is to express greenhouse gases in carbon dioxide equivalents (CO ₂ e).

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GLOSSARY

CoC	<p>Chain of custody: A documented paper trail tracing a manufacturing facility's fiber or wood from its origin through the manufacturing processes to the end product. CoC certification provides independently audited, third-party verification of this process. CoC certification standards outline requirements for tracking certified material within this system. Under CoC standards, minimum criteria must also be met for the uncertified content, such as procurement from legal sources and avoiding fiber sourced from protected areas.</p> <p>Chain of custody certification is essential for:</p> <ul style="list-style-type: none"> • companies to implement and demonstrate ethical business behaviour; and • consumers to make responsible purchasing decisions.
Cogeneration	The production of two different forms of energy, such as electricity and heat, from a single combustion unit. More than one source of fuel can be used in a cogeneration facility (i.e. natural gas and biomass).
Communication papers	A term used to describe those paper grades used by printers and publishers in their production of books, magazines, newspapers, etc.
Conservation	Protection of plant and animal habitat and the management of a renewable natural resource with the objective of sustaining its productivity in perpetuity, while providing for human use compatible with sustainability of the resource.
CSA	<p>Canadian Standards Association: CSA is Canada's oldest and largest standards development organization; a not-for-profit membership-based organization founded in 1919. The CSA Sustainable Forest Management Standard (Z809-08), Canada's national standard for sustainable forest management, was released in 1996 and last revised in 2008. The CSA SFM standard is endorsed by the Programme for the Endorsement of Forest Certification (PEFC).</p> <p>www.csasfmforests.ca</p>
Effluent	Wastewater, treated or untreated, that flows out of a treatment plant, sewer or industrial point source, such as a pipe into surface waters.
Effluent treatment	<p>Primary treatment: A process which removes settleable solids from effluent.</p> <p>Secondary treatment: A process which reduces the biochemical oxygen demand (BOD) and toxicity of effluent.</p>
Fiber	<p>The structural components of woody plants that are separated from each other during the pulping operation in a pulp mill and reassembled into the form of a sheet during the papermaking process.</p> <p>There are principally two types of fiber:</p> <ul style="list-style-type: none"> • Virgin fiber: Wood fiber derived from trees not previously processed into paper. • Recycled fiber: Fiber derived from waste paper and cardboard.
Fiber-tracking system	See <i>chain of custody (CoC)</i>
First Nations	<p>All the indigenous people in Canada who are not Inuit or Métis. "First Nation" has been adopted by some Indian communities to replace the term "Indian band."</p> <p>Indigenous people: Those who inhabited a country or a geographical region at the time when people of different cultures or ethnic origins arrived.</p>
Fossil fuel	Fuel derived from ancient organic remains, e.g. peat, coal, crude oil and natural gas.
FSC/FSC CW	<p>Forest Stewardship Council: FSC is an independent, non-governmental, not-for-profit organization founded in 1993. FSC certification is a voluntary, market-based tool that supports responsible forest management worldwide. FSC is nationally represented in 50 countries globally. In Canada, there are four regional forest management standards: National Boreal Standard, Maritimes Standard, BC Standard and Great Lakes-St. Lawrence Standard (draft). FSC also has a chain of custody (CoC) standard.</p> <p>FSC Controlled Wood: Virgin wood or wood fiber which has been verified as having a low probability of including wood from any of the following categories:</p> <ol style="list-style-type: none"> Illegally harvested wood; Wood harvested in violation of traditional and civil rights; Wood harvested in forests in which high conservation values are threatened by management activities; Wood harvested in forests being converted from natural and semi-natural forests to plantations or non-forest use; Wood from forests in which genetically modified trees are planted. <p>www.fscCanada.org</p>

