



Canfor Pulp Products Inc.

Annual Information Form

**Information in this Annual Information Form
is as at March 5, 2024 unless otherwise indicated**

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FORWARD LOOKING INFORMATION

This Annual Information Form contains forward looking statements, which are statements that address circumstances, events, or developments that the Company expects or anticipates may occur in the future. These forward looking statements reflect management's current expectation and belief regarding such developments, circumstances or events and are based on assumptions, including assumptions with regard to economic and general business conditions in Canada as well in the United States and other factors management believes are appropriate in the circumstances. Such forward looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what their impact will be on the Company. Actual outcomes and results will depend on a number of factors which could cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements in this Annual Information Form, including the "Risks and Uncertainties" described in the Company's Management's Discussion and Analysis for the year ended December 31, 2023, which are incorporated by reference herein and can be found on SEDAR+ at www.sedarplus.com. Accordingly, readers should exercise caution in relying upon forward looking statements which reflect management's estimates, projections, and views only as of the date hereof. The Company undertakes no obligation to publicly revise these statements to reflect subsequent events or changes in circumstances, except as required by applicable securities laws.

CURRENCY

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "\$" are to Canadian dollars.

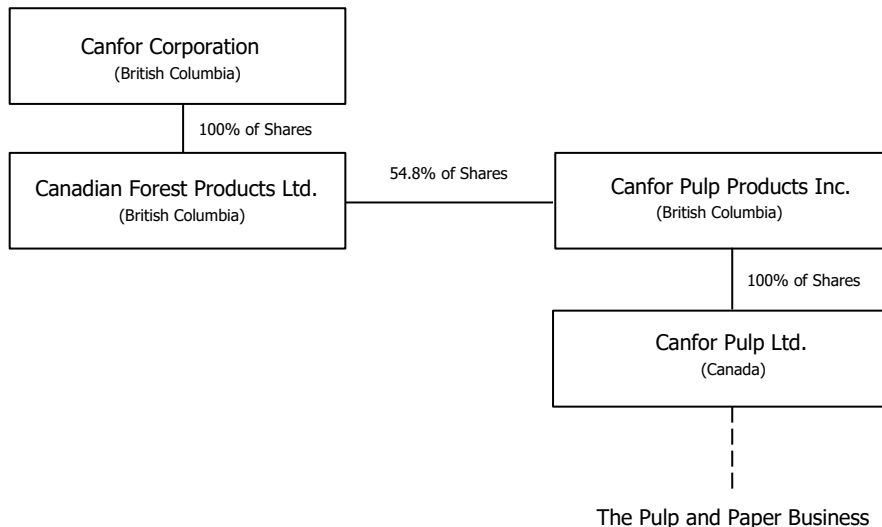
INCORPORATION

Canfor Pulp Products Inc. (the "Company") was incorporated on March 12, 2010 under the *Business Corporations Act* (British Columbia). The Common Shares of the Company are listed and traded on the Toronto Stock Exchange ("TSX").

The registered and head office of the Company is located at 101 – 161 East 4th Avenue, Vancouver, British Columbia. In this Annual Information Form, Canfor Pulp Products Inc. is referred to as the "Company" and, unless otherwise indicated by the context, "CPPI" refers to the Company and its subsidiaries as described under "Corporate Structure" below.

CORPORATE STRUCTURE

The following chart shows, on a simplified basis, as at December 31, 2023, the inter-corporate relationships among the Company and its material subsidiaries (including jurisdiction of incorporation of the various entities) and its majority shareholder, Canfor Corporation ("Canfor") and Canfor's wholly owned subsidiary, Canadian Forest Products Ltd. ("CFP").



BUSINESS OF CPPI

CPPI is a leading global supplier of pulp and paper products with operations based in the northern interior of British Columbia. The Company is one of Canada's largest producers of Northern Bleached Softwood Kraft ("NBSK") pulp for sale on the open market, based on the production capacity of its existing facilities. The Prince George paper machine is the largest producer of its types of bleached high performance kraft paper in North America.

CPPI owns and operates the Northwood pulp mill ("Northwood") and the Intercontinental pulp mill ("Intercon"), with a combined annual capacity to produce for sale to the market approximately 780,000 tonnes of northern softwood market kraft pulp (the significant majority of which is bleached to become NBSK pulp). CPPI also owns and operates the Prince George paper machine, with an annual production capacity of 140,000 tonnes of bleached and unbleached kraft paper. The Company also owns the Prince George pulp mill, which was permanently closed in April 2023, and a Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill located in Taylor, BC. Subsequent to year-end, the Company entered into an asset purchase agreement to sell its Taylor BCTMP mill site. The transaction is anticipated to close in the first quarter of 2024.

In addition, CPPI generates power at both of its operating NBSK pulp mills and has long-term agreements with a BC energy company for electrical load displacement and the sale of power. The capacity and production figures set out in this Annual Information Form are presented as at December 31, 2023.

General Development

CPPI's overall business strategy is to be a sustainable pulp and paper industry leader with strong financial performance, accomplished through:

- Attaining world-class safety performance;
- Demonstrating efficient and reliable operational performance, while optimizing the value from its high-quality premium reinforced pulp and paper products, particularly in specialty end use applications;
- Implementing a sustainability strategy that is helping to protect our planet, support our people and communities, and produce pulp and paper products that are an important part of a low-carbon economy;
- Growing an enterprise-wide culture of innovation, achievement, inclusion, diversity, respect and engagement through empowerment, collaborative performance and leadership;
- Attaining world-class supply chain performance and providing excellence in customer service; and
- Maintaining a strong financial position focusing on an efficient allocation of capital and deployment of resources to achieve top-quartile operational performance, capitalizing on attractive growth opportunities.

In support of these strategies, the Company, during the past three financial years, has made investments of approximately \$251.8 million at its pulp and paper operations, as further described below.

Significant Events

Significant events for CPPI over the past three fiscal years include the following:

Temporary Production Curtailments, Unplanned Downtime and Permanent Closures

In 2021, wildfires, flooding, and intense cold led to significant rail and road disruptions in BC, as well as pulp mill operational upsets. These extreme weather conditions were coupled with global port congestion, container shortages, and ongoing COVID-19 absenteeism. The Company responded decisively to these challenges by continuing to prioritize the safety of employees, and, in the fourth quarter of 2021, took production curtailments at Northwood and Taylor. These types of extreme weather conditions have continued in 2022 into 2023 and are expected to continue to affect the Company's operations in the future.

In 2022, the Company announced temporary BCTMP capacity reductions at CPPI's Taylor mill in response to significant transportation shortages due to the unprecedented global supply chain crisis. The Taylor mill remained curtailed for the balance of 2022. As a result of a reduction in the long-term supply of fibre in the Peace region, the Company announced in 2023 that it does not see a path forward to restarting the Taylor mill. Subsequent to

year-end, the Company entered into an asset purchase agreement to sell its Taylor BCTMP mill site. The transaction is anticipated to close in the first quarter of 2024.

Late in 2022, the Company announced two curtailments at CPPI's Intercontinental pulp mill due to the lack of available economic fibre. Together, the aggregate six-week curtailments reduced NBSK production by approximately 40,000 tonnes.

In January 2023, the Company announced the decision to restructure its operating footprint to align its manufacturing capacity with the long-term supply of economic residual fibre and, as a result, in April 2023, the Company wound down and permanently closed the pulp line at its Prince George NBSK Pulp and Paper mill. In connection with this closure, the Company's Intercontinental pulp mill was successfully converted to provide slush pulp to its specialty paper facility. The combined impact of these operating structure changes was a reduction of approximately 280,000 tonnes of market kraft pulp production annually.

