

Planting a Sustainable Future



CANFOR SUSTAINABILITY
REPORT 2021

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We are looking at the forest in new ways to acknowledge what we do well and challenge ourselves in other areas. We are continuing our long history of excelling at best-in-class forestry practices and producing renewable products. We are also investing in innovative technology and tapping into the collective energy and passion of our people and partners.

By building a future that is equitable, balanced and sustainable, we can help create a world where everyone can benefit.

**Together, we will
frame the future.**



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A Message from Don Kayne

President & CEO

2021 was once again a year that was like no other—it tested our resilience and capacity to adjust to frequently changing conditions. From the volatility of the ongoing pandemic, extensive supply chain challenges, a high demand for lumber, a tight labour market and the devastating wildfires that impacted so many communities, these challenges demonstrate the critical importance of incorporating sustainability into everything we do.

Making sustainability a core value in our business is not only the right thing to do for the planet, our people, stakeholders, partners and customers, but it also makes us a better company. Employees want to feel proud of the organization where they work and feel an alignment with their values. Our customers want to know that the products they purchase from us are sustainably sourced and responsibly produced. Strong sustainability practices make us a better partner, a better supplier and a better employer.

OUR JOURNEY CONTINUES

In 2020 we undertook a more comprehensive sustainability vision and strategy, including defining the topic areas that are most material to our stakeholders and partners. We engaged with them and set goals and targets for

Safety, Health and Wellness; Inclusion and Diversity; Indigenous Relations; and Sustainable Forestry. Sustainability is becoming increasingly ingrained in all areas of our business as we develop operational plans to support achieving our goals and targets. It's important that our goals and targets not only reflect our leadership aspiration in our industry, but also that they are achievable. For 2021, we refined our goals and developed targets for Climate Change, Air Quality, Waste Management and Water Management. We've included these targets in this report and will collect and report on data in future years.

FORESTRY AND CLIMATE CHANGE

There is an urgent, global need to address climate change and I'm proud of the progress we've made in setting our carbon goal and targets. Climate change is one of the most pressing issues society has ever dealt with, and forest products are instrumental in a low-carbon future. We have made a commitment to become a net-zero carbon company by 2050. The first step to achieve this is to reduce absolute scope 1 and 2 emissions by 42% by 2030, aligned with the best available science to limit warming to 1.5°C as outlined in the Paris Agreement. Our efforts to mitigate climate change start with maintaining healthy, well-managed

The challenges we face as a society and company demonstrate that a robust sustainability strategy is needed more than ever.



forests, reducing the carbon intensity of our operations and building on opportunities across our value chain.

RECOGNIZING UNIQUE STRENGTHS TO DRIVE INNOVATION

In Canada, we operate on the traditional and unceded territories of many Indigenous communities. Recognizing and respecting these rights-holders and understanding their unique and diverse interests is deeply tied to our forestry practices. Our aim is to ensure that Indigenous Peoples have the opportunity to participate in the forest economy, and that our shared goals of conserving the environmental, social and cultural values of the forest are protected. One example is Arbios Biotech's low-carbon biofuel plant in Prince George, B.C., within the traditional territory of the Lheidli T'enneh First Nation. Arbios, a joint venture between Canfor and Licella, will use innovative technology to convert low-value residuals into biofuels, with applications in the transportation sector, such as sustainable aviation fuel. Arbios has been working closely with Lheidli T'enneh First Nation on a plan for the project to ensure meaningful commercial and practical participation for the Nation. This project is an example of our commitment to bio-innovation and

to thinking differently about what we do, which can drive benefits for the planet, people and our company.

Ensuring that our people—employees, partners, vendors and other stakeholders—are valued for their unique strengths and that they feel welcome and included so they can fully contribute is a strategic imperative at Canfor. When our people are diverse, so are the perspectives they bring, which ultimately makes us a better, more well-managed company.

A PATH TO LEADERSHIP

We set our goals and targets to reflect our overall ambition and to position Canfor as a leader within the industry. We also recognize that it will take time to achieve them. We are starting to see the positive impacts of these actions as sustainability moves deeper into the organization. This is a multi-year journey that requires the energy, passion and ideas of our people. I'm confident we have the right people and plan in place and that together, we can frame the future.

Don Kayne
President & CEO, Canfor

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A Message from Pat Elliott

CFO, Canfor & Canfor Pulp, and SVP, Sustainability

I'm pleased to share Canfor's 2021 Sustainability Report, which reflects the second year into implementing our comprehensive sustainability strategy. This process has been an evolution for our organization as we report on topics most important to our stakeholders and partners, while continuously improving our diligence and process along the way.

Our sustainability report shines a spotlight on the topic areas where we have established practices and procedures in addition to our solid and consistent performance. Not surprisingly, these are topic areas that are core to our operations and at the heart of our values, such as Safety, Health and Wellness; Inclusion and Diversity; Indigenous Relations; and Sustainable Forestry. At the same time, we continue to build out our targets in the areas such as Supply Chain Management and Residuals

Management. We will continue to develop our understanding of the intersection between our industry and each material topic area and how, by setting and acting on sustainability targets, we can drive better performance overall and create a more sustainable world.

When we published our 2020 Sustainability Report, we set targets for four of our material topic areas within the pillars of People, Planet and Products. Throughout this year, we have focused on the deep integration needed within the business to make progress against these targets. This included adding resources to the sustainability team in the form of new roles and systems, engaging our working group and internal experts, and starting the process for developing realistic targets—and plans for how we would achieve them—for a further four material topic areas: Climate Change, Water

Our reporting process has been an evolution for Canfor, as we report on what is most important to stakeholders and partners, while increasing the rigour of our disclosures by aligning with best practices.



Management, Waste Management and Air Quality. For 2021, we separated Waste Management and Residuals Management as individual material topics. It is important to differentiate actual waste versus materials that still have value-add potential for biofuel, green energy or other uses.

With our updated goals and targets, we have provided our Performance at a Glance on [page 15](#), as well as an updated Sustainability Framework on [page 23](#).

REGULATORY STANDARDS

Our reporting has continued to evolve and increase transparency to respond to the changing standards and expectations for our industry. We are pleased to include disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) standards, as well as

continuing with the Global Reporting Initiative (GRI) standards.

Part of the TCFD process was to complete a readiness assessment to understand our progress relative to our peers. We also started an initial assessment of climate risk to our woodlands operations. While this wasn't a requirement, we felt it would add value to our risk management process, and it is aligned with our decarbonization strategy and commitment to Science Based Targets initiative (SBTi) with our climate change goal and targets. Our team is closely monitoring any future proposed standards to ensure we integrate them into future reporting years.

Pat Elliott
CFO, Canfor & Canfor Pulp, and SVP, Sustainability, Canfor

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Our Response to Climate Change

Climate change is one of the most pressing issues our planet is facing today.

As a forestry company, we are on the front lines of this challenge. We believe that through sustainable forest management and providing natural, renewable products, Canfor can play a significant role in reducing climate change.

Our best tool is a healthy forest: one that is in harmony with the ecology and communities around it. When forests are in harmony, their ability to capture and store carbon is increased. Canfor has a strong track record of caring for and managing the forest responsibly.

As the science of sustainability evolves so do we, whether that's through our practices, processes, unique partnerships, or our variety of products that lock carbon away for generations.

We recognize that the urgency of climate change requires us to continue evolving our practices. In each step of our journey towards net-zero carbon, we are redesigning our processes to reduce our carbon footprint and unlock new levels of innovation. In doing so, we continue to push ourselves and other organizations who are further down the path towards net-zero and aim to inspire those who are at the trailhead.



OUR GOAL

We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.

TARGETS

Reduce absolute scope 1 and 2 carbon emissions by 42% by 2030 from a 2020 baseline year.

Measure our scope 3 emissions and establish a science-based reduction target by 2024.



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Companies, governments and individuals all have a role to play in mitigating climate change.

We will work collaboratively with our Indigenous partners, customers and suppliers to create planet-positive products. Pulp and paper can replace fossil-fuel intensive materials like plastics. Building with forest products can lock up carbon for generations and create an opportunity for a hybrid approach to construction, replacing or reducing the use of concrete and steel.

We have a comprehensive plan that will reduce our absolute scope 1 and 2 carbon emissions by 42% by 2030 from a 2020 baseline year. We will also measure our scope 3 emissions and establish a science-based reduction target by 2024. Canfor has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the [Science Based Targets initiative \(SBTi\)](#). Canfor has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and

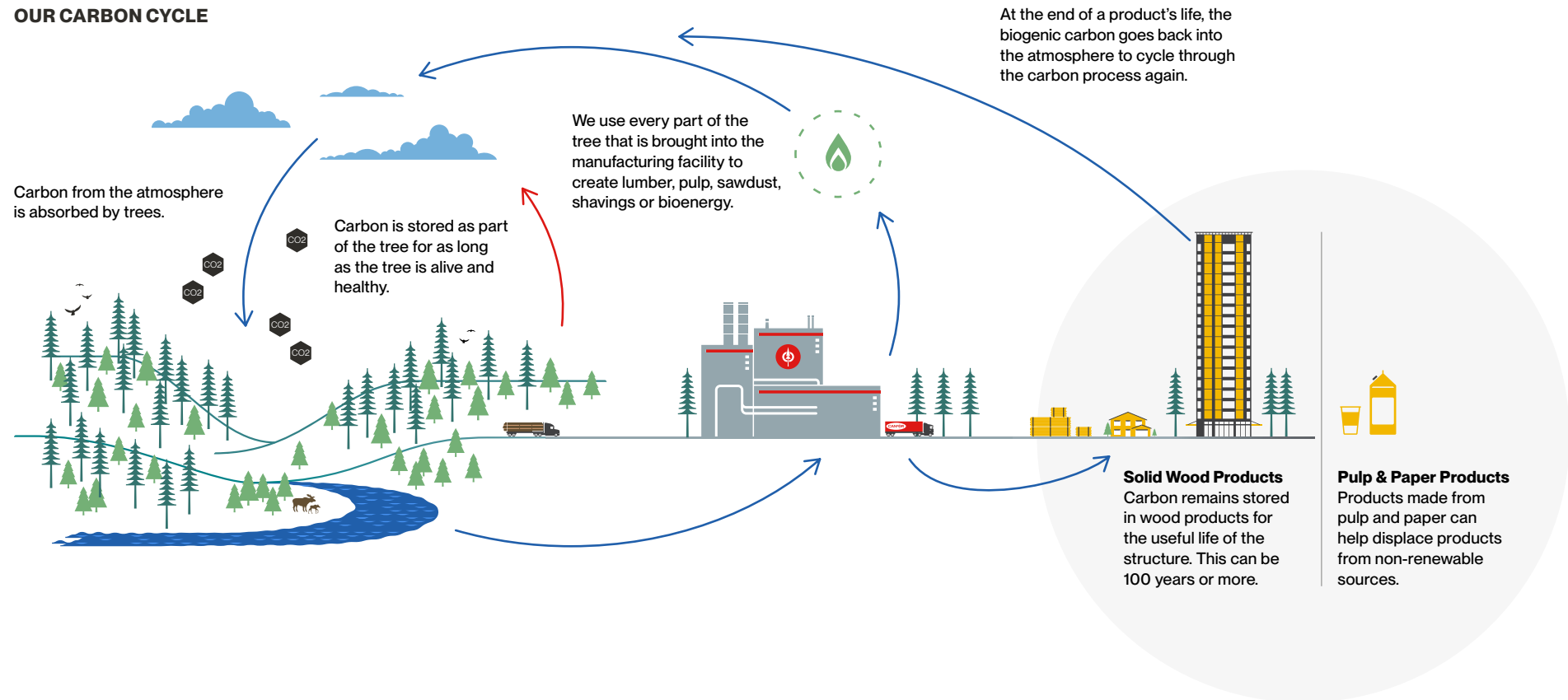
net-zero through the [Business Ambition for 1.5°C campaign](#). We will undergo validation with the SBTi within the next two years.

To achieve our decarbonization targets, we will invest at least \$250 million in carbon reduction projects across our business by 2030. Read more about our plan in the [Climate Change](#) section.

For Canfor, our commitment is not simply about net-zero carbon—it's also about what zero can equal in our sustainability journey.

As a forestry company, we are on the front lines of the climate change challenge.

OUR CARBON CYCLE



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1.42
is our company-wide total recordable incident frequency (TRIF) for the year and is a decrease from 2020




\$1.8M
in charitable giving to 310 organizations through Canfor's Good Things Come From Trees




97%
of Canadian salaried employees participated in the Indigenous Cultural Awareness and Understanding training



24%
of our new hires were from under-represented groups



94%
of salaried employees across North America completed Inclusion & Diversity Awareness training



54M
seedlings planted; more than one billion seedlings have been planted over the last 20 years




100%
of Canfor-managed forests are SFI or FSC Forest Management Standard certified; 100% of all sourced wood in the U.S. is certified to the SFI Fibre Sourcing Standard




5.9M
tonnes of residuals diverted from landfills for use as hog fuel or processed into value-added products



15
additional targets set for Climate Change, Air Quality, Water Management and Waste Management