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GHG	<p>Greenhouse gases: Gases that trap heat in the atmosphere. Some greenhouse gases such as carbon dioxide occur naturally and are emitted to the atmosphere through natural processes. Human activities generate additional greenhouse gases that are enhancing the natural greenhouse effect, and are contributing to an increase in global average temperature and related climate changes. The principal greenhouse gases that enter the atmosphere because of human activities are: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).</p> <p>Scope 1 GHG emissions: Emissions which come from sources owned or controlled by the company, such as the combustion of fuel at the mill to generate heat to dry the paper or to generate electricity. Also known as "direct emissions".</p> <p>Scope 2 GHG emissions: The result of company activities occurring at sources owned or controlled by another company, associated with the production of purchased electricity or steam. Scope 2 emissions physically occur at the facility where electricity or steam is generated. Also known as "indirect emissions".</p> <p>Scope 3 GHG emissions: All indirect greenhouse gas emissions not covered in Scope 2, such as greenhouse gas emissions from the production of purchased materials, or transportation activities in vehicles not owned or controlled by the company.</p>
GHG Protocol	<p>An internationally used accounting tool to understand, quantify and manage greenhouse gas emissions. It is the result of a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).</p> <p>www.ghgprotocol.org</p>
GJ	Gigajoule
GMO	Genetically modified organisms: Plants that have had genes implanted to improve their performance by making them resistant to certain pesticides, diseases or insects.
Grasstops/grassroots	<p>Grasstops: The recruitment of key influencers or third-party advocates to convey advocacy messages to targeted legislators. These key influencers generally have considerable clout with lawmakers due to their knowledge of or experience with an issue or their status as a community leader.</p> <p>Grassroots: Individuals coalescing around a specific issue using a common argument and/or message to achieve a common goal guided by a singular strategy. It typically involves a third party reaching out to an individual to educate on an issue, seek the individual's support and recruit his or her participation.</p>
GRI	<p>Global Reporting Initiative: A network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. The Reporting Framework sets out the principles and performance indicators that organizations can use to measure and report their economic, environmental and social performance. The GRI Reporting Framework is developed through a consensus-seeking multi-stakeholder process.</p> <p>www.globalreporting.org</p>
Hectare	An area measure of land used in the metric system. 259 hectares = 1 square mile. 1 hectare = 2.471 acres or 0.01 square kilometers. Abbreviation: Ha
Intensity	Any metric normalized to units per unit of production.
International	Refers to any geographical area outside North America when used in reference to our markets.
ISO	<p>International Organization for Standardization: Administered by the Geneva-based International Organization for Standardization, the ISO document series defines high international standards of quality management systems in manufacturing and distribution.</p> <p>www.iso.org</p>
Kaizen	"Improvement" in Japanese. A management term referring to bottom-up processes for ongoing, cyclical and qualitative identification, implementation and review of improvements in an industrial setting.
Kraft pulp	<i>See Pulp</i>
LCA	Life cycle analysis or life cycle assessment: A comprehensive environmental accounting tool with well-established procedures and methods that are governed by specific rules and standards, most notably those developed by the International Organization for Standardization (ISO). LCA is an approach that analyzes the flows associated with the whole life cycle of a product or a service, usually "from cradle-to-grave," i.e., from raw material extraction, to manufacturing, use, recovery and end-of-life.
m³	Cubic meters