In July 2023, NBSK pulp production was impacted by a labour dispute at the Ports of Vancouver and Prince Rupert, which put pressure on an already constrained logistics network in British Columbia. As a direct result, with pulp mill inventories at capacity, the Company curtailed the Northwood pulp mill for approximately one week, resulting in 10,000 tonnes of reduced NBSK pulp production. Furthermore, while CPPI's Northwood pulp mill successfully completed its scheduled maintenance in September 2023, the restart of Northwood was delayed into the fourth quarter of 2023 by numerous operational challenges unrelated to the scheduled maintenance downtime, resulting in approximately 40,000 tonnes of reduced NBSK pulp production late in 2023.

Asset Dispositions

On February 7, 2024, the Company announced the sale of its Taylor BCTMP mill site for total proceeds of \$7.0 million. The transaction is anticipated to close in the first quarter of 2024.

Recovery Boiler Replacements

In December 2021, the Company extended its outage on one production line at Northwood to enable the replacement of the lower furnace on recovery boiler number one ("RB1"). This lower furnace capital rebuild was completed mid-April 2022, for a total capital cost of approximately \$30 million and total reduction in NBSK pulp production of approximately 90,000 tonnes (80,000 tonnes in 2022 and 10,000 tonnes in 2021).

Loan Facility Expansion and Extension

On May 2, 2023, the Company converted its \$50.0 million non-revolving term debt into its existing \$110.0 million committed operating loan facility, thereby increasing the principal amount of its existing committed operating facility to \$160.0 million. In addition, the Company secured a commitment to receive up to \$80.0 million of non-revolving term debt to support the Company's continued re-capitalization and re-investment in its facilities, specifically Northwood's RB1.

Trends, Events, Risks and Uncertainties

For additional information regarding changes to CPPI's business expected in 2024, and known trends, commitments, events or uncertainties, see CPPI's "2023 Management's Discussion and Analysis", in particular, the "Outlook" and "Risks and Uncertainties" sections thereof, which are incorporated by reference herein and can be found on SEDAR+ at www.sedarplus.com.

Business Segments

CPPI's business is in two reportable segments, "Pulp" and "Paper". During 2023, the Pulp segment included the Company's four pulp mills (the "Mills"): the Northwood pulp mill; the Intercontinental pulp mill; pulp produced at the Prince George pulp and paper mill (until its permanent closure in April 2023); and the Taylor pulp mill (indefinitely idled since 2022). The Paper segment included kraft paper produced at the Prince George paper mill.

The Northwood pulp mill is a two-line pulp mill with an annual production capacity of approximately 600,000 tonnes of NBSK market pulp, making it the largest NBSK pulp facility in North America. Northwood's pulp is used to make a variety of products including specialty products, premium tissue, as well as printing and writing papers, and is primarily delivered to customers in North America and Asia.

The Intercontinental pulp mill is a single-line pulp mill with an annual gross production capacity of approximately 320,000 tonnes of NBSK pulp. In April 2023, Intercon was converted to provide slush pulp to the Company's specialty paper facility in Prince George. Following the conversion, Intercon has the capacity to produce approximately 180,000 tonnes of NBSK market pulp annually, which is used to make substantially the same products as that of Northwood to supply pulp markets in North America, Asia and Europe.

The Prince George pulp and paper mill was an integrated two-line pulp and paper mill with an annual market pulp production capacity of 150,000 tonnes of kraft pulp and approximately 140,000 tonnes of kraft paper. In April 2023, the pulp line at the Company's Prince George pulp and paper mill was permanently closed.

As at December 31, 2023, the Company also owned the Taylor BCTMP mill, located in Taylor, British Columbia. Subsequent to year-end, the Company entered into an asset purchase agreement to sell its Taylor BCTMP mill site. The transaction is anticipated to close in the first quarter of 2024.

The Company's paper machine, located at the Prince George pulp and paper mill, has an annual production capacity of 140,000 tonnes of specialty kraft paper, including a wide range of high performance bleached and unbleached kraft and specialty papers. The paper mill supplies primarily North American, Asian and European markets.

The following table sets out, by business segment, CPPI's total sales revenues for the last two years. Further details can be found in the Company's annual financial statements:

	<u>Years ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(Millions of dollars)	
Pulp.....	\$673.4	\$888.7
Paper.....	<u>202.1</u>	<u>196.9</u>
Total sales	<u>\$875.5</u>	<u>\$1,085.6</u>

The following table indicates the percentage composition of CPPI's consolidated sales revenues by market for the last two years. Further details can be found in the Company's annual financial statements:

	<u>Years ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Canada	9%	7%
United States	24%	25%
Europe	6%	5%
Asia.....	57%	60%
Other	<u>4%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>

The reduction in pulp sales in 2023 reflects the closure of the Prince George pulp line in April 2023, representing approximately 280,000 tonnes of market kraft pulp annually, and the conversion of Intercon to produce slush for the Company's specialty paper facility.

FIBRE SUPPLY

General

After taking into consideration the closure of the Prince George pulp line in 2023 and anticipated sale of the Taylor BCTMP mill site in 2024, the Mills' ongoing annual fibre requirements are approximately 1.8 million oven-dried metric tonnes ("ODTs") of wood chips and 200,000 ODTs of hog fuel. The availability of wood chips for purchase and processing in the northern interior of British Columbia is influenced significantly by the timber supply in the Prince George, Mackenzie, and Peace River timber supply areas and by the operating rates of sawmills within the geographic area of fibre supply for the Mills.

Fibre Supply Agreements

The Company has fibre supply agreements (the "Fibre Supply Agreements") with Canfor, under which Canfor has agreed to supply the Company with annual quantities of residual wood chips and hog fuel produced from specified Canfor sawmills. Prices paid by the Company for residual wood chips are based on a pricing formula that results in the Company paying market prices for wood chips, subject to adjustments to the formula to reflect market conditions and other factors such as wood chip quality. The Fibre Supply Agreements exist in perpetuity and the pricing mechanism is renewed and amended every three years to reflect new circumstances. In 2023, the pricing mechanism for CPPI's pulp mills was renewed for another three-year period.

Canfor also supplies the Company with pulp logs or other pulpwood harvested from its woodlands operations at market prices.

In addition, Canfor supplies the Company with agreed annual quantities of hog fuel produced from specified Canfor sawmills. The price paid by the Company to Canfor for hog fuel supplied under the Fibre Supply Agreement is based on market prices. The hog fuel pricing under the Fibre Supply Agreements is renewed from time to time and amended to reflect market conditions.

Other Fibre Supply Arrangements

The Mills currently have chip supply agreements with different suppliers in British Columbia, other than Canfor, which can account for up to 900,000 ODTs of wood chips on an annual basis. The majority of these agreements have terms of five years or longer. Each agreement permits the Mills to purchase wood chips available at a specified sawmill or source wood chips from a chipping operation, subject to the terms and conditions of each agreement.

Pricing for wood chips purchased from a sawmill under these agreements is based on a similar formula as used in the Fibre Supply Agreements and reflective of current and forecast market conditions.

For additional information regarding CPPI's fibre supply, see the Company's "2023 Management's Discussion and Analysis", in particular, the section titled "Risks and Uncertainties – Raw Material Costs and Availability", which is incorporated by reference herein and available on SEDAR+ at www.sedarplus.com.

PULP

During 2023, approximately 88% of the NBSK market pulp production of the Mills was focused on bleached NBSK pulp in order to meet the demands of the Company's customers. In 2023, the Northwood and Intercontinental pulp mills also produced speciality varieties of unbleached pulp.

The following table shows pulp sales for pulp produced by the Mills, excluding remarketed product, for the last two years, classified by sales region:

Market Pulp Sales by Geographic Region

	<u>Years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(000 tonnes)	
Americas	124	156
Europe	28	27
Asia	<u>457</u>	<u>567</u>
Total sales.....	<u>609</u>	<u>750</u>

The following table shows the pulp production of the Mills for the last two years, classified according to the variety of pulp produced:

Market Pulp Production

<u>Product</u>	<u>Years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(000 tonnes)	
Bleached – Northwood Pulp Mill	399	344
Bleached – Intercontinental Pulp Mill ¹	132	207
Unbleached – Northwood Pulp Mill	24	8
Unbleached – Intercontinental Pulp Mill	17	9
Unbleached – Prince George Pulp Mill ¹	31	132
BCTMP – Taylor Pulp Mill ²	-	<u>18</u>
Total production	<u>603</u>	<u>718</u>

¹ The reduction in pulp production in 2023 reflects the closure of the pulp line at the Prince George facility and the conversion of Intercon to produce slush pulp for the Company's specialty paper facility.