80%
of our energy consumption is from renewable sources



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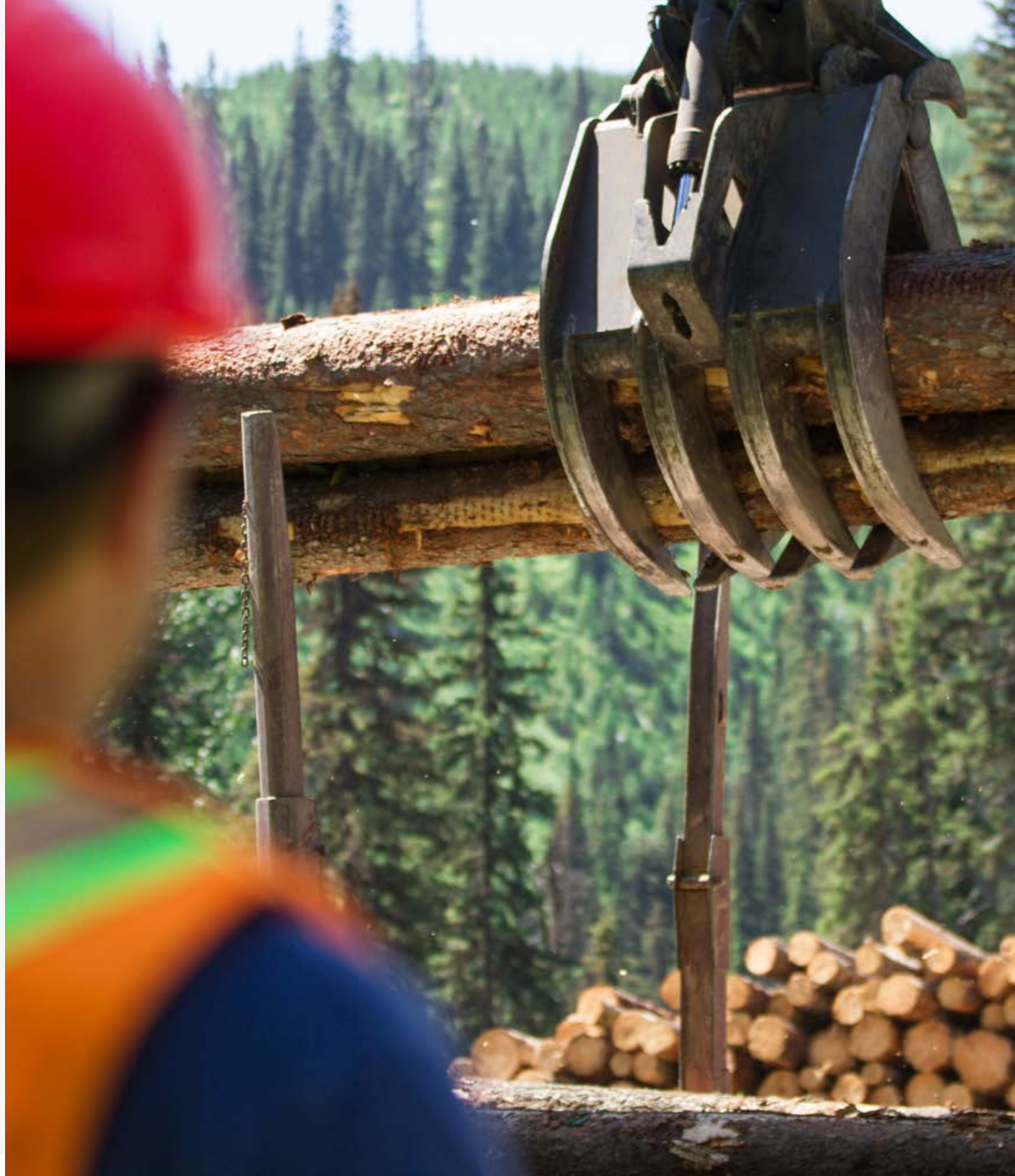
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About Canfor

Canfor is a global leader in the manufacturing of sustainable forest products including lumber, pulp, paper, wood pellets and green energy.

We embrace innovation in our industry and provide high-quality products to markets around the world. With our dedicated employees, we demonstrate leading environmental practices and are committed to the communities that host our operations.

Through our sawmills, pulp mills and other facilities, we use timber and associated residuals to create products we all use every day. We're continuously looking for new ways to apply sustainability innovation to supply low-carbon solutions.

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Our Operations

Canfor manufactures forest products in three countries: Canada, the United States and Sweden.

CANADA

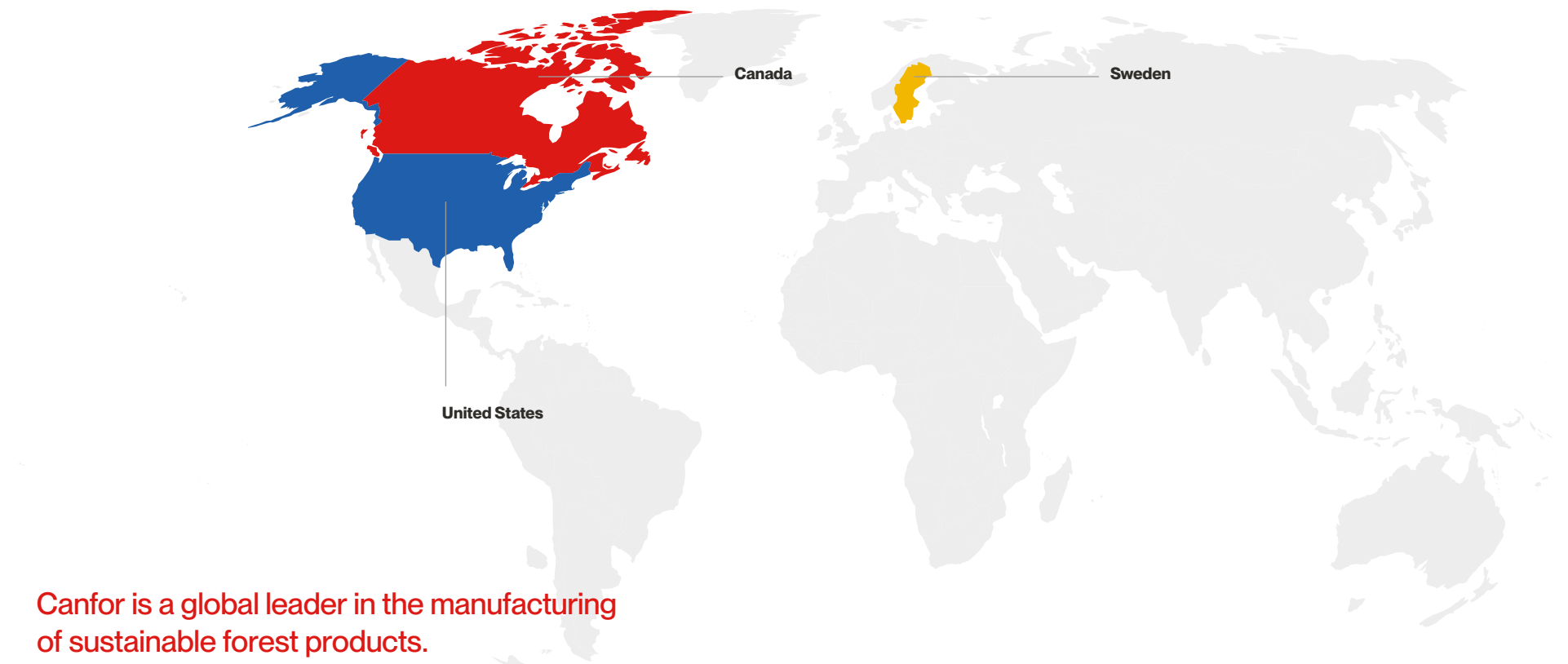
As of December 2021, our Canadian operations include four pulp mills and one paper mill in British Columbia (B.C.). We also have 11 sawmills: 10 are in B.C. and one in Alberta, and two pellet mills in Chetwynd and Fort St. John, B.C. In December 2021, we announced the purchase of the assets of Millar Western Forest Products, which added two sawmills and one specialty facility in Alberta to our operations as of March 2022. In addition, we have a pulp research and design centre, a tree nursery and corporate head offices in Vancouver and Prince George, B.C.

UNITED STATES

As of December 2021, we have 15 manufacturing facilities and one trucking fleet (New South Express), as well as two corporate offices in Mobile, Alabama and Myrtle Beach, South Carolina. In April 2022, we started construction of our new DeRidder sawmill in Beauregard Parish, Louisiana.

SWEDEN

Canfor owns 70% of the Vida Group, a global supplier of manufactured forest products. As of December 2021, our Swedish operations included 12 operating sawmills and nine value-added facilities. An additional value-added facility, V-Timber, was acquired in February 2022.



Canfor is a global leader in the manufacturing of sustainable forest products.

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Our Markets

Canfor markets wood and lumber products throughout North America and overseas through our sales teams in Canada, the United States, South Korea, Sweden, the United Kingdom, Denmark, the Netherlands and Australia.

We market our pulp products across North America, Asia and Europe with sales teams in North America, Asia and Europe.

Our Customers

Canfor is focused on increasing our building products and pulp and paper business globally and on offering innovative, high-quality sustainable wood and fibre products for specific customer needs.

Our market segments include:

- Repair and remodelling retailers
- Building product suppliers of commercial and residential construction
- Wholesale distributors
- Lumber treating plants
- Industrial manufacturing facilities
- Mass timber and factory-built construction manufacturers
- Paper, board and tissue producers
- Specialty and niche paper producers (e.g., eco-friendly packaging, low basis weight filtration papers and electrical insulation papers)

Our Products

Our high-quality premium reinforced pulp and paper products are ideal for specialty end-use applications, tissue, packaging, printing and writing market segments worldwide. We are one of North America's largest producers of northern bleached softwood kraft pulp and bleached chemical thermo-mechanical pulp and the world's largest provider of fully bleached, high-performance kraft paper.

The majority of lumber produced by Canfor is construction- and industrial-grade dimensional lumber. This product is used primarily by customers servicing the new home construction and industrial markets. Canfor also produces numerous high-value appearance-grade lumber products, including Square Edge dimension for the North American market and J-grade lumber for the Japanese market. High-value specialty appearance products also include one-inch boards as well as several decking and fencing product lines. Numerous high-value grades of

machine stress-rated (MSR) lumber are used in engineered applications such as roof trusses and floor joists. Canfor has expanded its product offering to include engineered wood products such as glulam beams, as well as an array of custom specialty products that includes packaging, housing and building components originating from our Swedish operations.

As no fibre is wasted in our manufacturing processes, we also sell a range of residual products such as sawdust, shavings, wood chips and pellets from our North America operations and are exploring the development of bio-based renewable products.

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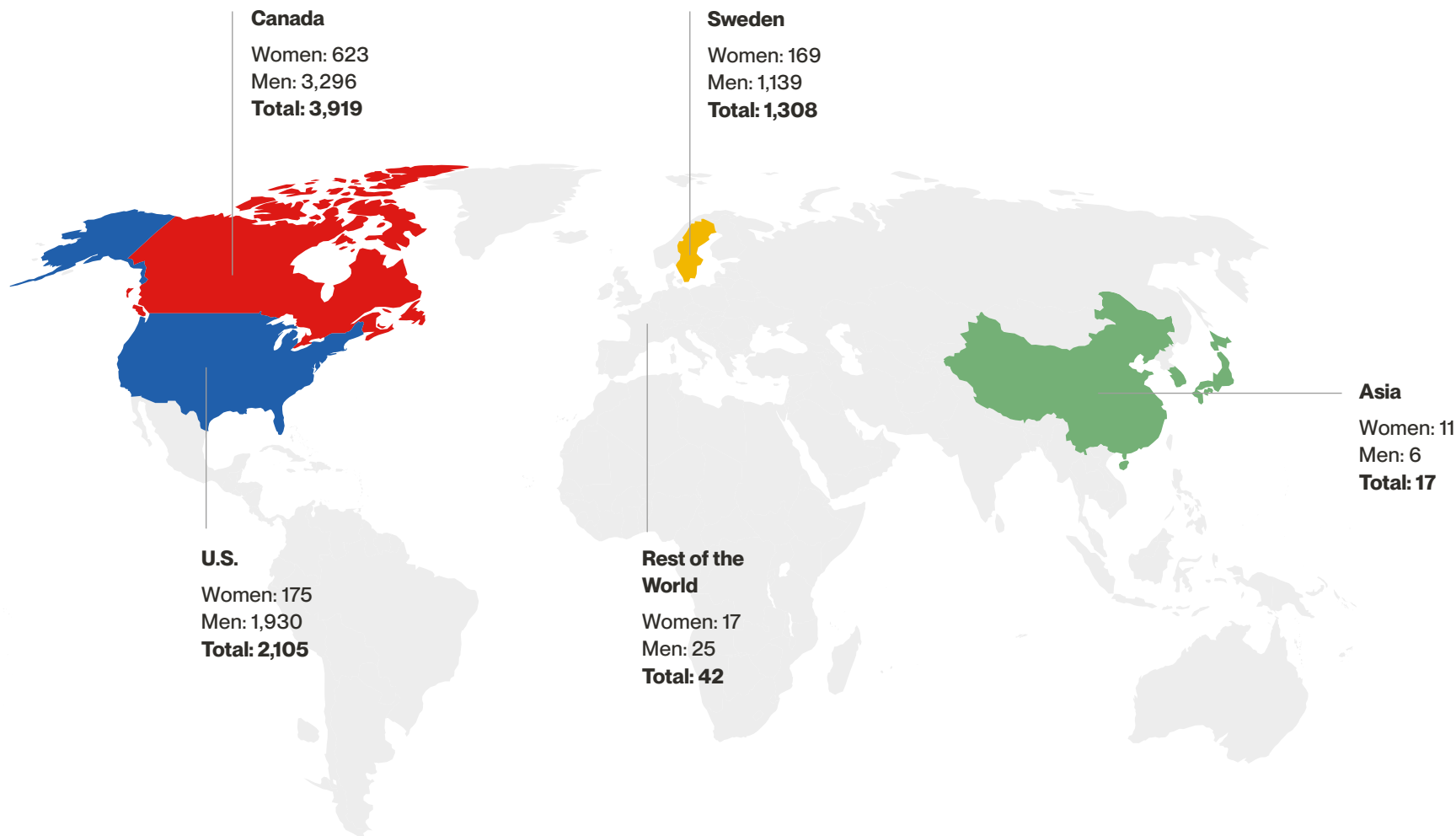
Our People

CANFOR TOTAL EMPLOYEES¹

995 Women

6,396 Men

7,391 Total



¹Total employees include permanent, temporary and casual employees, including employees of Vida as of December 31, 2021. It excludes employees from our new acquisitions in 2022.

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About This Report

Canfor and Canfor Pulp's joint 2021 Sustainability Report demonstrates our continued commitment to creating a future as sustainable as the forests.

In this year's report, we continue to evolve our reporting on environmental, social and governance (ESG) activities and approaches by providing increased transparency and disclosure, including defining additional goals and targets for our material topics. This year, we also report on progress towards our ambitious goals. Our Sustainability Framework provides a road map to a more sustainable future for our people, our communities and the planet.

We are excited to share our journey with our employees, customers, prospective investors, shareholders, community members, Indigenous partners, governments, rating agencies, non-governmental organizations, suppliers, contractors and partners.

Canfor is on a journey to expand our sustainability strategy, actions and reporting.

Global Reporting Initiative

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. You can find our GRI Index in the appendix on [page 160](#). This report has been reviewed by Canfor's senior management and Board of Directors.

Task Force on Climate-related Financial Disclosures

Canfor is actively assessing the changing landscape of ESG reporting regulations and this report includes our initial disclosure in response to the recommendations from the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). Our approach to climate change is discussed on [page 99](#) and featured in the [Climate Change](#) section of the report. A detailed disclosure of our responses to each TCFD recommendation can be found on [page 173](#).



Sustainability Accounting Standards Board Standards

Canfor has prepared disclosures recommended by the [Sustainability Accounting Standards Board \(SASB\)](#) standards. For 2021, Canfor referenced the Pulp and Paper Products industry standards and Forest Management industry standards (only for Canadian operations). A detailed SASB standards index is on [page 169](#).

