

Forest Certification UPDATE



C&C RESOURCES LTD.

C&C Resources Ltd. Is the managing company for three subsidiaries included in the scope of the SFI:

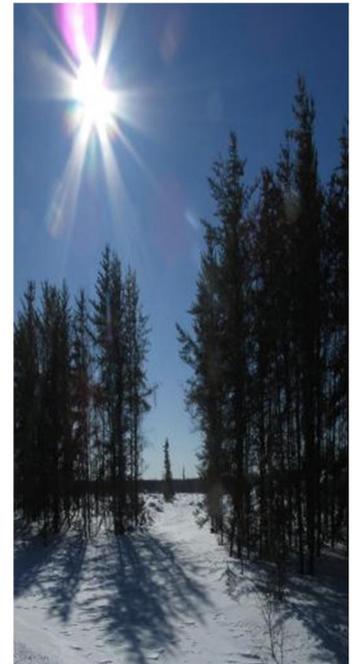
C&C Wood Products, Foothills Forest Products and Edgewood Forest Products woodlands operations are situated on Crown Lands in BC, Alberta and Saskatchewan respectively and comprise of forest licenses A44076, A55477, A57712, A79982 in the Quesnel Timber Supply Area of BC; FMU E8 in the Foothills Forest Management Area of Alberta; and Pasquia Porcupine and Prince Albert FMA's in Saskatchewan.

These licenses are volume based and have an annual allowable cut (AAC) of 150,000 cubic meters in BC, 388,779 in Alberta and 587,500 in Saskatchewan. They are managed from the Company's head office located in Quesnel, BC as well as offices in Grande Cache, Alberta and Hudson Bay, Saskatchewan.

The sites supply logs to sawmills for the manufacture of lumber and panels. Residual byproducts from the manufacturing phases are used in the manufacturing of wood pellets or are sold as chips to secondary producers.

BACKGROUND

During the period of February 24 to March 4, 2015 C&C Resources Ltd. underwent a 24 Month Surveillance Audit to the Sustainable Forestry Initiative (SFI®) Standard 2010-2014 at the Head Office as well as the Alberta and Saskatchewan operations. The registration cycle is over 3 years with surveillance audits conducted annually. This report summarizes the audit process and results of the SAI Global audits of the facilities.



Trail maintenance at the Edgewood Forest Products operations audited is shown in the above photo

SCOPE OF CERTIFICATION

Site:	Scope Description
Head Office	Forest management activities - planning, harvesting, transportation and silviculture on Canadian Crown tenures and procurement of fiber from other crown tenures / dispositions and private landowners. - Objectives 1-10, 14-20
C&C Wood Products	Forest management activities - planning, harvesting, transportation and silviculture on FL A79982 and procurement of fiber from the province of BC-Objectives 1-10, 14-20
Foothills Forest Products	Forest management activities - planning, harvesting, transportation and silviculture on Forest Management Unit E8 and procurement of fiber from the province of Alberta. - Objectives 1-10, 14-20
Edgewood Forest Products	Forest management activities - planning, harvesting, transportation and silviculture on Pasquia Porcupine and Prince Albert FMA's and procurement of fiber from the province of Saskatchewan. - Objectives 1-10, 14-20

EXECUTIVE SUMMARY

The SFI Program third-party initial/re-registration audits were undertaken by SAI Global. SAI Global is an independent third party registrar that is accredited by the ANSI-ASQ National Accreditation Board (ANAB) for registrations to SFIS 2010-2014. This ensures the integrity and credibility of the audit process.

The audit assessed active and completed harvest operations through interviews with C&C Resources Ltd. staff and contractors. The audit also assessed the SFIS and supporting EMS documentation, records at the Company's offices in Grande Cache, AB and Hudson Bay, SK as well as the Central Site. The audit used site visits and interviews with contractors logging private timber sales to assess the Company's procurement system.

THE AUDITORS

The SAI Global audit team who performed the audit consisted of Will Sloan, RFT, EMS(LA), SFM(LA) and Cindy Hutchison, RPF. The auditors are Forest Professionals and certified lead auditors.