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GLOSSARY

mt	Metric ton: 1 metric ton = 1.1023 short tons (1 short ton = 2,000 pounds)
MWh	Megawatt hour
NCASI	National Council for Air and Stream Improvement: An independent, non-profit research institute established in 1943 that focuses on environmental topics of interest to the forest products industry, with over 75 member companies in the U.S. and Canada. www.ncasi.org
NO_x	Nitrogen oxides: The sum of nitric oxide and nitrogen dioxide in air emissions, which are precursors to smog formation. Product of combustion from transportation and stationary sources and a major contributor to the formation of ozone in the troposphere and acid rain.
odmt	Oven-dried metric tons: 1 metric ton (1.1 short tons) with less than 2% moisture content.
OSHA rate	Occupational Safety and Health Administration Incident Rate: A measurement of lost time plus other recordable incidents (recordable incidents x 200,000 hours worked). This is a standard measurement, which allows for comparability across other industries.
PCW	Post-consumer waste: Material generated by households or by commercial, industrial and institutional facilities in their role as end-users of the product, which can no longer be used for its intended purpose.
PEFC	Programme for the Endorsement of Forest Certification: A program founded in 1999, which assesses and provides mutual recognition for certification programs that put into practice internationally agreed-upon sustainable forest management criteria. In North America, the ATFS, CSA and SFI programs are endorsed by PEFC. www.pefc.org
Pulp	A fibrous material produced by mechanically or chemically reducing woody plants into their component parts for the production of paper products. Pulp can result from a variety of processes including cooking, refining, grinding or the processing and cleaning of waste paper. Pulp can be either in a wet or dry state. Types of pulp include: <ul style="list-style-type: none"> • Chemical pulp: Obtained by cooking wood in solutions of various chemicals. Heat and chemicals break down the lignin, which binds the cellulose fibers together, without seriously degrading the cellulose fibers. Chemical pulp is used for products (such as paper) that need to be stronger, or it is combined with mechanical pulps to give a product with different characteristics. The principal chemical processes are kraft and sulfite. • De-inked pulp (DIP) also called recycled pulp: Obtained from de-inking recovered paper. • Kraft pulp: Produced by a process where the active cooking agent is a mixture of sodium hydroxide and sodium sulfide. Pulp produced by the kraft process is stronger than that made by other pulping processes. Kraft pulp has a yield of about 45%. • Thermomechanical pulp (TMP): Mechanical pulp produced through a chemical-free process involving the mechanical refining of wood chips under high temperature and pressure. TMP contains the lignin, or glue, used to hold wood together.
Recordable injuries	Injuries that result in lost work time, temporary assignment to another position, or medical assistance beyond first aid.
ROCE	Return on capital employed: A ratio that indicates the efficiency with which capital is being utilized to generate revenue. ROCE is calculated as profit before interest and tax divided by the difference between total assets and current liabilities.
Roundwood	Wood in its natural state as felled, with or without bark. It may be round, split, roughly squared or in other forms. Roundwood can be used for industrial purposes, either in its round form (e.g. as transmission poles or piling) or as raw material to be processed into industrial products such as sawn wood, panel products or pulp.
SFI	Sustainable Forestry Initiative®: An independent, non-profit charitable organization with a sustainable forest management (SFM) standard developed specifically for North American forests. The SFI SFM standard was first released in 1998 and is applied across forests in both Canada and the United States. SFI recognizes PEFC-endorsed systems in North America, such as the American Tree Farm System (ATFS) and the Canadian Standards Association (CSA). The SFI forest management standard is endorsed by the Programme for the Endorsement of Forest Certification (PEFC). SFI also has a chain of custody (CoC) standard. SFI Fiber Sourcing: When fiber sources are not from a certified forest, SFI program participants must meet minimum criteria for uncertified sources. www.sfiprogram.org
SFM	Sustainable forest management: The stewardship and use of forests and forest lands in a way, and at a rate, that maintain their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfill, now and in the future, relevant ecological, economic and social functions at local, national and global levels, and that do not cause damage to other ecosystems.

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GLOSSARY

Silviculture	The care and cultivation of forests and trees.
SO₂	Sulfur dioxide: A naturally occurring gas made of sulfur and oxygen that causes acid rain. Burning fossil fuels, such as coal, without emission controls releases SO ₂ into the atmosphere.
Species at risk	An extirpated, endangered or threatened species or a species of special concern: <ul style="list-style-type: none"> • Extirpated: A species no longer existing in the wild in Canada, but occurring elsewhere; • Endangered: A species facing imminent extirpation or extinction; • Threatened: A species likely to become endangered if limiting factors are not reversed; • Special concern: A species that may become threatened or endangered because of a combination of biological characteristics and identified threats.
Sustainability/ sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Source: 1987 Brundtland Report, United Nations World Commission on Environment and Development.) At the UN World Summit in 2005, it was further noted that this requires the integration of the three components of sustainable development — economic development, social development and environmental protection — as interdependent and mutually reinforcing pillars.
Target benefit plan	A type of pension plan that contains features of a defined contribution (DC) plan but is made to appear like a defined benefit (DB) plan: <ul style="list-style-type: none"> • It is similar to a DB plan in that the pension benefit is determined by a formula based on earnings and credited service. • It is similar to a DC plan in that the employer and employee contributions are fixed and the plan does not guarantee any benefit will be paid.
TMP	<i>See Pulp</i>
TPM	Total particulate matter: Fine liquid or solid particles such as dust, smoke, mist, fumes or smog, with a diameter less than 100 microns found in air or emissions.
TRS	Total reduced sulfur: A group of odorous compounds that are emitted as a result of the kraft pulping process or during anaerobic (without oxygen) decomposition.
TSS	Total suspended solids: A measure of the settleable solids in wastewater, effluent or water bodies, determined by tests for total suspended non-filterable solids.
UFS	Uncoated freesheet: Grades of paper made up of essentially all chemical or kraft pulp with no mechanical pulp and without any applied sheet-coating material. May contain recycled content. It is used for printing and writing purposes.
Water footprint	An indicator of water use that looks at both direct and indirect water use of a consumer or producer. The water footprint of an individual, community or business is defined as the total volume of fresh water that is used to produce the goods and services consumed by the individual or community or produced by the business.

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