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Reporting Period, Organizational Boundaries and Methodology

The reporting period for information contained in the 2021 Sustainability Report covers the fiscal year ending December 31, 2021, unless otherwise stated. The scope of this report covers Canfor Corporation and Canfor Pulp Products Inc. (Canfor Pulp), including all consolidated subsidiaries (hereinafter referred to as "Canfor" or "the Company"). The report also includes data of controlled subsidiaries on a 100% ownership basis (e.g., for a 51%-owned entity, we report 100% of the data) for the reporting period.

Unless otherwise stated, the report excludes:

- Canfor's 70%-owned subsidiary Vida group (Vida); instead, see [Vida's 2021 Sustainability Report](#)
- Canfor's 60% interest in Houston Pellet, Inc. (HPLP)
- Millar Western Forest Product Ltd.'s solid wood operations and related data, as the acquisition was completed on March 1, 2022
- Canfor's associates or investments

Data is reported using the metric system and in Canadian dollars unless otherwise stated.

For more detailed sustainability data, including comparative information where available, please see our 2021 Sustainability Report Data Pack for [download](#).

Where available, we include comparative data to demonstrate trends. Historical data is reported based on the scope of the report for the respective fiscal year. The scope of the report can change year to year, depending on acquisitions or sales of assets.

Any forward-looking information should be read together with the cautionary note on [page 158](#).

All photos and images used in this report were taken either prior to the COVID-19 pandemic or under appropriate safety protocols. All featured employees are wearing appropriate personal protective equipment applicable for that location and activity.



Changes to Reporting in 2021

Canfor is on a journey to expand our sustainability strategy, actions and associated reporting. We actively monitor the changing landscape of ESG reporting regulations and will consider applying new standards as they become available. In 2021, we are aligning disclosures with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and with the standards of the Sustainability Accounting Standards Board (SASB).

Certain comparative amounts for prior years have been reclassified or restated to conform with updated reporting criteria. If prior years' data is restated, it will be indicated within this report.



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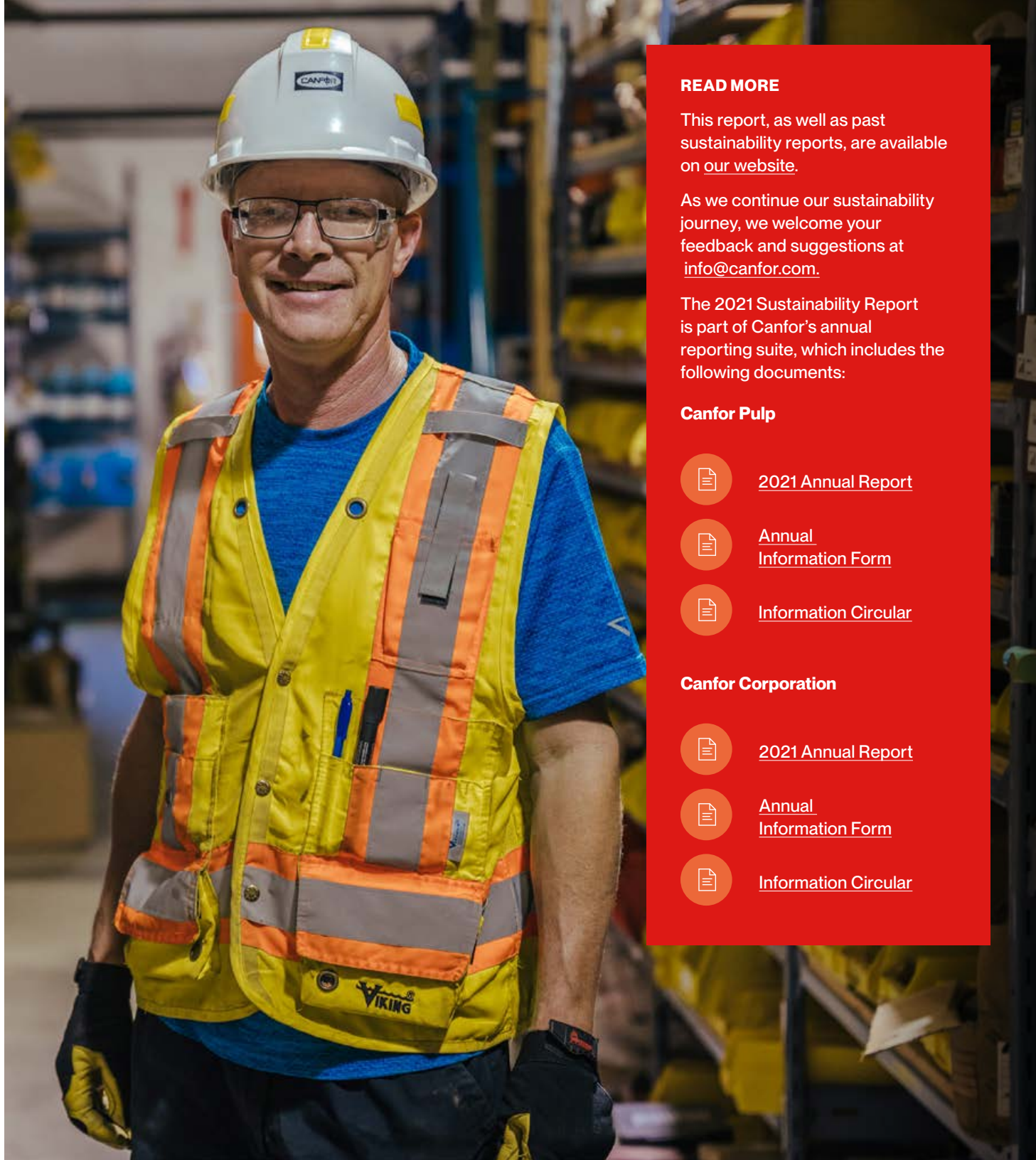
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Third-Party Information

This report contains hyperlinks to websites operated by parties other than Canfor. These are provided for reference only. Canfor is not responsible for the availability of these external websites, or for the content, advertising, products or other materials shared. Inclusion of hyperlinks does not imply an endorsement of the material on these websites or any association with the website operators.

Under no circumstances shall Canfor be held responsible or liable, directly or indirectly, for any loss or damage caused or alleged to have been caused in connection with the use of or reliance on any content, goods or services available on the linked websites.






READ MORE

This report, as well as past sustainability reports, are available on [our website](#).




As we continue our sustainability journey, we welcome your feedback and suggestions at info@canfor.com.

The 2021 Sustainability Report is part of Canfor's annual reporting suite, which includes the following documents:

Canfor Pulp

-  [2021 Annual Report](#)
-  [Annual Information Form](#)
-  [Information Circular](#)

Canfor Corporation

-  [2021 Annual Report](#)
-  [Annual Information Form](#)
-  [Information Circular](#)

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Performance at a Glance

Canfor is committed to continuous improvement. We're publishing this report while we continue to refine and define our sustainability ambitions. In 2020, we launched our new sustainability strategy with a focus on the material topic areas of Safety, Health and Wellness; Inclusion and Diversity; Indigenous Relations; and

Sustainable Forestry. In 2021, we have further defined our goal for Residuals Management and set targets for Air Quality, Waste Management and Water Management.

In April 2022, we announced our Climate Change goal and targets, and we are including them in this reporting period.

We are in the process of defining targets for the remaining topics and will report these targets in future reporting periods.



● Achieved
 ● On Track
 ! Monitoring
 ○ Data Collection in Progress

Material Topic & Goal	Metric	Target	2021 Results	Status
Safety, Health & Wellness Goal: We are committed to a zero-incident workplace and supporting the health and wellness of our people.	Total recordable incident frequency (TRIF) ^a	10% improvement on our three-year rolling average	1.42	!
	Medical recovery time standards set by MDG or DSM-5 Guidelines ^b	Meet by 2023	Data collection in progress	○
Inclusion & Diversity Goal: We will foster a more inclusive and equitable culture and increase the diversity in our workforce.	Under-represented ^c groups in executive leadership positions	30% by 2030	17%	◐
	Under-represented groups in all other senior leadership positions	30% by 2025	19%	◐
	Under-represented groups for new hires annually	33% by 2025; 50% by 2030	24%	◐
	Availability of gender-specific personal protective equipment (PPE) at operations in North America	100% by 2023	Implementation in progress	◐
	Completion of Inclusion & Diversity (I&D) awareness training for salaried employees across North America	100% by 2021	94% ^e	●
	Participation in Indigenous Cultural Awareness and Understanding (ICAU) training for Canadian salaried employees ^d	100% by 2021	97% ^e	●
	Launch inclusive leadership training, tools and resources for supervisors and managers across North America	100% by 2022	Resources launched in Q4 2021	●

^a For the calculation methodology for TRIF, Canfor defines recordable incidents based on Manufacturing Advisory Group guidelines and uses 200,000 hours worked and the incidents include work-related injuries.

^b Recovery Time Standards as defined by Medical Disability Guidelines (MDG) and the Diagnostic and Statistical Manual of Mental Disorders (DSM-5).

^c Under-represented groups include women, non-binary people, Indigenous Peoples, visible minorities, people living with disabilities, LGBTQ2S+ individuals, and veterans. Individuals who identify in multiple groups are only counted once.

^d This target and metric also applies to our Indigenous Relations material topic, but only appears once in this table for clarity.

^e We have evaluated this target to be achieved as those who have not yet completed is likely impacted by timing of facilitated course offerings. We are tracking ongoing completion of this training and going forward will maintain our target of 100% completion of the training by focusing on our new hires and hourly employees.

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Material Topic & Goal	Metric	Target	2021 Results	Status
Indigenous Relations Goal: We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs.	Operating area covered by agreements with willing Nations	100% by 2030	41%	○
	Total spend for Canadian wood products operations with Indigenous vendors	5% by 2025	3.4%	○
Sustainable Forestry Goal: We are committed to practicing world-class sustainable forestry that will result in resilient, productive and biodiverse forests. We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.	Canada			
	Certification to Sustainable Forestry Initiative® (SFI) or Forest Stewardship Council® (FSC) Forest Management Standards for Canfor-managed forests	Maintain 100%	100%	●
	United States			
	Certification to the SFI Fibre Sourcing Standard for all sourced wood	Achieve 100%	100%	●
	Land and woodlot owners certified to SFI Forest Management Standards or American Tree Farm System® (ATFS) Standards ¹	50% by 2030	12%	○
	Canadian Woodlands Operations			
	Reforest 100% harvested areas within four years of harvest start and 100% of reforested areas to be monitored and tended until the stand has achieved a specified state of health and growth	Enhance the climate change resilience and future productivity of our forests by implementing credible, science-based sustainable forest management practices	On track	○
	Less than 5% (three-year rolling average basis) of land is occupied by permanent roads		Data collection in progress	○
	North American Woodlands Operations²			
	Develop and implement wildlife habitat features management program across all tenured woodlands	Maintain biodiversity and habitat for wildlife by employing ecosystem-based management and collaborative partnerships, with special consideration for species-at-risk	On track for completion targeted for 2023.	
Establish and implement a species-at-risk management program for key species across all tenured woodlands				
Erosion and sediment control training delivered at each operation at least every three years for all tenured woodlands	Conserve water quality and fish habitat by implementing best management practices to minimize erosion and sedimentation	Data collection in progress		○
Climate Change Goal: We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.	Scope 1 and 2 GHG emissions	Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year	In Spring 2022, we set science-based targets and a road map to decarbonization. We will report on progress in future reports. We also committed to Science Based Targets initiative and will undergo validation within two years.	
	Scope 3 GHG emissions	Measure our scope 3 emissions and establish a science-based reduction target by 2024	Initial estimate of scope 3 performed; further refinement to calculation in progress	

¹ The American Tree Farm System® is a program of the American Forest Foundation.
² Metrics are only applicable to Canfor's Canadian Woodlands operations. Canfor is currently developing metrics for these targets related to our U.S. operations.

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In 2021, we collaborated across our business to set new targets for air quality, water management and waste management. We will report on metrics and status of these targets in future reports.

Material Topic & Goal	Target
<p>Air Quality</p> <p>Goal: We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.</p>	<p>Wood Products Operations</p> <p>Pave 50% of unpaved high-frequency-use wood products operations roads and yards to reduce fugitive dust generation by 2030.</p>
	<p>Improve key business processes to reduce particulate matter across wood products operations.</p>
	<p>Pulp Operations</p> <p>Reduce the total loading of particulate to the airshed by 10% by 2030.</p>
	<p>Achieve Pulp and Paper Air Emissions Code of Practice for SO_x discharge while reducing TRS emissions by 20% by 2030.</p>
<p>Water Management</p> <p>Goal: We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.</p>	<p>Wood Products Operations</p> <p>Reduce water usage by 10% by 2030.</p>
	<p>Pulp Operations</p> <p>Reduce the water intensity of pulp and paper production by 10% by 2030.</p>
	<p>Reduce the reduction of biological loading intensity of pulp and paper production by 25% by 2030.</p>
	<p>Wood Products Operations</p> <p>Reduce the volume of log yard debris generated by 15% by 2030.</p>
<p>Waste Management</p> <p>Goal: We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.</p>	<p>Recover 40% of Canadian wood products operations' ash and log yard debris through beneficial use programs by 2030.</p>
	<p>Support and promote waste reduction and recycling programs to reduce domestic waste to landfill.</p>
	<p>Pulp Operations</p> <p>Create beneficial use projects for process wastes that reduce the volume to landfill by 10%.</p>
	<p>Eliminate the landfilling of wood waste, pulp and paper generated at the facilities.</p>

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Engaging with Stakeholders and Partners

Canfor works with a diverse range of individuals and organizations that have an interest in our operations.

Identifying and engaging with these key stakeholders and partners allows us to understand their interests, identify risks and opportunities, and gauge the effectiveness of our management actions.

We identify stakeholders and partners based on how they are impacted by or have an impact on Canfor's business activities. Our list of stakeholders and partners is created by consultation with our employees, Indigenous Nations (in Canada), public advisory groups, open houses and engagement with local government, associations and special interest groups.

We adapt our methods of engagement based on each Indigenous Nation, stakeholder or partner group's unique interests and involvement in our business activities. We continually monitor and assess the need for engagement.

Canfor recognizes that Indigenous Peoples are rights-holders and title-holders, not stakeholders. Indigenous communities are included in this section to highlight our common interests.