² The Taylor pulp mill was indefinitely idled since 2022. Subsequent to year-end, the Company entered into an asset purchase agreement to sell its Taylor BCTMP mill site. The transaction is anticipated to close in the first quarter of 2024.

PAPER

In 2023, the Prince George paper mill supplied primarily North American, Asian and European markets with a wide range of both bleached and unbleached kraft paper grades.

The following table shows sales of kraft paper produced by the Prince George paper mill for the last two years, classified by sales region:

Kraft Paper Sales by Geographic Region

	<u>Years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(000 tonnes)	
Americas	106	113
Europe / Middle East	9	11
Asia	<u>14</u>	<u>5</u>
Total sales	<u>129</u>	<u>129</u>

The following table shows the kraft paper production of Prince George pulp and paper mill for each of the last two years, classified according to the variety of kraft paper produced:

Kraft Paper Production

<u>Product</u>	<u>Years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(000 tonnes)	
Bleached	110	111
Unbleached	<u>20</u>	<u>21</u>
Total production	<u>130</u>	<u>132</u>

CPPI Markets and Distribution

The Company has a sales and marketing department staffed by full-time professionals who are responsible for global sales of the pulp produced by the Mills. Customers in the Americas are serviced through the Vancouver office. China, Japan, and Korea have direct to market representation through Canfor offices in these respective countries. European and Asian customers outside of China, Japan, and Korea, are serviced mostly through long-term sales agents. Sales agents generally realize a commission based either on a percentage of the net selling price of the pulp, or on a rate per tonne of pulp sold, with the fee varying depending on the selling price, services provided and the tonnage sold.

For the paper segment, the Company conducts its own direct marketing for its bleached and unbleached kraft paper customers, serviced primarily through its Vancouver office.

In 2023, the approximate geographic distribution of the Company's pulp sales by volume was 75% to Asia, 20% to the Americas and 5% to the European market (2022 – 76%, 20%, and 4%, respectively).

The approximate geographic distribution of kraft paper sales by volume in 2023 was 82% to the Americas, 11% to Asia, and 7% to Europe/Middle East (2022 – 87%, 4% and 9%, respectively).

The Company uses various modes of surface transportation to distribute its pulp and kraft paper products. In the case of pulp, product is shipped from the Mills by rail or truck, with each of the mills serviced by at least one dedicated rail spur. In the case of kraft paper, due to the smaller average order size, a much higher percentage is shipped by truck, with the balance shipped by rail. Products destined for overseas customers are generally transported by breakbulk cargo vessel for European customers and by either breakbulk or container cargo vessels for Asian customers.

For a detailed discussion of the markets for the Company's pulp and paper products, see the Company's "2023 Management's Discussion and Analysis", in particular, the "Pulp – Markets" and "Paper – Markets" and "Outlook – Pulp Markets" and "Outlook – Paper Markets" sections thereof, which are incorporated by reference herein and available on SEDAR+ at www.sedarplus.com.

HUMAN RESOURCES AND DIVERSITY

As at December 31, 2023, the Company employed 1,004 people throughout the organization. Approximately 68% of these employees are hourly employees covered by collective agreements with the Unifor and the Public and Private Workers of Canada ("PPWC"). Labour agreements with the Unifor and the PPWC covering the pulp and paper operations were ratified in February 2022 and will expire on April 30, 2025.

CPPI believes that diverse perspectives enhance its organizational strength, problem solving ability and opportunity for innovation. Furthermore, CPPI recognizes that diversity of skill and experience, including diversity, generally, is and continues to be a critical and valuable consideration in the assessment of the Board, its composition and prospective nominee candidates as well as the composition of its senior management team and its other employees. As such, in furtherance of its diversity, equity and inclusion objectives, CPPI supports the ongoing professional development of its employees at all levels, including with respect to mentoring and other talent development programs.

For additional information regarding CPPI's diversity, equity and inclusion initiatives and governance disclosures see the latest Sustainability Report available for download at <https://sustainability.canfor.com>.

SUSTAINABILITY

CPPI has a deep commitment to sustainability, which is embedded throughout the entire operations from the forest to the finished product. CPPI is guided by its Sustainability Framework which outlines how it manages its material topics under the pillars of People, Planet and Products. CPPI's Sustainability Report describes its approach for managing environmental, social and governance ("ESG") activities and tracks performance against established goals and targets.

In developing and implementing its sustainability strategy, together with Canfor, CPPI recognizes the short and long term impacts of the health and sustainability of the forest ecosystems and resources on which its business relies for the production of its lumber, pulp and paper products. This includes managing its operations in a manner which seeks to preserve the biodiversity and natural carbon-storing attributes of the forests in which it operates. As part of its strategy, CPPI also assesses the physical and transition risks associated with climate change as discussed in the "Risk and Uncertainties – Climate Change" section of the Company's "2023 Management's Discussion and Analysis".

Oversight of the Company's sustainability strategy is the responsibility of the Board, including the Company's management of climate change and other environmental risks; employee health and safety matters; its diversity and inclusion initiatives; and its ESG reporting. The Board meets quarterly and is updated on sustainability- and climate-related topics. This includes a review of a Company-wide sustainability scorecard, which reports on progress towards achieving targets for each material topic. The Board's responsibilities are directly supported by its governance structure through the Company's Governance and Sustainability Committee, which provides overall strategic guidance regarding the Company's sustainability programs; the Audit Committee, which is responsible for risk management processes and existing and evolving legal and regulatory ESG disclosure requirements; and the Environmental, Health & Safety Committee, which is responsible for environmental, health and safety matters and the Company's Indigenous Engagement Strategy.

Management is informed and engaged on relevant ESG issues, including climate-related topics, through regular communication with senior management within the business. The President and CEO holds ultimate accountability for successful sustainability performance. The CFO is also the SVP Sustainability. This role is responsible for providing overall direction for the sustainability strategy (including climate change) and integration into the corporate strategy, as well as overseeing the development and execution of the sustainability strategy and reporting across the business. The CFO, SVP Sustainability reports to the CEO and regularly reports to the Governance and Sustainability Committee and the Board.

In the implementation of its climate change and sustainability objectives, the Company relies on certain reporting metrics and has established targets for achievement over the short and longer term. CPPI's assessments are based on a number of third party frameworks recognized by stakeholders, investors and regulators, such as the Global Reporting Initiative Standards; the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"); and the Sustainability Accounting Standards Board Standards ("SASB"). In addition to regulatory Greenhouse Gas ("GHG") reporting for applicable facilities, on a voluntary basis, CPPI's manufacturing and corporate Scope 1 and 2 GHG emissions are calculated and disclosed as a portion of the consolidated figures published annually by Canfor in accordance with Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and World Resource Institute. CPPI, together with Canfor, has also calculated Scope 3 GHG emissions for its 2022 baseline year. The Company is committed to the Science Based Targets initiative ("SBTi") and plans to undergo the SBTi validation process by April 2024. The SBTi publishes a corporate standard for net-zero target setting, providing companies with a clearly defined path for reducing emissions in line with the Paris Agreement and limiting global warming to 1.5° Celsius above preindustrial levels. The Company has committed to set near- and long-term company-wide emissions reductions in line with science-based net-zero with the SBTi.

CPPI publishes an annual sustainability report regarding climate change and other ESG matters, most recently in the second quarter of 2023 for the year ended December 31, 2022 (the "2023 Sustainability Report"), with an updated report for 2023 planned for the second quarter of 2024. All reports are prepared jointly with Canfor. A copy of the 2022 Sustainability Report is available at the Company's website at www.canfor.com and the updated report for 2023 will also be posted to this site once available.