AREAS OF NON-CONFORMANCE

NC No.	Clause No.	Clause Description
2015-01	20.1.1	Corrective and Preventative Actions
2015-02	14.1.2	Compliance conformance
2015-03	15.3.2	Climate Change Awareness

OPPORTUNITIES FOR IMPROVEMENT

- All Sites:
 - Policy statement: consider a companywide policy statement rather than one per site.
- Edgewood:
 - Consider providing pamphlets on local species at risk (and reporting) and SFI program to procurement contractors.
 - Consider modifying the WCSIC SFI Implementation Procurement Wood Risk Assessment (and associated procedure . %monitoring system overview+) which has a rationalized risk and appropriate wood supplier classification for use in Saskatchewan.
 - Consider obtaining summaries of government audits in order to show due diligence in monitoring of risk.
 - EMS documentation: Consider clarifying risk rating procedure for major and minor non-compliances in section 5.2 of the EMS.
- Foothills:
 - Consider adding wording to the effect that Foothills FP %promotes the use of forestry best management practices+ in the contractual agreement for post-harvest log purchases to meet requirements of the SFI standards and promote awareness (e.g. re-iterate requirements of the standard in the contract).
 - Consider a written procedure that outlines the frequency of monitoring Best Management Procedures for fiber sourcing.

CORRECTIVE ACTION PLANS

C&C Resources Ltd. have developed corrective action plans to address the root causes of the non-conformities identified

SFIS 2010-2014

Periodic Assessments

Major non-conformances: 0
 Minor non-conformances: 3
 Opportunities for Improvement: 7
 Positive Aspects: 4

Major Non-Conformances

Pervasive or critical to the achievement of the SFI objectives.

All major non-conformances require an action plan to be implemented by the auditee within 90 days of an initial audit and subsequently 60 days or registration cannot be achieved/maintained

Minor Non-Conformances

Isolated incidents that are non-critical but must be addressed before the next surveillance audit to maintain compliance to the SFI standard.

Opportunity for Improvement

Are not non-conformances but are comments on specific areas where improvements can be made.

Positive Aspects

Areas that are deemed to be of best practices



McNeil Contracting's WHMIS information station

during the audit. The root cause analysis and proposed corrective actions have been reviewed by SAI Global to ensure that they are appropriate and fully address the identified deficiencies. At the next annual Surveillance audit a follow up on the implemented corrective actions will be done to confirm that the corrective actions were appropriate and effective in ensuring the non-conforming situation has not reoccurred.

POSITIVE ASPECTS

- Good understanding was demonstrated by all the contractors interviewed, especially with regards to species at risk and utilization.
- For Foothills, the training package was found to be very thorough, and effectively communicated.
- Continued detailed Management Review minutes, along with having management reviews twice per year.
- McNeil Contracting's WHMIS information station in their shop trailer.



Foothills 100m retention around an identified bear den

EVIDENCE OF CONFORMITY

Evidence that was assessed to determine C&C Resources Ltd. conformity with the SFIS 2010-2014 standard appears below:

SFI-01 Forest Management Planning

Forest Management Plans, Timber Supply Review, Environmental Management System, Land and Resource Management Plans, Sustainable Resource Management Plans, Cut Control Summary, Government Cut Control Statements; Interviews.

SFI-02 Forest Productivity

Site specific plans, Pest Management Plans, Standard Operating Procedures, Logging Plan maps, silviculture reports including planting, regeneration delay, free growing and brushing, reforestation and free growing compliance records; brushing records; planting program data and prescriptions, silviculture survey records, pre-work and inspection records, Fire Preparedness Plans, Training records, Interviews.

SFI-03 Protection and Maintenance of Water Resources

Standard Operating Procedures, GIS, Site Plans, LPs, Harvest and road pre-work and inspection records, Internal audit records, Training records, Logging agreements, Interviews and Field inspections of active and completed blocks.

SFI-04 Conservation of Biological Diversity

Landscape Unit/Biodiversity Orders, Ungulate Winter Range and Wildlife Habitat Area Orders; Species at Risk Observation Form; species and ecological communities at risk lists; GIS, Site Plans, LPs, Operational pre-works and inspection records; Training records, Logging agreements. Interviews and Field inspections of active and completed blocks.