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Outreach and Engagement

As the COVID-19 pandemic extended through 2021, we continued to follow the health and safety protocols outlined by health authorities when engaging with Indigenous Nations, stakeholders and partner groups. Under our Sustainable Forestry Initiative® (SFI) certification, we are committed to providing

opportunities to discuss local forest management issues. Canfor employees in all Canadian locations meet with local and regional representatives and other forest users to ensure all needs and concerns are considered when developing management plans. For Canadian Woodlands Operations, we use

a proprietary database called Creating Opportunities for Public Involvement (COPI). It tracks communications, actions and issues with stakeholders and other interested parties. It also includes spatial information that identifies areas of geographic interest and links to overlapping tenure holders such as

guide outfitters, trappers and mineral tenure holders.

The following table illustrates the interests of our stakeholders, partners and special interest groups.

Stakeholders, Partners & Special Interest Groups	Interests	More Information
Employees and Unions	<ul style="list-style-type: none"> Safe working conditions Competitive wages and benefits 	<ul style="list-style-type: none"> Workforce diversity Employee engagement Advancement opportunities Training and development
Indigenous Communities	<ul style="list-style-type: none"> Cultural heritage, traditional use, treaty rights, Indigenous rights and title Procurement 	<ul style="list-style-type: none"> Business-to-business opportunities Community investment Environmental stewardship Climate change Cross-cultural understanding opportunities Employment and training opportunities
Communities	<ul style="list-style-type: none"> Community enhancement Environment Safety on community roads 	<ul style="list-style-type: none"> Economic stability Responsible forest management Climate change Water and air quality (community watersheds, local airsheds)
Customers	<ul style="list-style-type: none"> Stable supply of quality products Competitive prices 	<ul style="list-style-type: none"> Climate change Responsible forest management Efficient delivery Sustainable manufacturing
Shareholders	<ul style="list-style-type: none"> Economic stability Market development 	<ul style="list-style-type: none"> Return on investment Climate change Product development Responsible operations
Governments (Provincial, State, Federal)	<ul style="list-style-type: none"> Responsible forest management Timely regeneration Research and development 	<ul style="list-style-type: none"> Compliance with laws Forest health Climate change Market development
Environmental Groups and Recreationalists	<ul style="list-style-type: none"> Responsible forest management Climate change 	<ul style="list-style-type: none"> Protection of species-at-risk and habitat Maintenance of biodiversity Safe forest roads and access
Certification Organizations and Local Public Advisory Groups	<ul style="list-style-type: none"> Certification requirements Impact on forest management 	<ul style="list-style-type: none"> Management of local issues Responsible procurement Sustainable Forestry Supply Chain Management
Post-Secondary Institutions	<ul style="list-style-type: none"> Research and development 	<ul style="list-style-type: none"> Career opportunities Recruitment Community Engagement Inclusion & Diversity
Private Woodlot Owners	<ul style="list-style-type: none"> Economic stability Business-to-business opportunities 	<ul style="list-style-type: none"> Responsible forest management Responsible operations Certification requirements Sustainable Forestry

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Membership in Associations

We are members or partners of various industry associations, non-governmental organizations and local community groups.

We have listed our main memberships where we play an active role in the organization through projects, initiatives or committees or where the organization has strategic alignment with Canfor. There are also a number of externally developed economic, environmental, social charters, principles or other initiatives such as the Global Reporting Initiative (GRI) and the International Organization for Standardization (ISO) that we reference for best practices. More initiatives are featured within the material topic sections.

Alberta Forest Products Association



American Wood Council



BC Council of Forest Industries



BC Lumber Trade Council



CSA Group



Canadian Wood Council



Federal Forest Resource Coalition (U.S.)



Forest Management Wetland Stewardship Initiative



Forest Products Association of Canada



Forest Resources Association



Forest Resource Improvement Association of Alberta



Forest Stewardship Council



FPIInnovations



fRI Research



National Council for Air and Stream Improvement



Partners for Environmental Progress



Prince George Air Improvement Roundtable



Programme for the Endorsement of Forest Certification



Softwood Lumber Board



Southeastern Lumber Manufacturers Association, Inc.



Sustainable Forestry Initiative Inc.



Treated Wood Council



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At Canfor, sustainability is integral to all of our operations, processes and products. Through our value-added approach, we take a renewable resource and turn it into high-quality sustainable products. One of our core values is responsible stewardship of the environment and we strive to live it in everything we do. We are working on integrating sustainability in all areas of our operations and it is one of the five key pillars of our business strategy.

We maintain a deep respect for the communities and people our business touches, the products we create and the natural environment we rely on to thrive. Our Sustainability Framework illustrates how the three pillars of People, Planet and Products form our integrated approach, as well as the structure and content of our reporting. By embracing these pillars, we position ourselves for sustainable, positive impacts and for the opportunity for significant long-term growth.

The 13 material topics we identified are tied to one of the three pillars as outlined on [page 23](#). These material topics were identified by internal and external stakeholders and partners during our comprehensive materiality assessment. Canfor's Sustainability Working Group, composed of team

We maintain a deep respect for the communities and people our business touches, the products we create and the natural environment we rely on to thrive.

members and executives across all organizational functions, was also involved in this process.

The People pillar is aligned with topics that contribute directly to our people and communities. The Planet pillar is aligned with topics that ensure our products and practices promote large-scale environmental resilience. The Products pillar is aligned with our responsible resource use during manufacturing and the sustainability of our products.

We've reported on several management approaches and topic-specific disclosures for each material topic in accordance with Global Reporting Initiative (GRI) Standards and Reporting Principles. This provides a transparent view of our current sustainability performance and progress towards our goals. This framework will guide our strategy, align our sustainability ambitions with actions and position us for success well into the future.

One of our core values is responsible stewardship of the environment.



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Our Sustainability Framework

People

Our people and communities thrive because we are focused on inclusion, equity and wellness every day.

Safety, Health & Wellness

We are committed to a zero-incident workplace and supporting the health and wellness of our people.

Inclusion & Diversity

We will foster a more inclusive and equitable culture and increase the diversity in our workforce.

Indigenous Relations

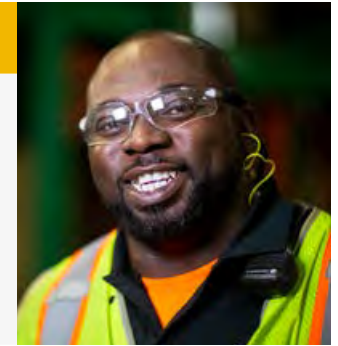
We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs.

Human Rights

We are committed to respecting human rights across our company, value chain and with stakeholders, partners and special interest groups in our communities.

Community Engagement

We will be an active corporate citizen focused on supporting education, community, sustainability and health initiatives.



Planet

Our practices and products play an integral role in helping to protect the planet and mitigate climate change.

Sustainable Forestry

We are committed to practicing world-class sustainable forestry that will result in resilient, productive and biodiverse forests.

We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.

Climate Change

We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.

Air Quality

We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.

Water Management

We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.

Waste Management

We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.



Products

Our products are sustainable because our manufacturing and supply chain are optimized for responsible resource use.

Residuals Management

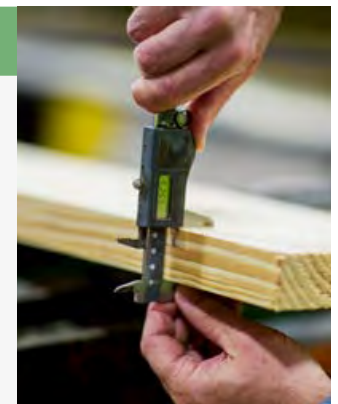
We are committed to maximizing utilization by identifying the highest and best use, from the forest to the finished product, while supporting sustainable forests.

Supply Chain Management

We are committed to embedding sustainability throughout our supply chain.

Energy Management

We will decrease the energy intensity of the manufacturing process and continue to generate surplus clean energy.



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Our Sustainability Governance

Board Responsibilities

BOARD OVERSIGHT

The Board meets quarterly and is updated on sustainability- and climate-related topics. This includes review of our Sustainability Scorecard, which reports on our progress towards achieving our targets for each material topic. The Canfor and Canfor Pulp Boards have governance over sustainability- and climate-related topics through the following three joint Board committees.

JOINT GOVERNANCE & SUSTAINABILITY COMMITTEE

The Joint Governance and Sustainability Committee provides overall strategic guidance on our sustainability program. The committee also supports compliance with best practices and relevant legal and regulatory requirements, and monitors emerging trends, changes and developments in the legal and regulatory landscape. Management regularly informs the committee on sustainability activities and external developments, and the committee approves recommendations from management on material sustainability matters. They are also responsible for approving the annual Sustainability Report.

JOINT AUDIT COMMITTEE

The Joint Audit Committee is responsible for ensuring that Canfor has appropriate risk management processes in place and is in compliance with all legal and regulatory disclosure requirements, including monitoring evolving regulatory requirements around climate-related disclosures as they relate to public company reporting requirements. The committee also provides oversight of ESG-related risks, including climate-related risks, which are integrated into Canfor's enterprise risk management processes.

JOINT ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE

The Joint Environmental, Health and Safety Committee is responsible for matters related to environmental, health and safety laws and regulations, and reviewing company performance related to our Indigenous Engagement Strategy.

At Canfor, sustainability is a shared responsibility, with clear roles for everyone involved.



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Management Responsibilities

Management is informed and engaged on relevant ESG issues through regular communication with business units, including climate-related topics. Canfor monitors ESG issues, including climate-related topics, through engagement with the following committees, business units and industry associations.

PRESIDENT & CEO

Our President and CEO holds ultimate accountability for successful sustainability performance.

CHIEF FINANCIAL OFFICER (CFO) & SENIOR VICE PRESIDENT, SUSTAINABILITY

This role is responsible for providing overall direction for the sustainability strategy and integration into the corporate strategy. This role also oversees the development and execution of the sustainability strategy and disclosure across the business.

The CFO & SVP, Sustainability, reports to the CEO and regularly reports to the Joint Governance and Sustainability Committee and the Board.

DIRECTOR, ENVIRONMENT & SUSTAINABILITY

This role is responsible for the development of the sustainability strategy, which includes establishing the goals, targets and metrics. This role is also responsible for monitoring performance of the business against the sustainability strategy and

managing the budget and resources for the sustainability program.

The Director, Environment & Sustainability, supports the CFO & SVP, Sustainability, to inform the Board on ESG matters. This role also works closely with the Senior Director, Communications & Government Relations; Senior Advisor, Sustainability Communications; Controller, Enterprise Shared Services; Manager, Climate Change & Carbon; and Manager, Sustainability & ESG Disclosures to develop and implement our overall sustainability program and sustainability communication strategy, and to report on ESG disclosures. The Director also facilitates the Sustainability Working Group.

CORPORATE ENVIRONMENTAL MANAGEMENT COMMITTEE

This committee provides high-level oversight and due diligence related to sustainable forestry, air quality, water and waste practices. It also advises both the Canfor Board of Directors and Canfor Pulp Board of Directors about our manufacturing facilities and environmental and sustainable forest management performance. The committee has representation from across the business. This includes the CFO & SVP, Sustainability; presidents and vice presidents of Canfor Southern Pine, Canfor and Canfor Pulp; environmental managers for each business unit; and internal legal counsel.

BUSINESS UNITS

Sustainability is embedded and activated throughout our business. Implementation of the sustainability strategy is the responsibility of senior management and various roles within each business unit, with support from the sustainability team. Business unit representatives participate in the Sustainability Working Group, and in subcommittees to determine goals, targets and metrics related to each of our material topics. In 2021, the focus was developing activation strategies that would help drive performance towards our goals and targets.

SUSTAINABILITY WORKING GROUP

The Sustainability Working Group includes representatives from business units, corporate teams and subject matter experts. It provides input and feedback on aspects of the strategy, implementation processes and disclosures. It also serves to build engagement across the business.

Sustainability is embedded and activated throughout our business.

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Risk Management

Sustainability risks are typically identified through Canfor's Executive Management Team, Sustainability Team, Environment Managers or broader stakeholder groups such as Indigenous communities, industry associations, certification bodies and customers. Risks are escalated to the Executive Management Team and/or the relevant Board committee as needed.

Climate has been identified as one of Canfor's top ten enterprise-level risks, based on the potential size and scope of impact. As such, climate has been integrated into our enterprise risk management processes. As part of this process, each risk is assigned to an Executive Risk Champion, who is accountable for the implementation of mitigating actions and controls. The status of these actions and controls is reviewed quarterly by the Joint Audit Committee to ensure risks are appropriately managed and controlled.

Specifically, climate-related risks and opportunities are considered in Canfor's overall Sustainability Strategy. Climate-related physical risks may adversely affect Canfor's timber supply, resulting in reduced transportation availability and/or may have similar effects on our suppliers and customers. Any of the damage caused by these events could increase costs and decrease Canfor's production capacity, thereby having an adverse effect on Canfor's financial results. Transition risks such as legal and regulatory shifts may result in additional operational complexity and financial expenditures. Reputational risks may impact public opinions about Canfor and our industry and could adversely affect our reputation, business, strategy and operations. Supporting the shift to a more circular and sustainable global economy offers Canfor the opportunity to differentiate as a sustainability leader and achieve sustainable growth. Canfor considers adaptation and mitigation strategies to

manage and reduce carbon emissions and to manage these risks and opportunities.

Canfor continuously monitors sustainability-related regulations to assess the impact on operations, and reviews and plans for regulatory changes through several channels. Business unit Environment Managers communicate any upcoming regulatory changes to management through the Director, Environment & Sustainability; the Manager of Climate Change & Carbon; or the Corporate Environmental Management Committee. Management then elevates issues as needed to the appropriate committee of the Board.