See also the Company's "2023 Management's Discussion and Analysis". In particular, the sections entitled "Risk and Uncertainties - Environmental Issues", "Risks and Uncertainties - Climate Change" and "Environmental, Social, and Governance ("ESG") Strategy, Reporting and Related Risks", which is incorporated by reference herein and available on SEDAR+ at www.sedarplus.com.

ENVIRONMENT

CPPI's operations are subject to environmental regulation by federal, provincial and local authorities, including specific environmental regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid waste, landfill operations, forestry practices, site remediation and the protection of endangered species and critical habitat.

As part of its broader commitment to sustainability (see the "Sustainability" section above), CPPI is committed to the responsible stewardship of the environment throughout its operations. The Company meets this commitment by: practicing forest management that recognizes ecological processes and diversity and the integrated use of the forest; designing and operating its facilities to comply with legal requirements; setting goals and targets to improve environmental performance as part of the Company's overall sustainability strategy; and identifying significant environmental risks and promoting environmental awareness throughout the Company's operations.

Programs and Standards

CPPI has a long-standing environment program with regular audits of its Environmental Management System (“EMS”) at all manufacturing facilities. CPPI’s management believes it has sound environmental management programs established in all operations. These programs are regularly being reviewed to help ensure that CPPI is fulfilling its environmental commitments, responsibilities and supporting its overall sustainability strategy.

The Company’s kraft pulp mills’ EMS are certified under International Organization for Standardization (“ISO”) 14001:2015.

During 2023, CPPI obtained 86% of its fibre supply from forests that were certified to the Sustainable Forestry Initiative (“SFI”) certification for sustainable forest management. All of the pulp the Company produced in 2023 was eligible for sale under the Programme for the Endorsement of Forest Certification (“PEFC”) Chain of Custody or Forest Stewardship Council (“FSC”) Controlled Wood Chain of Custody certification standards.

Regulations and Policies related to Carbon and Greenhouse Gas Emissions

CPPI’s facilities are subject to regulation at the federal and provincial levels regarding the reporting and management of carbon dioxide (“CO₂”) and other GHG emissions.

Federally, the Canadian *Environmental Protection Act* establishes Canada’s Greenhouse Gas Reporting Program (the “GGRP”) which collects information from individual facilities relating to their annual greenhouse gas emissions. Environment and Climate Change Canada (“ECCC”) expanded these GHG reporting requirements in 2017, including the lowering of the federal reporting threshold from 50,000 tonnes to 10,000 tonnes of carbon dioxide equivalents per year (“CO₂e”). CO₂ emissions from biomass materials are not included in this threshold calculation.

Provincially, in British Columbia, under the *Greenhouse Gas Industrial Reporting and Control Act* (the “GGIRCA”), facilities that emit 10,000 tonnes or more of CO₂e in a particular year, and facilities that emit less than 10,000 tonnes of CO₂e in a particular year but have emitted 10,000 tonnes or more of CO₂e in any of the immediately preceding three years, must report their GHG emissions for such year, which must be verified by a third party if over 25,000 CO₂e. For 2023, all of the Company’s pulp mills are expected to report GHG emissions. Moreover, all of the Company’s pulp mills require third-party verification.

The Government of Canada adopted the *Greenhouse Gas Pollution Pricing Act* (“GGPPA”) in 2018, implementing a federal carbon pollution pricing system. It is comprised of two parts: Part 1 is a “fuel charge” on liquid fuels and Part 2 is a performance-based system for general industry called the “Output-Based Pricing System”.

Under the GGPPA, so long as provincial carbon pricing standards meet or exceed federal carbon pricing standards outlined in the *Canadian Greenhouse Gas Offset Credit System Regulations*, the federal carbon pricing standards outlined in Part 1 and the Output-Based Pricing System in Part 2 of the GGPPA do not apply. British Columbia has developed its own provincial carbon pricing model, and therefore, neither the federal fuel charge nor the Output-Based Pricing System applies. On April 1, 2023, British Columbia’s carbon tax was \$65 per tonne, adding a cost of 14.31 cents per litre of gasoline, 17.38 cents per litre of diesel, and 12.39 cents per cubic metre of natural gas. The British Columbia carbon tax is scheduled to increase to \$80 per tonne in April 2024. All of CPPI’s operations are subject to the British Columbia carbon tax. The Company is a participant in the carbon offset market in British Columbia, selling offset credits from a biomass heat energy system project completed in British Columbia. All of CPPI’s pulp mills meet the GHG reporting threshold and participate in the CleanBC Industrial Incentive program, where a portion of the facilities’ carbon tax can be refunded based on emission performance. British Columbia is expected to switch to an Output-Based Pricing System for carbon tax in April 2024.

For additional information see the Company’s “2023 Management’s Discussion and Analysis”. In particular, the sections entitled “Risks and Uncertainties – Environmental Issues”, “Risks and Uncertainties – Climate Change” and “Environmental, Social, and Governance (“ESG”) Strategy, Reporting and Related Risks”, which is incorporated by reference herein and available on SEDAR+ at www.sedarplus.com.

COMPETITIVE POSITION

The pulp industry is highly competitive, with a substantial number of competitors having extensive manufacturing expertise and sales and distribution organizations, some of which are larger than CPPI’s, but none of which are

considered to be dominant. The principal competitive factors in the pulp market are price, quality, cost, availability and reliability of supply, financial viability, and customer service.

The Company's main product line for its kraft paper business is high performance, bleached paper. The Company's main competitors in its sale of kraft paper products are several European producers.

For additional information regarding the Company's competitive position, see the Company's "2023 Management's Discussion and Analysis", in particular, the section entitled "Risks and Uncertainties – Competitive Markets", which is incorporated by reference herein and can be found on SEDAR+ at www.sedarplus.com.

RESEARCH AND DEVELOPMENT

The Company is committed to research and development in the areas of fibre analysis, process optimization, quality control and new product development. The Company maintains a dedicated in-house innovations centre with modern, specialised pilot and lab scale equipment run by highly skilled engineers and scientists. Canfor Pulp Innovation ("CPI") offers a diversified program serving our valued customers and mill operations in four strategic areas: cost reduction, enhanced pulp strength and quality, specialty paper, and new products. CPI is committed to the bioeconomy, creating value and delivering solutions through active partnerships with end users and leading research providers.

DIRECTORS AND OFFICERS

Directors

The name and municipality, province, state, and country of residence of the directors of the Company ("Directors"), their principal occupations and the periods during which they have been Directors of the Company are as follows:

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
J. Craig Armstrong ⁽³⁾ Edmonton, AB Canada	Former President and Chief Executive Officer ("CEO"), Millar Western Forest Products Ltd. ("Millar Western"), a Canadian forest products company that produces hardwood and softwood bleached chemi-thermomechanical pulp. Background: Mr. Armstrong's work in the forest industry began 50 years ago, of which 35 years was at Millar Western where he was President and CEO until his retirement in 2019. Other prior roles included Senior Vice President, Pulp (1992-1998), Executive Vice President (1998-2005), and Executive Vice President and Chief Operating Officer (2005-2010). He also served as director of Millar Western from 2010-2022. Mr. Armstrong was the Chair of the Alberta Forest Products Association (AFPA) and was a former board member of the Forest Association of Canada, The Sustainable Forest Initiative, and the Binational Lumber Trade Council. Mr. Armstrong holds a Bachelor of Commerce – Honors with a major in Marketing and a minor in Economics from the University of Saskatchewan.	2023
John Baird Toronto, ON Canada	Chair of the board of Directors of the Company (the "Board") and former Canadian Minister of Foreign Affairs. Currently Senior Advisor to various enterprises and a former Senior Cabinet Minister in the Government of Canada. Background: Mr. Baird is also a director and Chair of the board of Canfor. Mr. Baird spent three terms as a Member of Parliament in the House of Commons, most recently as Minister of Foreign Affairs (2011-2015). Previously, Mr. Baird held a variety of government posts including President of the Treasury Board (2006-2007),	2016

**Name and Municipality,
Province and Country of
Residence**

Principal Occupation and Background

**Director
Since**

Minister of the Environment (2007-2008 and 2010-2011), Minister of Transport and Infrastructure (2008-2010), and Leader of the Government in the House of Commons (2010-2011). Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature, where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader (1995-2005).