SFI-05 Management of Visual Quality and Recreational Benefits

Site specific plans, LPs, Legal Orders, Visual Quality Objectives, Visual Impact Assessments, GIS map layers, Reports generated from the Company's database specific to cut block size, Free to Grow Surveys, silvicultural treatments, referrals and stakeholder communications, Interviews and Field inspections of active and completed blocks.



Harvesting done to Alberta requirements for managing for visual quality

SFI-06 Protection of Special Sites

Higher level plans, PMP, First Nation referral review and communication records, Silviculture Plans; LPs; Archeological Impact Assessments, Pre-work and inspection records, Interviews and Field inspections of active and completed blocks.

SFI-07 Efficient Use of Forest Resources

Silviculture Plans, Logging agreements, Contractor training records; Pre-work and inspection records, Field inspections of blocks; Interviews and Field inspections of active and completed blocks.

SFI-08 Land Outreach

Sustainable Forestry Initiative Implementation Committee, Wood Producer Information Package, WCSIC brochure.

SFI-09 Use of Qualified Resource and Logging Professionals

Sustainable Forestry Initiative Implementation Committee, SIC brochure. Interviews.

SFI-10 Adherence to Best Management Practices

Sustainable Forestry Initiative Implementation Committee, Wood Producer Information Package, SIC brochure, Interviews and Field inspections of active and completed procurement blocks.

SFI-11 Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas

C&C Resources Ltd. does not source fiber from outside North America.

SFI-12 Avoidance of Controversial Sources including Illegal Logging

C&C Resources Ltd. does not source fiber from outside North America.

SFI-13 Avoidance of Controversial Sources including Sources without Effective Social Laws

C&C Resources Ltd. does not source fiber from outside North America.

SFI-14 Legal and Regulatory Compliance

EMS, Laws, Legislation, regulations, Management review meeting minutes, Inspection records, Internal audit records, Compliance tracking records, Government compliance and enforcement records, Corrective Action plans, Environmental and SFM Policy, Health and Safety Policy and Field inspections of active and completed blocks.

SFI-15 Forestry Research & Technology

Summary of group funded research projects, Sample of research reports, Regen survey records, Government submission records, Inspection records, Interviews.

SFI-16 Training and Education

Field guidebook, Sustainable Forest Management & Environmental Policies, Health and Safety Policy, Training records, staff and contractor training, Wood Producer Information Package, meeting minutes, Interviews and Field inspections of active and completed blocks.

SFI-17 Community Involvement in the Practice of Sustainable Forestry

WCSIC meeting minutes, and public resources (including posted WCSIC Wood Monitoring Form and reporting of inconsistent practices); WCSIC Wood Producer Information Package, SIC SFI Brochure, SFI Evidence Package, and associated referral information, Site Plans, pre-works, Education/community involvement records, Records of public inquiries, Interviews.

SFI-18 Public Land Management Responsibilities

Site specific plans; Records respecting the Company's involvement in public land planning and management activities; First Nations and stakeholder and external correspondence files/records; Communication strategy files/records; AIAs, AOA's; Cutting Permit development and block files.

SFI-19 Communications and Public Reporting

Communication strategy files/records, meeting minutes, SFI website, Interviews.

SFI-20 Management Review and Continual Improvement

Management review meeting minutes and associated input/output records, Forestry meeting agenda and minutes; Internal audit records, Field inspection records, Corrective Action Plans, Field Inspections, Interviews.



Discussing utilization at the Edgewood operations north of Prince Albert

SAI Global forestry specialist group registers/certifies forest companies to ISO 14001, OHSAS 18001, CSA Z809 and CSA Z804 SFM, CERTFOR FM, CERTFOR CoC, SFIS, SFI CoC, PEFC CoC. QMI-SAI Global registers/certifies forest companies to FSC FM and CoC The group, led by Sylvain Frappier, Technical Manager - Forestry, consists of a highly qualified team of professional foresters, technical and industry experts. Contact certification.americas@saiglobal.com for more information.

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