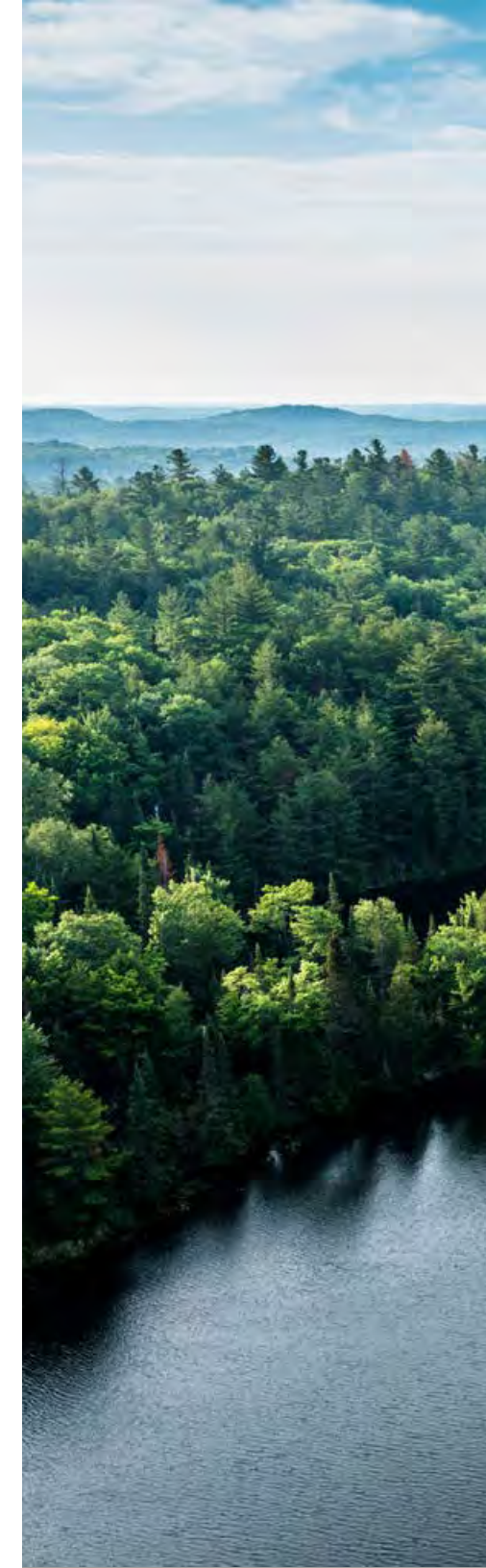
Canfor is working to advance its approach to enterprise risk management, including the further integration of sustainability- and climate-related risks into management processes and planning activities.

HIGHLIGHT

Aligning Remuneration to our Sustainability Strategy

Our salaried employees are eligible for a short-term incentive plan that provides rewards based on Canfor's organizational performance. There are two components to this plan: financial and business results. Business results consider sustainability performance by reporting on metrics related to inclusion and diversity, health and safety, and the environment. Under the executive

short-term incentive plan, sustainability-specific objectives fall under the Safety and the Strategy Execution components. These components cover workplace safety, employee health and wellness, inclusion and diversity, employee experience and engagement, training and development, and the environment.



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Our Materiality Assessment

Canfor defines a material sustainability topic as one that:

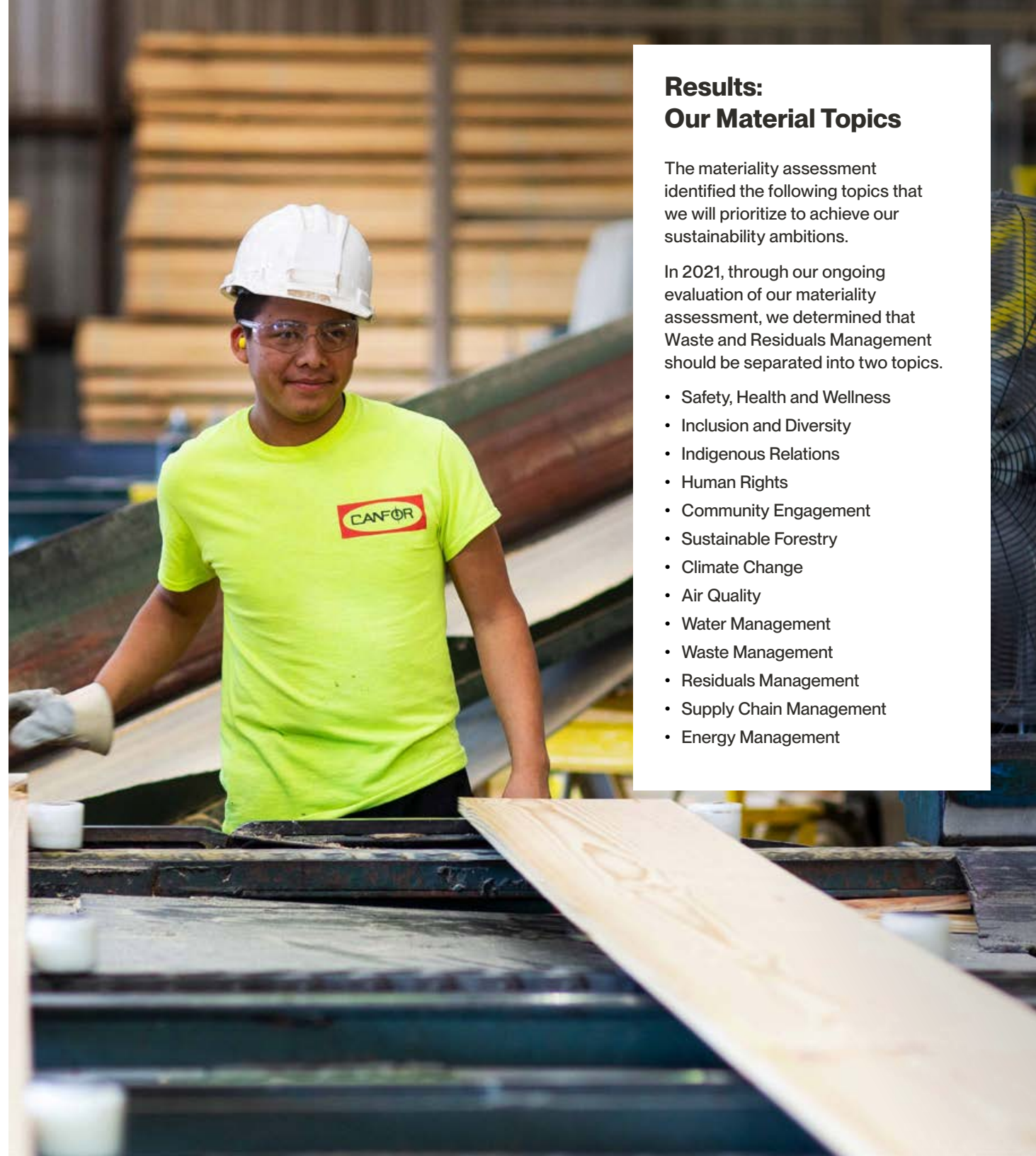
- **Reflects our company's most significant economic, environmental and social impacts, or**
- **Could substantively influence our stakeholders' and partners' assessments and decisions related to our business**

Our definition is aligned with guidance from the Global Reporting Initiative (GRI).

Because material topics tend not to change annually, Canfor follows a multi-year approach to assessing our focus areas and identifying potential new topics.

In 2020, we conducted an extensive assessment of our material sustainability topics; we will be reassessing them in conjunction with the renewal of our corporate strategy.

In 2021, we further defined our material topics through workshops with data owners and subject matter experts. We refined our goals and established targets and key performance indicators for several material topics, and we are now in the process of developing activation strategies and implementation plans.



Results: Our Material Topics

The materiality assessment identified the following topics that we will prioritize to achieve our sustainability ambitions.

In 2021, through our ongoing evaluation of our materiality assessment, we determined that Waste and Residuals Management should be separated into two topics.

- Safety, Health and Wellness
- Inclusion and Diversity
- Indigenous Relations
- Human Rights
- Community Engagement
- Sustainable Forestry
- Climate Change
- Air Quality
- Water Management
- Waste Management
- Residuals Management
- Supply Chain Management
- Energy Management

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Our Approach to Materiality for Sustainability

Our materiality assessment evaluates the sustainability topics that are most material to our business, stakeholders and Indigenous partners, for the previous year and the near future. It involves four steps, as described below.

During our extensive assessment in 2020, we included internal and external groups, as well as partners, to clarify where we should focus to deliver on our sustainability vision.

1 IDENTIFICATION

We began with a full list of topics relevant to the solid wood and pulp and paper industries, based on globally recognized sustainability standards. After consultation, we prioritized the most material topics for Canfor.



2 VALIDATION

The topics were validated through:

- A survey of salaried employees on the importance of the topics
- Interviews with a subset of key internal and external stakeholders, partners and special interest groups, to understand which topics most concerned their interests and priorities; this initial subset included

employees, communities, Indigenous Nations, municipalities, customers and certification organizations

- A materiality assessment workshop with Canfor business area leaders and executives, using established criteria such as the risk of inaction, ability to influence the topic and Canfor's ambition to lead in the area

3 APPROVAL

The prioritized material topics, including topic boundaries and definitions, were approved by our internal subject matter leaders, Sustainability Working Group, Executive Team, Canfor Board and Canfor Pulp Board.



4 ONGOING EVALUATION

The Sustainability Reporting team regularly monitors emerging matters raised by internal and external stakeholders, partners and special interest groups to evaluate impacts on our material issues. We plan to conduct a comprehensive materiality assessment every three years.



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Alignment with the United Nations Sustainable Development Goals



Established by the United Nations, the Sustainable Development Goals (SDGs) comprise 17 internationally recognized goals. Each is designed to be actionable for both private and public sector stakeholders, with specific targets to achieve by 2030.

The SDGs serve as a blueprint for a sustainable, resilient and inclusive

future for all. Canfor's sustainability strategy supports the SDGs agenda to further embed sustainability within the forest sector and in the context of global development.

Our strategy makes the most meaningful contributions to five of the 17 SDGs, which align with Canfor's three sustainability pillars:

People	Planet	Product
<p>5 GENDER EQUALITY</p>	<p>13 CLIMATE ACTION</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>15 LIFE ON LAND</p>	

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Safety, Health & Wellness



Our people are our most important asset, so we invest in their safety, health and wellness.

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Our Approach

Canfor is committed to providing a safe and healthy working environment for all employees and all others who provide services at Canfor work sites. The goal is to prevent incidents from happening by being proactive and by sharing best practices across the organization.

Our Safety Policy defines our objectives and shared responsibilities. We instill the core value of “safety comes first” throughout the organization.

Our Occupational Health and Safety (OHS) Programs cover roles and responsibilities for the company and our supervisors, employees and contractors. Employees themselves participate in and are consulted about the OHS Programs development, implementation and evaluation. Employee feedback helps to improve our safety planning and supports our objective of zero incidents.

The main components of the OHS Programs include:

- Policies and procedures
- Training
- Education
- Investigations of incidents
- Hazard identification and risk assessment

- Joint management-worker Occupational Health and Safety committees (Safety Committees)
- Corrective action follow-up
- Industrial hygiene
- Emergency response and preparedness
- Process safety management
- Inspections, process audits and safety contacts
- Commitment to measuring and monitoring safety indicators

We regularly review and update the OHS Programs at the divisional and corporate levels and use external safety audits to evaluate for effectiveness. We renew our leadership commitment annually and review our policy for changes as needed and formally review them every three years. The Occupational Health and Safety statement is signed by our CEO annually, renewing our commitment each year.



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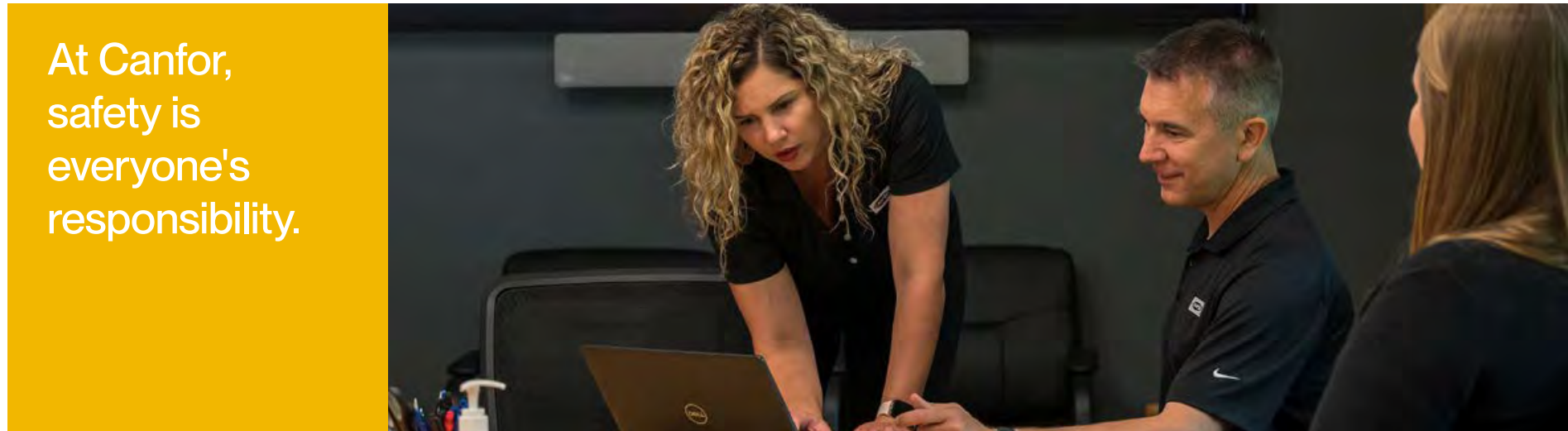
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At Canfor, safety is everyone's responsibility.

Governance and Accountability

At Canfor, safety is everyone's responsibility. The senior leadership team is ultimately responsible for safety. The commitment extends to supervisors, team leaders and managers at all levels. We ensure that they are willing to not only address safety concerns and hazards, but also to hold themselves and others accountable for safety.

Each of our sites has a Safety Committee with balanced representation from hourly and salaried employees. The Safety Committees make recommendations on initiatives, policy updates, audit results and other safety matters. Members join safety calls or meet regularly to report updates, review incidents and share safety information. Each Safety

Committee shares its recommendations with management for approval. The respective Safety departments consider recommendations and ultimately manage the safety program.

The Joint Environmental Health and Safety Committee of the Canfor Board and the Canfor Pulp Board review safety quarterly. Each business unit presents continuous improvement targets and results, including sustainability-related goals and targets.

Hazard Identification, Risk Assessment and Incident Investigation

In pursuit of a zero-incident workplace, Canfor assesses and addresses work-related risks in several ways.

For safety:

- Management and hourly employees complete inspections monthly
- Safety Committees review the inspections and corrective actions plans
- External safety audits are conducted every two years for U.S. operations and three years for Canadian operations; audits include inspections, site tours, employee interviews and review of records

For hazards:

- Supervisors review and compile employee hazard and risk assessments

For work-related incidents:

- Employees involved in the incident, their supervisor and a Safety Committee member or designate conduct an investigation and make recommendations to prevent recurrence
- The senior leadership team, including general managers and safety managers, review historical data to identify trends and potential high-risk events; all our incident investigations, inspections, job safety analysis tracking and training records are maintained in internal databases

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Occupational Health and Safety (OHS) Training

To strengthen our culture of safety, we have implemented safety leadership training, which covers:

- The requirements of Canfor's Health & Safety Program
- Our policies and procedures around safety
- Our learning management system
- Workers' training records
- Incident investigations
- Supervisor responsibilities

Training helps supervisors to lead employees through the safety resolution process: reviewing hazards, identifying potential corrective actions and resolving conflicts that might arise in the process.