Currently, Mr. Baird serves as a Senior Business Advisor with Bennett Jones LLP, a premier Canadian law firm. In addition, Mr. Baird sits on the advisory board of Barrick Gold Corp., the corporate boards of Canadian Pacific Kansas City Limited, Canadian Pacific Railway Company, Canfor, the FWD Group, and PineBridge Investments, and is a Senior Advisor at Eurasia Group, a global political risk consultancy agency.

Mr. Baird also volunteers his time with Community Living Ontario, an organization that supports individuals with developmental disabilities, the Prince's Trust Canada, the charitable office of His Majesty King Charles III, and is a board member of the Friends of Israel Initiative.

Dieter Jentsch ⁽¹⁾⁽⁵⁾
King City, ON
Canada

Senior executive and career banker with experience in Canadian, US and International markets.

2020

Background: Mr. Jentsch is also a director of Canfor. Mr. Jentsch had a 35-year career at Scotiabank holding numerous senior roles. In addition to being part of Scotiabank's Operating Committee, he was Group Head of Global Banking and Markets (2016-2018) and Group Head of International Banking (2012-2016). Other prior roles included Executive Vice President Latin America and Executive Vice President Canadian Commercial Banking. Mr. Jentsch presently serves as a corporate director on various boards for public (Mineros S.A.), private and Not-for-Profit entities.

Mr. Jentsch holds a Bachelor of Science degree in Agriculture and a Master of Business Administration degree. He holds a diploma from the Advanced Management Programme from the European Institute of Business (INSEAD) as well as a diploma from the University of Toronto Rotman-ICD Directors Education Program.

**Name and Municipality,
Province and Country of
Residence**

Donald Kayne
Delta, BC
Canada

Principal Occupation and Background

Current director, President and Chief Executive Officer ("CEO"), Canfor.

Background: Mr. Kayne was appointed President and CEO of Canfor on May 5, 2011. He served as CEO of the Company from September 2012 to April 2022.

Mr. Kayne has spent his entire career at Canfor, starting out as a regional sales representative in 1979. Prior to being appointed CEO, Mr. Kayne spent 10 years as Canfor's Vice President of Sales and Marketing and is one of the lead architects of Asian market development for British Columbia lumber.

In addition to both Canfor and the Company, Mr. Kayne is a director and past Chair of the Forest Products Association of Canada and a director of the Council of Forest Industries, a past director of the Alberta Forest Products Association, a director of the BC Lumber Trade Council, and a director of Vida AB. In 2014, Mr. Kayne was appointed to the bi-national Softwood Lumber Board and currently serves as the Chair Emeritus of the Softwood Lumber Board. He is also a director of Cameco Corporation and Chair of its Human Resources and Compensation Committee, and member of its Safety, Health and Environmental Committee, director of Sustainable Forest Initiative, International Fellow of the Royal Swedish Academy of Engineering Sciences, an independent organization, which promotes contact and exchange between business, research, and government, in Sweden and internationally, and Co-Chair of the Ching Tien Foundation for Women, which provides young women from Asia the opportunity to participate in post graduate studies and leadership training abroad.

**Director
Since**

2017

**Name and Municipality,
Province and Country of
Residence**

Principal Occupation and Background

**Director
Since**

Norm Mayr ⁽¹⁾
Port Moody, BC
Canada

Current Trustee and board Chair of SIR Royalty Income Fund, a restaurant royalty income fund; a director and Audit Committee Chair of Kadestone Capital Corp., a real estate company operating in British Columbia, Canada; and a director and Audit Committee Chair of Sunniva Inc.

2023

Background: Mr. Mayr was an Audit Partner having spent 38 years in public practice with KPMG until his retirement in October 2016. He was the Risk Management and Business Unit Professional Practice Partner for the Greater Vancouver Area practice of KPMG for the most recent 18 years of his career. In this role, Mr. Mayr was responsible for managing risk in the audit practice, and regularly consulted with engagement teams dealing with complex financial reporting, accounting, audit and securities issues in their clients. He has had experience in the mining, forestry, technology, life sciences, retail, industrial markets and cannabis sectors. He served as lead engagement partner or quality review partner on many of KPMG's largest clients in these industries, including several multinational reporting issuers. He has had extensive experience acting for public companies listed in both Canada and the United States. Mr. Mayr served as a director at Next Green Wave Holdings Inc. (2020 to 2022). Mr. Mayr was a founding member of the CICA Accounting Standards Board (1991-1994) and a member of the Canadian Advisory Group to the International Accounting Standards Board (1994-2000). Mr. Mayr has presented extensively on financial reporting and accounting matters and has been a member and Chair of the Investigation Committee of the Chartered Professional Accountants of British Columbia (2008 to 2018).

Conrad Pinette ⁽¹⁾⁽⁵⁾
Vancouver, BC
Canada

Former owner and President, Pinette & Therrien Mills Ltd., a corporation in the forest products business.

2012

Background: Mr. Pinette is also a director of Canfor and, from August 4, 2017 until April 29, 2021, was Chair of the Board and Chair of Canfor's board of directors. Mr. Pinette's work in the Canadian forest industry began 58 years ago as an owner and President of a family lumber business, Pinette & Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. Mr. Pinette is the former Chair of Finning International Inc. and a former director of Gold Canyon Resources Inc., TimberWest Forest Corp, Northgate Minerals Corporation, Finning International Inc., as well as the British Columbia Business Council, and a former trustee of the A&W Revenue Royalties Income Fund. Mr. Pinette is currently a member and Chair of the Vancouver General Hospital and University of British Columbia Prostate Advisory Board.

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
William Stinson ⁽²⁾⁽³⁾⁽⁵⁾ Vancouver, BC Canada	Chair, CEO and director of Westshore Terminals Investment Corporation, a corporation in the coal terminal business. Background: Mr. Stinson is also a director of Canfor. Mr. Stinson spent the majority of his business career with Canadian Pacific Ltd., retiring as Chair and CEO in 1996 after 11 years in that position. He has served on a wide variety of boards and has held the positions of Chair of Sun Life Financial, Chair of the Executive Committee of United Dominion Industries and Lead director of CHC Helicopter Corporation.	2012
Sandra Stuart ⁽³⁾⁽⁴⁾ Vancouver, BC Canada	Former CEO of HSBC Canada, a Canadian chartered bank and a director of the Supervisory Board for HSBC Germany, director of Telus International Inc. and Belcorp Private Investment Management Co. and a Trustee and the Audit Chair for DRI Healthcare Trust. Background: Ms. Stuart is also a director of Canfor. She also currently serves as a director and member of the Risk and Audit Committees for the Bank of Nova Scotia, director and member of the Audit Committee for Telus International Inc. and is a Trustee and the Audit Chair for DRI Healthcare Trust. Ms. Stuart is an accomplished International Banking Executive with extensive C-Suite and corporate governance experience. Ms. Stuart retired as President and CEO of HSBC Canada in 2020. She enjoyed a 40-year career with HSBC, holding progressively senior roles including in the United States and Brazil. Ms. Stuart is active in the community volunteering on the Advisory Board for the Caldwell Top 40 under 40, and for the Loran Scholarship Program. She has been recognized by the Association of Women in Finance for Excellence in the Private Sector, received the Women's Executive Network Deloitte Inclusion Vanguard Award (2016), was named one of Women's Executive Network's Top 100 Most Powerful Women in Canada (2014), and British Columbia's Most Influential Women by BC Business Magazine (2015/2019). Most recently, Ms. Stuart was selected as a Catalyst Canada Honours Champion. Ms. Stuart has a Bachelor of Arts with a double minor in Economics and Business from Simon Fraser University.	2021

Notes:

(1) Member of the Audit Committee.