Canfor determines health and safety training topics based on regulations, industry standards and specific roles. Our safety training is mandatory and includes in-person competency assessments with a trained and approved reviewer and follow-up audits to ensure the training is understood.

Current training standards meet or exceed the requirements set out by the Occupational, Safety and Health Administration (OSHA), WorkSafeBC, Workers' Compensation Board-Alberta, the American National Standards Institute and the Canadian Standards Association, as applicable. An annual review of training content ensures compliance with the latest regulations. We also conduct classroom reviews for instructor effectiveness.

Contractor Health and Safety

The same principles and ultimate goal apply to our contractors: zero incidents. Our due diligence begins at the start of the procurement process. Canfor evaluates beyond cost considerations and will only work with contractors who have a strong history of safety performance. During the procurement process, contractors must demonstrate that they meet or exceed Canfor's safety policies and programs. We evaluate our contractors by requiring companies to submit copies of their safety program. Canfor may also use external services to assist in ensuring contractors are compliant to safety regulations and standards.

Canfor has a Contractor Safety Management policy, which outlines all health and safety requirements that suppliers and contractors must meet. Contractors must have in place current workers' compensation and commercial insurance general liability coverage before engaging with Canfor. Once all documentation is reviewed, contractors must complete an annual contractor orientation, where we outline expectations with supervisors and safety leadership of the contractor.

Upon successful completion of orientation and review of documented safety policies, individual contractors must complete an individual safety orientation prior to being permitted to work on-site. Full-time contract employees go through the same training as our permanent employees, including job-specific training. This includes

communicating expectations that they must follow applicable regulations and all area-specific safety management protocols, and that they must meet or exceed the Company's safety policies and programs.

When orientation is complete, a Canfor representative will complete a contractor hazard assessment prior to contractors starting work on-site. This indicates the work they can do, hazards of the area and additional requirements for the contractors to complete in order to perform work safely. For example, if a contractor requests access to Canfor equipment, we require the worker to show external training records. The Canfor representative will oversee performance of competency assessments and follow-up audits on the contractor as required.

Our employees are empowered to champion workplace health and safety.



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We want our employees to know it's okay to not be okay. We're sharing the signs that someone's mental health may be suffering and we're talking about the supports available.

Health and Wellness

Canfor provides our employees with the opportunity to achieve and maintain optimal physical, mental and financial health. We do so through specially designed programs, campaigns, consultations and communication. Canfor's traditional and flexible benefits programs offer permanent full-time and part-time employees very competitive and comprehensive coverage for themselves and their family. Coverage and services include medical, dental, vision, disability, life insurance, accidental death and dismemberment. Some programs also include telemedicine, a health spending account and a wellness spending account. All permanent employees, including hourly and salary employees have the opportunity to participate in the Canfor registered pension plan.

Employees hired on a temporary long-term basis in Canada and all temporary hires in the United States are eligible for the same benefits as permanent employees. In Canada, those under a termed employment contract, contracts of less than 24 months with Canfor are eligible for benefits, except for

disability coverage and the registered pension plans.

All employees have free and 24/7 access to Canfor's Employee & Family Assistance Program and the Digital Cognitive Behavioural Therapy programs. Additionally, they also have access to the following in-house or on-site medical services: Certified Addiction Counselor, Occupational Health Nurse and Nurse Practitioner. Canfor has also retained the services of an Occupational Medical Physician to advise the Executive team and to support Human Resources in all health-related matters.

Canfor aims to continually improve our work environment, to make it as safe, productive and healthy as possible. We implemented the following programs in 2020 and continue to promote awareness and usage of:

- A substance use disorder assessment and monitoring program
- A recover-at-work program
- Temporary and permanent workplace accommodations

Feedback Mechanisms

Canfor has a safety resolution policy outlining how to raise and review safety concerns:

- Employees first report work-related hazards and hazardous situations to their supervisor or safety committee members
- If a resolution is not found, a Safety Committee member and the supervisor are brought in to review the issue
- If a resolution still can't be found at this point, the issue is escalated to the appropriate workers' rights entity; they will review and make a decision

Employees are protected against reprisal. Every employee has the right to refuse work situations that they believe could cause injury or illness. Safety is a priority in everything we do, and any initiatives and concerns can be brought forward in monthly crew safety meetings and escalated to the area department safety meetings as needed.

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Canfor's Mental Health Campaign Pamphlet

Awareness Campaigns

Canfor programs offer coverage tailored to the targeted needs of our people and are supplemented by wellness campaigns. Together, these help our people to take charge of their wellness and include:

- Financial wellness program (three-year curriculum)
- Seasonal flu clinics and education
- Annual mental health campaign
- Monthly Wellness Wednesdays publications

- Biometric screening
- Viral and bacterial infection screening programs
- Benefits newsletters
- Digital and print wellness resources

In spring 2021, we delivered packages to all employees to promote mental health and our available resources. The package included a water bottle, thermotherapeutic compress aids and fact sheets.

Program and Campaign Evaluation

Canfor is working towards improving employee awareness and use of these programs, and their ultimate impact. We assess their value by measuring:

- Changes in claim experience (e.g., medical conditions, volume, duration)
- Program engagement (e.g., attendance, usage and completion)
- Clinical state improvement (e.g., psychological health and anxiety)
- User evaluation success rate

Our campaigns and wellness programs help our people take charge of their wellness.

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HIGHLIGHT

Canfor Awarded with Best Financial Wellness Program

In September 2020, Canfor launched a three-year financial wellness program to bring education on important topics such as taking control of money and debt, the importance of establishing good saving habits and setting financial goals.

Thanks to high engagement rates and strong participation, *Benefits Canada Magazine* awarded Canfor "Best Financial Wellness Program of 2021" for the program. Judges also appreciated the use of personas to help employees relate to various stages of life.

Providing resources for employees to be better informed about their finances can help reduce financial stress, help employees make investment decisions that fit their current needs and help prepare for life after Canfor. In 2021, program topics largely focused on preparing for retirement, including retirement income planning, psychological aspects of retirement, and understanding Registered Retirement Savings Plans (RRSP) and

Tax-Free Savings Accounts (TFSA). Content was delivered through webinars, a third-party planning tool and a variety of online articles.

Since the program's launch, participation in the voluntary registered retirement savings plan has increased by 18% despite the uncertainty that comes with living with a pandemic. While initially aimed at salaried Canadian employees, future plans including expanding the program to Canadian hourly employees. Program topics for 2022 include income taxes, insurance and estate planning, and understanding the Government of Canada's Canada Pension Plan (CPP).

Providing resources for employees to be better informed about their finances can help reduce financial stress and help employees make investment decisions that fit their current needs and prepare for life after Canfor.



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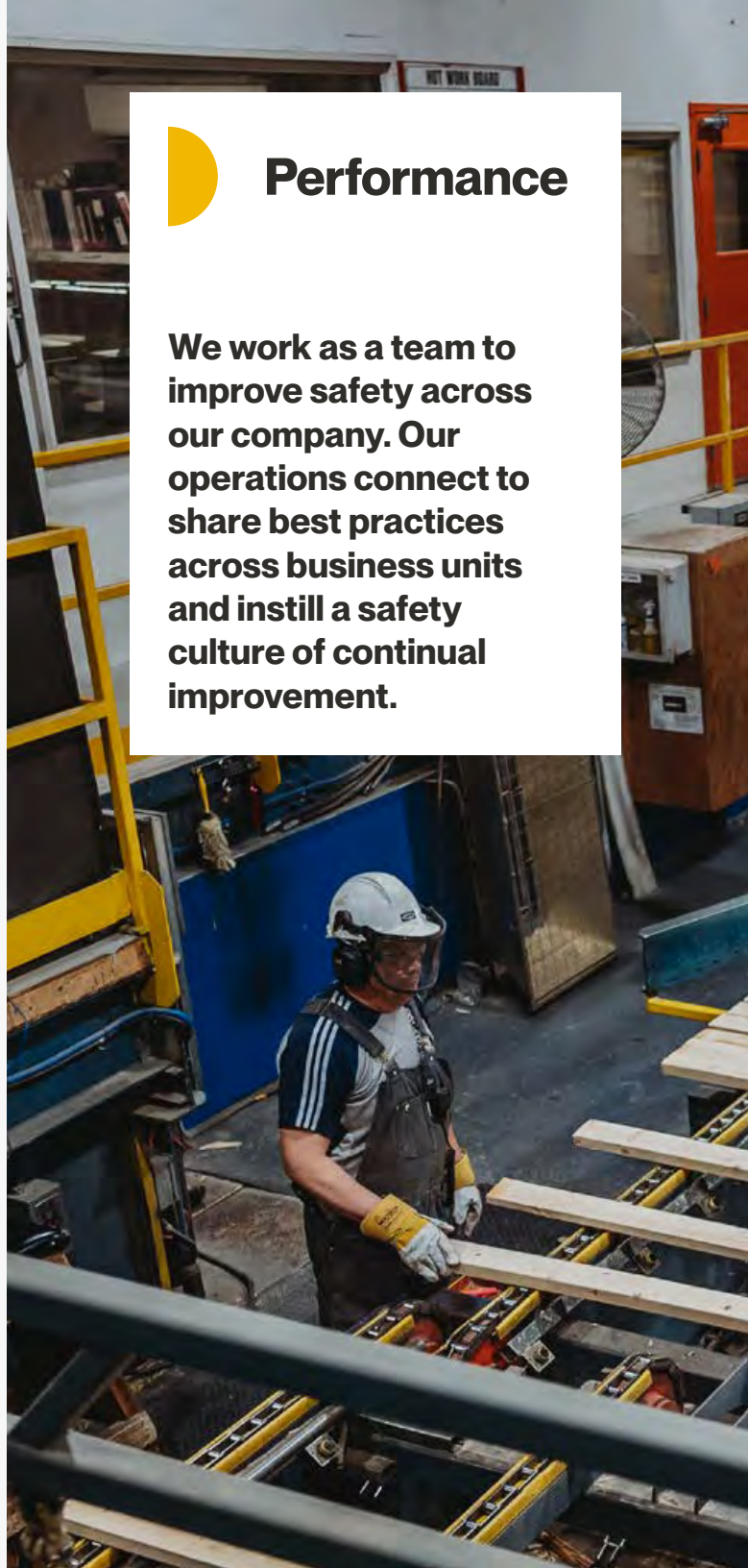
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Performance

We work as a team to improve safety across our company. Our operations connect to share best practices across business units and instill a safety culture of continual improvement.

OUR GOAL

We are committed to a zero-incident workplace and supporting the health and wellness of our people.



TARGETS	2021 Results	Status
10% improvement year over year on our total recordable incident frequency (TRIF) ^a	Our company-wide TRIF is 1.42. Our target was 1.37 based on a 10% reduction from the three-year rolling average. ^b	Not met; our overall TRIF is lower than in the previous year, but our target was not met. We are continuing to monitor our safety programs across the organization and implementing strategies to reduce incidents to strive for our target.
Meet the medical recovery time standards set by MDG or DSM-5 Guidelines ^c by 2023	Data collection for a baseline is in progress.	In progress; our previously stated target was to “achieve 98% performance on return-to-work relative to medical recovery time standards by 2023”. The target was revised due to feedback during our data collection process to ensure meaningful impact and alignment to best practices.

^a Current definitions for recordable incidents are calculated on the basis of the Manufacturing Advisory Group guidelines. Recordable incidents are defined as an injury to an employee on the job that results in receiving medical treatment (treatment beyond first aid and medical treatment administered by a physician or by a registered medical professional), lost time (any incident in which an employee loses one or more days of work due to occupational injury or illness) or medical treatment with work restrictions (incident that keeps an employee from performing one or more of the routine functions of their job for an extended period of time). For future reporting years, all Canfor operations will be aligning work-related injury definitions to reflect OSHA’s Recordable Work-Related Injuries methodology, which may increase the number of recordable incidents.
^b Our three-year rolling average was 1.52.
^c Recovery Time Standards as defined by Medical Disability Guidelines (MDG) and Diagnostic and Statistical Manual of Mental Disorders (DSM-5).

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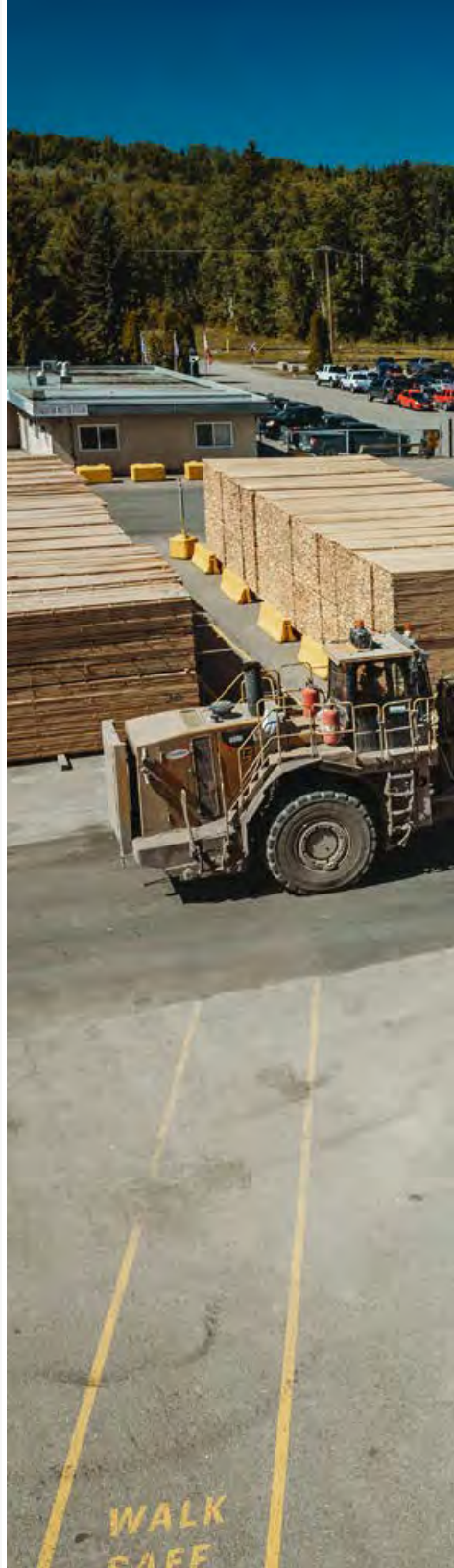
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Health and Safety

In 2021, our company-wide TRIF was 1.42, compared to 1.62 in the previous year. While we did not meet our target of 1.37, we did decrease our TRIF from last year. The impacts of the pandemic and market-related downtime weighed heavily on our employees. Despite these challenges and because of the commitment of our employees, Canadian and U.S. wood products operations decreased the frequency of recordable incidents.

Our Canadian wood products operations posted a TRIF of 1.52 in 2021, compared to 1.76 in 2020, a reduction of 14%. In 2021, we grew our Safety Management Team to have additional regional support for our Canadian operations, which included safety coordinators/specialists who are certified as Canadian Registered Safety Professionals. These efforts help standardize safety management systems and drive continual improvement in safety performance, leading to improved safety results.

Our U.S. wood products operations posted a TRIF of 1.13 in 2021, compared to 1.60 in 2020, a reduction of 29%. Tragically, in 2021, our Estill, South Carolina mill had one fatality as a result of a mobile equipment and pedestrian collision. Since this tragedy, we have launched our Pedestrian Interface Safety Team and we will be installing Vision Plus pedestrian detection systems in all of our mobile fleet.

HIGHLIGHT

Improving Employee Safety with Vision Plus Pedestrian Detection Systems

Both our U.S. and Canadian wood products operations are leveraging technology to improve our mobile equipment and pedestrian interface safety by installing Vision Plus pedestrian detection systems in our forklift fleet.

Canfor launched our Pedestrian Interface Safety Team to evaluate our programs for mobile equipment. We invested significant capital across the U.S. and Canada to ensure employees have designated safe walking routes at each mill. Currently, we have 40% of all

forklifts retrofitted with industry-leading technology that will assist in ensuring safe distancing is always maintained between pedestrians and forklifts. We have a plan to retrofit 100% of our fleet by the end of 2022.

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We saw a slight decrease in injuries in the U.S. after the Estill mill accident, as employee awareness was heightened from the emotional impact of the tragedy. We remain vigilant and continue to strive for a zero-incident workplace. We also launched a corporate gap assessment campaign for U.S. wood products operations in late 2021. Mills are in the process of being evaluated against 28 elements of a safety program specific to wood product manufacturing. These gap assessments will take place throughout 2022 and reoccur every two years thereafter. This will lead to additional improvements and implementation of programs.

Our pulp operations posted a TRIF of 1.83 in 2021, compared to 1.36 in 2020, an increase of 35%. Hand injuries accounted for 50% of pulp operations' recordable injuries in 2021.

Pulp operations worked on updating the Personal Protective Equipment Policy to include mandatory gloves, standardized to a higher-rated, cut-resistant glove as a baseline option. These changes were implemented through training, posters and presentations to our front-line supervisors, area management and crews.

A culture of safety and accountability continues to be a focus for the senior leadership team. Across our operations, the most common types of work-related incidents are hand injuries, chemical exposure and foreign bodies in eyes. Our safety training focuses on common injuries to identify root causes and prevent them from recurring. As always, our operations remain focused on safety and on monitoring TRIF trends at each operation and across each region.

We are committed to a culture of safety and accountability.

Total Recordable Incident Frequencies (TRIF) in the Past Three Years^d

Business unit	2021	2020	2019
Wood Products Operations: Canada	1.52	1.76	1.64
Wood Products Operations: U.S.	1.13	1.60	1.39
Pulp Operations	1.83	1.36	1.59
Total	1.42	1.62	1.54

^d Our targeted improvement is calculated on a three-year rolling average. To calculate TRIF, Canfor uses 200,000 hours worked. Incidents include work-related injuries. Our 2021 three-year average is based on average of 2018, 2019 and 2020 results. Canfor defines recordable incidents based on Manufacturing Advisory Group guidelines.



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Total Recordable Incidents in the Past Three Years *

Business unit	2021	2020	2019
Wood Products Operations: Canada	37	40	43
Wood Products Operations: U.S.	29	37	31
Pulp Operations	22	16	19
Total	88	93	93

* Current definitions for recordable incidents are calculated on the basis of the Manufacturing Advisory Group guidelines. Recordable incidents are defined as an injury to an employee on the job that results in receiving medical treatment (treatment beyond first aid and medical treatment administered by a physician or by a registered medical professional), lost time (any incident in which an employee loses one or more days of work due to occupational injury or illness) or medical treatment with work restrictions (incident that keeps an employee from performing one or more of the routine functions of their job for an extended period of time). For future reporting years, all Canfor operations will be aligning work-related injury definitions to reflect OSHA's Recordable Work-Related Injuries methodology, which may increase the number of recordable incidents.

Total Fatalities in the Past Three Years

Business unit	2021	2020	2019
Wood Products Operations: Canada	0	0	0
Wood Products Operations: U.S.	1	0	0
Pulp Operations	0	0	0
Total	1	0	0

Total Hours Worked in the Past Three Years

Business unit	2021	2020	2019
Wood Products Operations: Canada	4,870,817	4,542,551	5,245,833
Wood Products Operations: U.S.	5,137,684	4,611,475	4,457,742
Pulp Operations	2,400,431	2,349,236	2,383,052
Total	12,408,932	11,503,262	12,086,627

HIGHLIGHT

Developing Leading Safety Indicators

In 2021, we formed our Global Safety Team, with representation from all of our wood products and pulp operations, with the intention to standardize our reporting and best practices. The team is focused on developing leading safety indicators that help with monitoring and measuring scores to proactively identify areas with safety concerns. One of the key initiatives this year was to establish a way to conduct audits electronically. This allows for each business to track and report data on dashboards that are reported to the Canfor Board of Directors quarterly. Areas that are tracked include management follow-up, actions completed, inspections, safe behaviours identified, hazards and near misses. The Global Safety Team is focused on building a foundation to expand these practices globally in 2022.

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COVID-19 Response

COVID-19 continued to be a challenge in 2021. Canfor remains vigilant in taking precautionary measures in our operations and by monitoring the development and implications of the virus. We have taken many steps to adapt to the unprecedented challenges as part of our action plan to ensure we are following the recommendations of the World Health Organization and federal, provincial and state governments in each region where we operate. At the height of the pandemic, our operations were agile in responding to new measures and they collaborated with regulatory bodies and public health authorities to coordinate required shutdowns when needed.

In addition, Canfor continued to update safety measures to adapt to the evolving situation, which included:

- Updating our COVID-19 intranet resource page with announcements of guidelines and recommendations
- Promoting the use of our COVID Supervisor and Manager Toolkit to educate employees, contractors and other stakeholders on how to mitigate exposure and transmission
- Implementing ongoing workplace protocols for increased sanitization and cleaning, physical distancing, masks and signage
- Tracking all COVID-19-related incidents and implementing workplace screening

- Working in partnership with local health authorities in Canada and the U.S. to ensure optimal use of resources
- Implementing flexible work options, like remote work, depending on positions
- Providing a \$500 grant to those eligible to work remotely, to ensure appropriate and ergonomic work-from-home environments
- Conducting a survey of salaried employees to gather opinions on potential mandatory vaccinations at workplaces
- Encouraging self-reporting of vaccination status
- Providing front-line recognition bonuses for those employees who had to work on-site throughout the pandemic
- Planning in-house vaccination clinics, in partnership with local health authorities

Thank you to all Canfor employees, who have made tremendous sacrifices and who have worked hard to do their part over the past two years.

Health and Wellness

To assess performance, we:

- Monitor use of our benefits programs quarterly
- Compare program performance against market trends annually
- Evaluate our health and wellness offerings biannually
- Modify offerings based on employee needs, emerging conditions in the general population and health-care innovations

Canfor employs a full time health and well-being specialist to review case management decisions and outcomes, and identify opportunities to improve Canfor's processes to expedite recovery from injuries and illnesses.

Starting in late 2021, Canfor is exploring how to measure and report a return-to-work (RTW) metric. This metric will compare days of medical leave until RTW against a medical recovery time standard for each medical leave. It would be measured per the Medical Disability Guidelines and the Diagnostic and Statistical Manual of Mental Disorders. We are still in the process of collecting and reviewing data for an initial calculation for return-to-work performance to develop a baseline relative to recovery time standards. We will report this metric in future reports.

Our commitment is to make all efforts to return employees to their optimal state as soon as possible after illness, injury or disease. We would like to explore, adapt and implement creative ways to assist employees to achieve optimal recovery. We believe that proactively monitoring medical recovery times will also decrease the financial impacts of disability and improve employee and employer relationships.

Our commitment is to help employees return to their optimal state as soon as possible after an illness, injury or disease.

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Inclusion & Diversity

Canfor is stronger when we embrace diversity of abilities, backgrounds, experiences and points of view.



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Our Approach

Canfor has identified workforce diversification as a strategic imperative. We're bringing together plans and committees that are activating change in our workforce with an approach that is inclusive, accountable and comprehensive.

We're committed to improving opportunities for all Canfor employees, with a strong focus on under-represented groups. We expect our employees to always demonstrate respect and to act in accordance with our policies that aim to ensure:

- Equitable and inclusive access to opportunities
- A workplace free from discrimination

Each employee at Canfor should feel safe and valued as a productive member of their team. Canfor has a zero-tolerance policy for discrimination or racism and will investigate any such claims.

Our Code of Conduct Policy outlines the high ethical standards and values that apply to all employees at Canfor. Our Bullying and Harassment Policy strictly prohibits such conduct,

including discrimination, by anyone in the workplace. This policy applies to all employees and all contractors, service providers, suppliers and agents, and their employees. These policies are designed to help employees act in the best interest of the company, consistent with Canfor's core values.

We do not tolerate any violation of the Code of Conduct Policy and the Bullying and Harassment Policy, any illegal or unethical behaviour, or any other misconduct. Any violations may be reported to:

- The employee's immediate manager
- The Senior Legal Officer and/or a Senior Vice President
- The Whistleblower Hotline (anonymously)

Canfor will not take or allow any reprisal against any employee who, in good faith, reports a suspected violation of the Code of Conduct or any other misconduct. We investigate all reported violations. If we determine that a violation has occurred, we take appropriate action, up to and including immediate termination of employment.



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Governance and Accountability

Canfor's leaders are committed to our inclusion, diversity and equity strategy and action plans, which Canfor's Diversity Council develops with support from our Human Resources team. Each department and division is responsible for doing their part to support implementation and success. Ownership for inclusion and diversity is shared across our organization, so that it is infused within our culture. We expect all employees to contribute to an inclusive workplace and we provide the tools and training to support them.

Our executives are personally accountable for advancing diversity within Canfor and ensuring it is a priority. Canfor's leadership monitors progress by reporting on key metrics and regularly reviewing and revising our strategies.

To help guide that direction and continual improvement, we rely on our Diversity Council. It is sponsored by our CEO, and the employee members represent different dimensions of diversity, business functions and geographic locations. The Diversity Council has 19 members from across the company and, through the Chair, provides quarterly written reports to the executive team.

The Council's mandate is to sustain and advance Canfor's commitment to an inclusive culture and diverse workforce. It does so by:

- Meeting on a quarterly basis with members to discuss progress on inclusion and diversity goals
- Prioritizing actions within the organization's inclusion, diversity and equity strategy
- Advising on and informing company policies
- Making recommendations that cascade throughout the organization
- Looking for ways to embed and advance inclusion and diversity, making it relevant for all areas of the organization
- Overseeing projects and initiatives and nurturing the growth of the employee network groups
- Setting goals around hiring, retaining and advancing a diverse workforce
- Addressing any employee concerns among under-represented groups



Inclusion and diversity are the responsibility of everyone at Canfor. They are infused within our culture.

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Performance

Canfor's Inclusion and Diversity Blueprint outlines the commitment and actions we are taking towards our overall goal to foster a more inclusive and equitable culture and to increase diversity in our workforce.

OUR GOAL

We will foster a more inclusive and equitable culture and increase the diversity in our workforce.

TARGETS	2021 Results	Status
Leadership		
30% under-represented ^a groups in executive leadership positions by 2030	17%	On track
30% under-represented groups in all other senior leadership positions by 2025	19%	On track
New Hires		
50% under-represented groups for new hires annually by 2030, with an interim target of 33% by 2025	24%	On track
Inclusion		
Availability of gender-specific personal protective equipment at 100% of operations in North America by 2023	Implementation in progress	On track
Training		
100% completion of Inclusion & Diversity Awareness training for all salaried employees across North America by 2021	94%	Achieved. ^b We are tracking ongoing completion of this training and going forward will maintain our target of 100% completion of the training by focusing on our new hires and hourly employees.
100% participation of Indigenous Cultural Awareness and Understanding training for all Canadian salaried employees by 2021	97%	Achieved. ^b We are tracking ongoing completion of this training and going forward will maintain our target of 100% completion of the training by focusing on our new hires and hourly employees.
Launch inclusive leadership training, tools and resources for supervisors and managers across North America by 2022	Launched in Q4 2021	Achieved

^a Under-represented groups include women, non-binary people, Indigenous Peoples, visible minorities, people living with disabilities, LGBTQ2S+ individuals and veterans.
^b We have evaluated this target to be achieved as those who have not yet completed is likely impacted by timing of facilitated course offerings.

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In 2021 we made progress towards the achievement of our goals by implementing the following actions:

- Established leadership accountability by incorporating diversity and inclusion goals in pay-for-performance measures for executives
- Established diversity and inclusion goals in pay-for-performance measures for Canadian salaried employees
- Developed a Diversity, Equity and Inclusion Dashboard to track key performance indicators that are reported to the Diversity & Inclusion Lead, Diversity Council, Executive Team and Board to enhance transparency and accountability
- Launched three employee network groups: the Black Impact Group (BIG), Women Elevating Canfor (WeCAN) and the Canfor Indigenous Relations Connection (CIRC); see [Employee Network Groups](#) section
- Delivered inclusion and diversity training to nearly all salaried employees in North America
- Delivered Indigenous Cultural Awareness and Understanding training to nearly all Canadian salaried employees
- Delivered interviewing skills training focused on competency-based hiring and bias reduction to supervisors in North America
- Completed facilities updates within operations, including renovated washrooms/changerooms for women
- Implemented Phase 2 (identify and develop champions) and Phase 3 (develop regional action plans) of our Indigenous Engagement Strategy; see more in our [Indigenous Relations](#) section

BY THE NUMBERS

94%

of our salaried employees in Canada and the U.S. completed Inclusion and Diversity Awareness training in 2021

BY THE NUMBERS

97%

of all salaried employees in Canada completed Indigenous Cultural Awareness and Understanding training in 2021



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HIGHLIGHT

Canfor's U.S. Wood Products Operations Named Supplier of the Year for Equity and Inclusion

Deltec Homes, a long-time customer of our U.S. wood products operations, is committed to dismantling racial inequities through education, best practices and holding partners—including suppliers—to high standards.