(2) Member of the Joint Management Resources and Compensation Committee.

(3) Member of the Joint Governance and Sustainability Committee (formerly the Joint Corporate Governance Committee).

(4) Member of the Joint Environmental, Health and Safety Committee.

(5) Member of the Joint Capital Expenditure Committee.

(6) All committees of the Company, other than the Audit Committee, have as members one or more directors of Canfor and are joint committees with Canfor. For more information on the power, responsibilities and composition of the joint committees, see the Company's Information Circular dated March 13, 2023 and Canfor's Information Circular dated March 13, 2023, each of which can be found on SEDAR+ at www.sedarplus.com.

The term of office of each Director expires on the date of the next Annual General Meeting of the Company to be held on May 1, 2024.

Officers

The names and municipality, province, and country of residence of the executive officers of the Company and the offices held by them as at March 5, 2024 are as follows:

<u>Name⁽¹⁾</u>	<u>Municipality of Residence</u>	<u>Office</u>
John Baird	Toronto, ON, Canada	Chairman
Kevin Edgson	Delta, BC, Canada	President and Chief Executive Officer
Patrick Elliott	Vancouver, BC, Canada	Chief Financial Officer and Senior Vice President, Sustainability
David Calabrigo, K.C.	Vancouver, BC, Canada	Senior Vice President, Corporate Secretary
Brian Yuen	Vancouver, BC, Canada	Vice President, Pulp and Paper Sales and Marketing

Notes:

⁽¹⁾ The principal occupation of all of the officers listed above is with the Company or Canfor, other than Mr. Edgson and Mr. Yuen, whose principal occupation is with the Company as described above. For further information on the occupations of the other Directors with Canfor, see the Company's Information Circular dated March 13, 2023, which can be found on SEDAR+ at www.sedarplus.com.

All of the above Directors and officers have had the same or similar principal occupations with the organizations indicated for the last five years except that: prior to April 2022, Mr. Edgson was President and Chief Executive Officer at EACOM Timber Corporation; prior to October 2021, Mr. Elliott was Senior Vice President, Corporate Finance and Sustainability for Canfor and prior to August 2020, Mr. Elliott was Vice President, Corporate Finance and Strategy; prior to April 2021, Mr. Baird was Director from April 2016 to April 2021; prior to January 28, 2019, Mr. Yuen was Director, Asia Pulp Sales for Canfor Pulp and Paper Sales Ltd.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no Director or Executive Officer of the Company, or any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of the CPPI Shares, or any of their associates or affiliates, has or had any material interest, directly or indirectly, in any transaction of the Company within the three most recently completed financial years of the Company or during the current financial year that has materially affected or is reasonably expected to materially affect the Company, other than as described under "Material Contracts" and as set forth herein.

CONFLICTS OF INTEREST

To the knowledge of the Company, no Director or Executive Officer of the Company or subsidiary of the Company has an existing or potential conflict of interest with the Company or subsidiary of the Company.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares (the "CPPI Shares"). At December 31, 2023 and as of the date of this Annual Information Form, there were 65,233,559 CPPI Shares issued and outstanding and Canfor's ownership interest in CPPI was 54.8%.

Holders of CPPI Shares are entitled to one vote per share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board of the Company and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding-up, subject to the rights of shares having priority over the CPPI Shares. As at the date of this Annual Information Form, there are no classes of shares of the Company having priority over the CPPI Shares.

DIVIDENDS

This section describes the dividend policies and amounts declared pursuant thereto, if any, of CPPI.

Provisions contained in Canfor Pulp Ltd.'s long-term borrowing agreements limit the amount of dividends that may be paid on the CPPI Shares. The amount of dividends the Company is permitted to pay under Canfor Pulp Ltd.'s long-term borrowing agreements is determined by reference to consolidated net earnings less certain restricted payments.

The declaration and payment of dividends is subject to the discretion of the Company's Board and may change from time to time. The Board reviews the issuance of dividends on a quarterly basis.

SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

At March 5, 2024, the Directors and Executive Officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 124,699 CPPI Shares representing 0.19% of the outstanding Common Shares.

MARKETS FOR SECURITIES

The CPPI Shares are listed and traded on the TSX under the symbol CFX.

TRADING PRICE AND VOLUME

The following table presents the high and low prices for the CPPI Shares and the average daily trading volume of those shares, on a monthly basis, on the TSX for 2023:

<u>Month (2023)</u>	<u>High</u>	<u>Low</u>	<u>Average Daily Trading Volume</u>
	\$	\$	(Shares)
January	4.93	3.82	23,729
February	4.43	3.62	13,716
March	3.95	2.92	17,048
April	3.04	1.96	76,242
May	2.26	1.68	52,977
June	2.48	1.88	30,241
July	2.40	1.97	25,590
August	2.17	1.86	15,482
September	2.08	1.88	21,885
October	1.99	1.78	18,919
November	1.90	1.53	26,236
December	2.01	1.30	25,668

SECURITY

The Company's operating lines of credit and term indebtedness are unsecured.

MATERIAL CONTRACTS

The following is a list of the Company's material contracts:

1. Canfor Pulp Ltd. has entered into a fifth amended and restated credit agreement dated May 2, 2023, with Bank of Montreal, as administrative agent, Canadian Imperial Bank of Commerce and HSBC Bank Canada, as co-syndication agents, and the financial institutions from time to time party thereto as lenders, which Credit Agreement amends and restates the fourth amended and restated credit agreement dated for reference November 1, 2022. The Company is a guarantor of Canfor Pulp Ltd.'s obligations under this fifth amended and restated credit agreement.

This fifth amended and restated credit agreement provides for a \$160 million unsecured and committed revolving term credit facility (the "Operating Loan") and a \$80 million unsecured committed non-revolving term credit facility (the "Term Loan") to support the Company's continued re-investment in its facilities, specifically Northwood's RB1. Each of the Operating Loan and Term Loan provide for floating rates of interest. The Operating Loan and Term Loan matures on May 2, 2027.
2. On July 1, 2006, Canfor and Canfor Pulp Limited Partnership (now the Company) entered into a Partnership Services Agreement (the "Partnership Services Agreement") pursuant to which Canfor provides the Company with certain specified services. The services provided by Canfor include corporate secretarial, financial, internal audit, maintenance, inventory, and purchasing systems, hourly payroll and time entry systems, production tracking systems and software and technology support. Canfor does not receive a fee for the provision of these services but receives a reimbursement for its direct and indirect costs and expenses. The Partnership Services Agreement is terminable, in whole or in part, at the election of the Company or Canfor, upon 12 months' written notice.
3. The Company has a Fibre Supply Agreement with Canfor as described under "Fibre Supply – Fibre Supply Agreement".

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, SANCTIONS

To the knowledge of the Company, no Director or Executive Officer of the Company is, at the date hereof or was within the last 10 years of the date of this Annual Information Form, a director, CEO or chief financial officer of a company that, (i) while acting in that capacity, was subject to a cease trade or similar order or an order that denied the company access to any exemption under securities legislation (an "Order") that was in effect for a period of more than 30 consecutive days; (ii) was subject to an Order that was in effect for a period of more than 30 consecutive days that was issued after the Director or Executive Officer ceased to be a director, CEO or chief financial officer of such company and which resulted from an event that occurred while that person was acting in such capacity, other than Messrs. Jentsch and Mayr as set forth below.

On June 22, 2020, Mr. Mayr was a director of Sunniva Inc. ("Sunniva"), which received a cease trade order issued by the British Columbia and Ontario Securities Commissions resulting from Sunniva failing to file its audited financial statements, related management discussion and analysis and related certifications for the financial year ended December 31, 2019. The cease trade order continues to be in effect at the date of this circular. On October 18, 2020, Sunniva voluntarily filed for, and obtained, creditor protection under the Companies Creditors Arrangement Act ("CCAA") pursuant to an initial order from the Supreme Court of British Columbia. On June 18, 2021, Sunniva, pursuant to an order made by the Supreme Court of British Columbia on February 11, 2021, implemented the Amended and Consolidated Plan of Compromise and Arrangement, and was discharged and released from the CCAA proceedings.

On August 19, 2020, The Bank of Nova Scotia ("Scotiabank") announced that it entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice (the "DOJ"). Additionally, the Commodity Futures Trading Commission (the "CFTC") issued three separate orders against Scotiabank (collectively, the "CFTC Orders"). The DPA and the CFTC Orders (together, the "Resolutions") resolve the DOJ's and CFTC's previously disclosed investigations into Scotiabank's activities and trading practices in the metals markets and related conduct as well as pre-trade mid-market marks and related swap dealer compliance issues. Mr. Jentsch was a Senior Executive of Scotiabank during the time period during which such activities, trading practices and related conduct occurred. Mr. Jentsch was not personally sanctioned as part of these proceedings nor was he the subject of these investigations.

To the knowledge of the Company, no Director or Executive Officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company is at the date hereof, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of a company that, while acting in that capacity, or within a year of ceasing to act in such capacity, became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets.

To the knowledge of the Company, no Director or Executive Officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal or regulatory proceedings to which the Company or any of its subsidiaries is or was a party, or to which any of the property of any of them is or was the subject of, during the Company's financial year ended December 31, 2023, and there are no such material legal or regulatory proceedings which the Company knows to be contemplated. In addition, there are no penalties or sanctions imposed against the Company or any of its subsidiaries by a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2023 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2023.

EXPERTS

KPMG LLP, Chartered Accountants, of Vancouver, British Columbia are the auditors of the Company. KPMG LLP, Chartered Accountants, have reported that they are independent of the Company in accordance with the auditor's rules of professional conduct in Canada.

The Company will propose KPMG LLP for reappointment as the auditors of the Company on the expiry of its term of office at the Annual General Meeting of Shareholders of the Company on May 1, 2024. No auditor's report prepared by the auditor in respect of the Company's financial statements relating to the relevant period contained any modified opinion and there have been no reportable events involving the Company and the auditor.

TRANSFER AGENT AND REGISTRAR

TSX Trust Company is the Company's transfer agent and registrar with registers of transfer in Vancouver and Toronto.

AUDIT COMMITTEE INFORMATION

Audit Committee Terms of Reference – See APPENDIX A

Composition of Audit Committee

The Audit Committee is composed entirely of independent Directors, all of whom are financially literate as defined in National Instrument 52-110 – *Audit Committees*. Mr. Mayr, the Chair of the Committee, is a Fellow Chartered Professional Accountant (FCPA, FCA) and is a former Audit Partner at KPMG, where he had a 38-year career holding numerous senior roles. Mr. Pinette was President of Pinette & Therrien Mills Ltd., served as Chair of the Board for the Company and Canfor from April 2017 to April 2021, and continues to serve on a wide variety of boards. Mr. Jentsch was a former Senior Executive at Scotiabank, where he had a 35-year career holding numerous senior roles.

The Audit Committee has adopted a policy for the engagement of non-audit services whereby the external auditor of the Company is not entitled to provide any non-audit services to the Company exceeding \$50,000 in value without the Audit Committee Chair's prior approval and any such services exceeding \$100,000 are to be pre-approved by the Audit Committee. All such engagements are reported to the Audit Committee.

External Auditor Service Fees (By Category)

The aggregate fees billed by KPMG LLP, the auditor of the Company, for the last two years, was an aggregate of \$1.1 million. Fees listed below were for audit, tax, financial and other verification audit services.

External Auditor Service Fees (000s)	2023	2022
Audit Fees ⁽¹⁾	\$423	\$438
Audit-Related Fees ⁽²⁾	-	-
Other Assurance Fees ⁽³⁾	<u>154</u>	<u>39</u>
Total Assurance Fees	\$577	\$477
Tax Fees ⁽⁴⁾	<u>-</u>	<u>-</u>
Total Fees	\$577	\$477

Notes:

- (1) For the audit of the Company's annual financial statements and services normally provided by the principal auditor in connection with the Company's statutory and regulatory filings.
- (2) For assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported in (1), including accounting consultations and various agreed upon procedures.
- (3) Other assurance fees includes services related to chain of custody and greenhouse gas offset projects.
- (4) For tax compliance, tax consulting services, and tax planning.

ADDITIONAL INFORMATION

Additional financial information regarding the Company is provided in the Company's "2023 Management's Discussion and Analysis" and "Consolidated Financial Statements" for the year ended December 31, 2023. Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Information Circular for the Annual General Meeting of the Company held on May 3, 2023 and in the Information Circular for the Annual General Meeting of the Company to be held on May 1, 2024.

The Company will provide upon request to the Corporate Secretary of the Company, 101-161 East 4th Avenue, Vancouver, British Columbia, V5T 1G4, copies of the above documents. These documents and additional information about the Company is also available on SEDAR+ at www.sedarplus.com. In addition, all documents identified in this Annual Information Form as being incorporated by reference herein are available on SEDAR+ at www.sedarplus.com.

APPENDIX A - AUDIT COMMITTEE TERMS OF REFERENCE

1. Purpose

The Audit Committee is appointed by the board of directors (the "Board") of Canfor Pulp Products Inc. (the "Company") to assist the Board in fulfilling its oversight responsibilities. The Audit Committee will:

- (a) Review the financial reports and other financial information provided by the Company to its shareholders;
- (b) Monitor the integrity of the financial reporting process and the system of internal controls that Management and the Board have established;
- (c) Monitor the management of the principal risks that could impact the financial performance of the Company;
- (d) Review and receive the Audit Plan, process, results and performance of the Company's independent External Auditors and the internal audit department while providing an open avenue of communication between the External Auditors, the Internal Auditors, Management and the Board; and
- (e) Monitor the management of risk by the Company generally.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the External Auditors as well as anyone in the organization. The Audit Committee has the authority to retain, at the Company's expense, special legal, accounting and other consultants or experts it deems necessary in the performance of its duties.

2. Audit Committee Composition and Meetings

All members of the Audit Committee must be Independent Directors.

All Audit Committee members must be financially literate with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. At least one Audit Committee member should have accounting or related financial expertise, including:

- (a) an understanding of financial statements and accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising the preparation, audit, analysis or evaluation of financial statements, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions.

A Chair shall be appointed by the Board annually from among the members of the Audit Committee.

The Audit Committee shall schedule regular meetings and shall meet at least four times annually, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee shall meet privately at least annually with Management, the manager of the Internal Audit department (the "Internal Auditor") and the External Auditors to discuss any matters that the Audit Committee or each of these groups believe should be discussed.

The Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the External Auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Audit Committee, and shall appear before the Audit Committee when requested to do so by the Committee.

3. Primary Duties and Responsibilities

To fulfill its primary duties and responsibilities, the Audit Committee shall adhere to the following terms:

(a) Review and Reporting Procedures

- (i) The Audit Committee is authorized to review and/or investigate any financial, internal control, or risk management related issue or activity of the Company. The Audit Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- (ii) The Audit Committee is authorized to request the presence, at any meeting, of a representative from the External Auditors, Senior Management, Internal Audit, Legal Counsel or anyone else who could contribute to the subject of a meeting.
- (iii) The Audit Committee will review and reassess these Terms of Reference at least annually to determine whether revisions are necessary. The Audit Committee shall be periodically self-assessed in its performance and effectiveness in fulfilling its role by the Governance Committee.
- (iv) Supporting schedules and information reviewed by the Committee will be available for examination by any director of the Audit Committee upon request to the Secretary of the Audit Committee.

(b) Internal Controls and Risk Management Processes

- (i) To assure itself that the Company has appropriate controls in place to achieve the following objectives:
 - Effectiveness and efficiency of operations (including safeguarding of assets);
 - Reliability of internal and external reporting;
 - Compliance with applicable laws and regulations and internal policies.
- (ii) To ensure the Company has appropriate processes in place to manage the principal risks of its businesses, the Audit Committee shall:
 - Consider and review internal processes for managing the principal risks of the Company's businesses, including a review of insurance coverage and hedging activities.
 - Obtain assurance from both Management and the Internal Auditor regarding the adequacy of risk management processes.
 - Review with Management, the Internal Auditor and the External Auditor:
 - o The adequacy of the Company's internal controls including computerized information systems, controls and security.
 - o Any related significant internal control findings and recommendations of the External Auditor, and/or Internal Auditor together with Management's responses thereto.
 - o The Company's compliance or adherence to debt covenants, terms or conditions.
 - o Significant related party transactions and potential conflicts of interest.

(c) Financial Reporting

In order to satisfy itself that the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles ("GAAP") and in a form sufficient for the Audit Committee's recommendation for approval by the Board, and that the financial information contained in the Company's financial statements, Annual Report to Shareholders, Annual Information Form and other financial disclosure documents such as Management's Discussion and Analysis, is complete and accurate in all material respects, the Audit Committee shall:

(i) General

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

(ii) Interim Financial Statements

- Review the Company's interim financial statements with Management prior to their release or distribution. This review will include a detailed reporting of quarterly and year-to-date results, variance against budget and prior year and a discussion with the External Auditor. Upon satisfactory completion of the review, the Audit Committee shall recommend to the Board approval of the financial statement release.
- Review any significant proposed changes to the Company's accounting principles or policies, or financial reporting practices.
- Review the financial statement impact of any significant, unusual event or transaction.
- Review news releases containing financial information disclosure and Management's Discussion and Analysis.

(iii) Annual Financial Statements and Other Financial Information

- Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by Management.
- Review any material changes in accounting policies, GAAP, or financial reporting requirements that may affect the current year's financial statements.
- Obtain and review summaries of significant or unusual transactions, and other potentially complex matters whose treatment in the annual financial statements merits advance consideration.
- Review a summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments.
- Review and discuss the annual financial statements and the External Auditor's report thereon in detail with Management and the External Auditors.
- Through discussion with Management, the Internal Auditor and the External Auditors, obtain assurance that the risk of material misstatement of the financial statements is acceptably low.
- Review the financial information included in the Management's Discussion and Analysis, and consider whether the information is adequate and consistent with the Audit Committee members' knowledge of the Company.
- Review the tax status of the Company and understand the status of any related tax reserves, potential reassessments or other matters which could affect the annual financial statements.

- Review and assess the quality and appropriateness of the Company's accounting and reporting principles and policies.
- Provide to the Board a recommendation as to whether the annual financial statements should be approved.
- Review the news release announcing the annual financial results of the Company.
- Review the annual financial disclosure contained in the Annual Information Form.

(iv) Prospectus and Information Circulars

- Review the financial information included in any prospectus or information circular prior to their release and, as appropriate, recommend to the Board whether such prospectus or information circular should be approved by the Board.

(d) External Audit

The External Auditors are accountable to the Audit Committee and the Board as representatives of the shareholders.

In order to assure itself that the external audit function has been effectively carried out and that any matters that the External Auditors consider appropriate to bring to the attention of the Board have been addressed, the Audit Committee shall:

- (i) Recommend to the Board the selection (retention or replacement) of the External Auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the External Auditors. On an annual basis, the Audit Committee should review and discuss with the External Auditors all significant relationships its accountants have with the Company to confirm their independence. If there is a recommendation to change auditors, review all the issues to change and the steps planned for an orderly transition.
- (ii) Review the External Auditor's Audit Plan and engagement letter with Management and the External Auditors, including audit scope and approach.
- (iii) Meet with the External Auditor and management in separate private sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- (iv) Pre-approve any non-audit services to be provided by the External Auditor. The Audit Committee may delegate this responsibility to the Chair, provided that any pre-approval granted pursuant to such delegation must be detailed as to the service to be provided and must be reported to the full Audit Committee at its next scheduled meeting.
- (v) Review and assess the performance of the External Auditor, including consideration of demonstrated external audit judgment and application and adherence to accounting policy and standards.
- (vi) Review the External Auditor's policy on partner rotation.
- (vii) Review the Company's hiring policy with respect to partners, employees and former partners and employees of the Company's present or former External Auditor.

(e) Internal Audit

In order to assure itself that the internal audit function has been effectively carried out and that any matter that the Internal Auditor considers appropriate to bring to the attention of the Board has been addressed, the Audit Committee shall:

- (i) Be advised of and concur with the appointment, replacement, reassignment or dismissal of the Internal Auditor and consider resource requirements.

- (ii) Review and approve Internal Audit Services Terms of Reference, including scope, organization structure and mandate.
- (iii) Confirm and assure the independence of the Internal Auditor.
- (iv) Review jointly with the Internal Auditor and the External Auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- (v) Review with Management and the Internal Auditor the annual Audit Plan and monitor any changes required in the scope of the plan.
- (vi) Meet with the Internal Auditor and Management in separate private sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- (vii) Review significant internal audit activity together with Management's response and follow-up actions on internal audit recommendations, including any problems or issues encountered in the course of an audit.
- (viii) Review and assess the performance of the Internal Auditor; and
- (ix) Ensure that the Internal Auditor reports directly to the Chair of the Audit Committee with a dotted line reporting responsibility to either the CEO or CFO of the Company.

4. Other Duties

(a) Legal and Regulatory Compliance

To provide assurance of Company compliance with all legal and regulatory requirements, the Audit Committee shall:

- (i) In areas in which it has oversight responsibility, monitor the Company's compliance and obtain Management's assurance of compliance with applicable laws, regulations and internal policies in all jurisdictions where the Company does business. The Audit Committee will consider the financial statement implications of applicable laws and regulations, including the laws and regulations overseen by other Committees of the Board.
- (ii) Receive and review copies of legal letters provided to the External Auditors by in-house and outside counsel regarding claims and possible claims against the Company.
- (iii) Make inquiries of Management, the External Auditors and the Internal Auditor, to ensure that all material legal matters have been brought to the attention of the Audit Committee.
- (iv) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements or risk profile, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
- (v) Ensure that all annual and interim financial statement filings are personally certified by the Chief Executive Officer and the Chief Financial Officer if and as required by applicable law.
- (vi) Review the Company's procedures and establish procedures for the Audit Committee for the:
 - receipt, retention and resolution of complaints regarding accounting, internal accounting controls, financial disclosure or auditing matters; and
 - confidential, anonymous submission by employees regarding questionable accounting, auditing, or financial reporting and disclosure matters.

(b) Pension Funds

Be responsible for oversight of the supervision of the pension plans in which the Company's employees participate by:

- (i) reviewing the Company's financial accruals in the Company's financial statements for pension plans in which the Company's employees participate;
- (ii) receiving and reviewing reports from the Canfor Management Pension Committee;
- (iii) reviewing any material plan amendments, on the advice and recommendation of the Management Pension Committee;
- (iv) reviewing the performance of the pension plans' money managers and the investment policies and practices in respect of the funds contributed to the Company's pension plans;
- (vi) reviewing any issue or circumstance that may materially impact the Company's obligations, liabilities, or responsibilities with respect to such pension plans;

(c) Officer Expenses

Review policies and procedures with respect to the Chairman of the Board and Chief Executive Officer's expense accounts and perquisites, including the use of corporate assets (for clarity, including review of material personal expenses).

(d) Other Duties

The Audit Committee will perform such other functions as assigned by law or regulation or as required by the Board.