Deltec invited Canfor to provide information on our plan and progress on diversity and inclusion through hiring practices, our training programs and progress towards goals outlined in our 2020 Sustainability Report.

Canfor was honoured to be awarded with Deltec's Supplier of the Year for Equity 2021.

The alignment of our broader sustainability goals has played an important role in the supplier-vendor relationship. As Deltec provides made-to-order hurricane-resistant homes, customers are involved from design to finishing and want to be assured the products in the home are sustainably sourced and high quality.

Plan For 2022: Operational Foundations

To build on the foundation we have established and to achieve our goals, in 2022 we are focusing on:

- Continuing to identify and tackle systemic barriers as prioritized by the Diversity Council
- Continuing to drive awareness through communication and education and to expand delivery of our Inclusion and Diversity training to all our hourly employees across North America
- Ensuring 100% availability of gender-specific personal protective equipment at all operations in North America by 2023
- Continuing to leverage awareness campaigns to encourage allyship and

bystander intervention. Being an active bystander helps diversity and inclusion efforts, by teaching different ways to be advocates and allies of co-workers who are targets of bias, microaggressions and other non-inclusive behaviours

- Continuing to support our employee network groups and drive engagement
- Investing in new talent pipeline programs to attract talent from under-represented groups, including women, veterans and Indigenous communities, and building programs to develop candidates and ensure they are prepared to step up and fill relevant key roles



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Training

INCLUSION & DIVERSITY TRAINING

In 2021, Canfor continued to make Inclusion and Diversity training a priority. We trained 94% of our salaried employees in Canada and the U.S., with 65% of all new hires completing the training within their first four months as of December 31, 2021.

The objective of the training is to help employees identify and interrupt their unconscious biases and to learn how to be an ally or an active bystander by speaking up or taking action when witnessing discrimination or bias. The training is offered for new hires on a quarterly basis. The purpose of the Inclusion and Diversity training is to motivate positive behaviours and attitudes, which is essential for creating and maintaining a respectful, inclusive workplace.

INDIGENOUS CULTURAL AWARENESS & UNDERSTANDING TRAINING

Canfor also continued our commitment to educating all our Canadian employees on our Indigenous Engagement Strategy and building our awareness of Indigenous history, culture and tradition in

Canada. In 2021, 97% of all salaried employees in Canada completed Indigenous Cultural Awareness and Understanding training.

In 2022, we will strive for full completion rate by our salaried employees for the Inclusion and Diversity training and Indigenous Cultural Awareness and Understanding training in Canada through a focus on our new hires.

In addition, we will focus on extending Inclusion and Diversity training to all hourly employees in Canada and the U.S. The training will be similar to the program offered to all our salaried employees and will be supplemented by conversation guides that supervisors can leverage to help create not only a safe space, but also a brave space for team members to share their experiences.

Employee Network Groups

At Canfor, we believe in making space for every voice to be heard and respected, ensuring that all employees receive equal access to opportunities. As part of our goal to foster a more inclusive and equitable culture and increase the diversity of our workforce, in 2021 we launched Canfor employee network groups (ENGs). We are starting with three network groups and will continue to expand to other peer networks:

- WeCAN: Women Elevating Canfor
- BIG: Black Impact Group
- CIRC: Canfor Indigenous Relations Connection

Each ENG is sponsored by two members of Canfor's executive team. The mission of the groups is to champion a culture of inclusion by providing a platform of advocacy and support at Canfor. ENGs are voluntary, employee-led groups that foster a diverse, inclusive workplace aligned with company values, goals, business initiatives and objectives. The purpose is to create an open forum for employees to meet and support one another in building community and a sense of belonging, and to facilitate a clear line of communication with

leadership to create a collective voice for concerns and opportunities.

Canfor will empower the groups by offering financial and organizational support and access to decision-makers to help impact the business. Our employee network groups are instrumental in advancing a respectful and inclusive company culture, which Canfor is committed to progressing. Building strong networks and community is a key step in creating psychological safety for diverse and inclusive groups, ultimately leading to a greater sense of belonging.

Canfor's ENGs will focus their annual programming around five key pillars: community, business innovation, professional development, employee experience and unconscious bias foundational learning. Team members who participate in ENGs are encouraged to think innovatively, using their unique expertise and perspectives to enhance Canfor's work environment and bring about business impact. ENGs are open to all employees with an affinity or interest in advancing culture, regardless of racial or ethnic background and gender identity.

Our employee network groups are creating open forums to build community and a sense of belonging.

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Our Pledges: Commitments to Inclusion & Diversity

BlackNorth Initiative

The BlackNorth Initiative is on a mission to end anti-Black systemic racism, using a business-first mindset. Canfor signed the BlackNorth CEO Pledge in 2020. In the CEO Pledge, Canadian senior leaders are asked to commit their organizations to specific actions and targets designed to create opportunities for those in under-represented BIPOC (Black, Indigenous and people of colour) communities. By signing the CEO Pledge, leaders send a strong message to their Black employees, customers, stakeholders and the Black community in general that they are truly against anti-Black systemic racism. We are furthering this conversation and engaging with our employees through our Canfor Black Impact Group. Read more in the [Employee Network Groups](#) section.

50 – 30 Challenge

The 50 – 30 Challenge is an initiative between the Government of Canada, business and diversity groups, challenging Canadian organizations to increase representation and inclusion of diverse groups in their workplaces. Canfor signed on to participate in the challenge in 2021.

Specific goals include gender parity—50% women and/or non-binary people—on Canadian boards and/or in senior management positions and significant representation—30%—on Canadian boards and/or in senior management of other equity-deserving groups, including racialized, Black and/or people of colour, people with disabilities and LGBTQ2S+ individuals.

Minerva BC: The Face of Leadership CEO Pledge

The Face of Leadership Scorecard report is part of an initiative by Minerva BC to help make the presence of women in leadership a reality in business and industry. Canfor signed the CEO Pledge in 2015. CEOs and representatives of the 11 companies who participated in the signing ceremony pledged to create opportunities to support women's advancement and leadership in their organizations. The scorecard focuses on measuring the number of women in CEO, executive and senior leadership positions.

We are acting on our pledge by measuring our progress towards our targets to increase the percentage of under-represented groups in our new hires, senior leadership positions and executive leadership positions.

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BY THE NUMBERS

950+

mentoring sessions happened in 2021

BY THE NUMBERS

353

participants enrolled in the MentorMe program in 2021

BY THE NUMBERS

300+

Canfor leaders have taken competency-based hiring training



MentorMe

Mentoring plays an important role in developing leaders, building meaningful relationships and fostering an inclusive and diverse workforce. The focus of this program is to provide mentees with opportunities to learn from and connect with a leader at Canfor who has skills and experiences to help them grow and advance in our organization. It also provides mentors with an opportunity to strengthen their own leadership and communication skills, build relationships with key talent and make an impact on someone's career.

In 2021 we launched a new mentoring software platform, giving mentees the power to choose their mentor.

We're building a culture that supports and encourages mentoring.

This new platform recommends the best mentors for each mentee based on a pairing algorithm that considers goals, skills and preferences, so that every mentee and mentor is well-positioned for success. The 2021 MentorMe program ran from May to December and was open to everyone, including salaried and hourly employees in every geographic location of our business.

We had 353 participants across our business, with 228 mentoring pairs and strong participation from diverse groups. Optional self-disclosed employee data was collected, with participants disclosing a diverse representation, including visible minorities, women, Indigenous Peoples, parents/caregivers, persons living with a disability, LGBTQ2S+ individuals and veterans.

Of the participants who are women, 25% were mentors. There were more than 950 recorded mentoring sessions in 2021 and the program received consistently positive reviews.

Inclusive Hiring

We continue to make great strides in our job marketing and hiring processes to help Canfor attract and hire a more diverse workforce. We strive for fair and equitable recruitment, where hiring decisions are based on each applicant's qualifications and experience. That also means recognizing and valuing the differences that make each person unique. Our strength comes from the diversity of our skilled and resilient workforce and inclusive culture.

In 2021, our talent acquisition team rolled out external gender-neutral job postings across the business, designed to eliminate gender bias in the application process. In 2022, the team will continue to adjust job postings to ensure they appeal to all potential applicants, beyond traditional demographics. We continue to identify opportunities to enhance inclusion and diversity in the talent acquisition process.

In 2021, we saw incremental improvement in our hiring of women and Indigenous recruits across our Canadian business.

We are implementing a centralized talent acquisition model to track and report all employment equity, gender, ethnicity and veteran status results in the United States. We have already begun tracking and reporting our new hires in under-represented groups in Canada.

Canfor is committed to training and supporting our people who lead hiring at all levels to ensure they are informed and educated on Canfor's commitment to an inclusive and diverse workforce. We continue to provide training to our hiring leaders around competency-based hiring and removing bias from hiring. In 2022, this training will be mandatory for all involved in interviewing and selecting candidates. To date, more than 300 leaders have been through this training.

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Diversity at Work

Canfor is proud to have a global workforce. Our global diversification contributes to our strength as a company. As of December 31, 2021, we employed 6,041 people worldwide, including temporary and casual employees, but excluding our operations in Sweden.

Canfor’s workforce comprises 97% permanent employees in both hourly and salary roles; the remainder are temporary and casual employees. Of the temporary and casual employees, 54% are men and 46% are women.

Of our permanent employees, 74% are hourly, with the majority working in mill production positions. Among these hourly employees, 93% are men and 7% are women. Salaried employees include our production supervisors and many of our corporate office employees

in Canada, the U.S. and Asia. These permanent employees represent 26% of the permanent workforce; 73% are men and 27% are women.

Our total workforce increased in 2021, mainly due to an additional shift added at one of our U.S. wood products operations. The rest of our workforce remained mostly constant. The tables below provide a detailed breakdown of our employees by employment type, region and gender.

The total number of women in our workforce has remained relatively consistent at 13%. We will continue to track metrics such as this as we progress on our journey with a specific focus on programs that drive improvements in inclusion and diversity metrics.

In 2021, we hired 543 employees in Canada (compared to 317 in 2020) and 902 employees in the U.S. (compared to 524 in 2020). We are actively working to increase the number of women we hire and to enhance diversity in all roles across Canfor. We will continue to monitor and report on these statistics.

In 2021, 24% of North American new hires identified as being a member of an under-represented group. We will continue to collect data to monitor the proportion of our workforce who self-identify as members of under-represented groups.

2021 Workforce by Employment Type and Region °

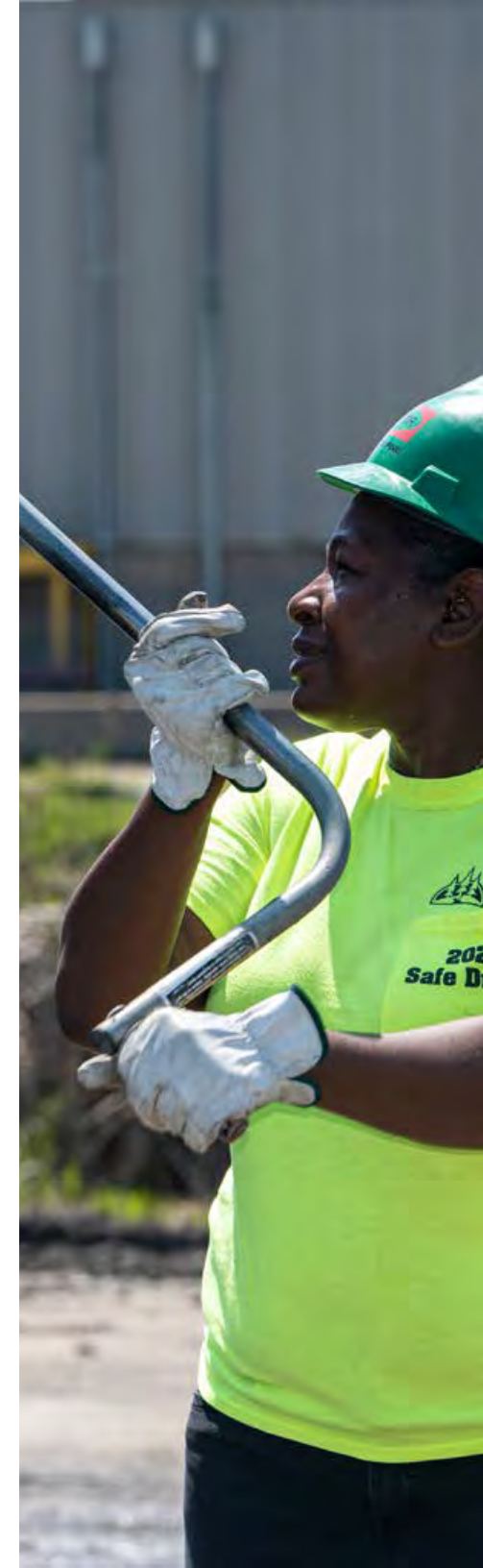
Region	Hourly	Salaried	Temporary/ Casual	Total
Canada	2,611	1,136	172	3,919
U.S.	1,741	363	1	2,105
Asia	-	17	-	17
Total	4,352	1,516	173	6,041

° Excludes Vida; includes casual/temporary employees.

BY THE NUMBERS

24%

of North American new hires identified as being a member of an under-represented group in 2021



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Workforce by Employment Type and Gender ^d

Employment Type	2021			2020 ^e			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-Time Hourly	4,032	315	4,347	4,008	277	4,285	3,961	275	4,236
Full-Time Salaried	1,101	405	1,506	1,151	379	1,530	1,020	356	1,376
Part-Time Hourly	3	2	5	4	1	5	5	1	6
Part-Time Salaried	3	7	10	2	8	10	3	9	12
Temporary	94	79	173	78	50	128	85	47	132
Total	5,233	808	6,041	5,243	715	5,958	5,074	688	5,762

^d Excludes Vida; includes casual/temporary employees.
^e Prior year figures have been restated due to reclassification between employment types.

2021 Total New Hires by Region, Age Group and Gender ^f

Region	Women	Men	Total
Canada	121	422	543
Under 30	50	187	237
30-50	60	180	240
Over 50	11	55	66
U.S.	68	834	902
Under 30	19	311	330
30-50	35	382	417
Over 50	14	141	155
Total	189	1,256	1,445

^f Excludes Vida, temporary and casual employees.

BY THE NUMBERS

13%

of new hires in 2021 were women, compared to 11% in the previous year; we are actively working to increase the number of women we hire and to enhance diversity in all roles across Canfor



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2021 Employees by Age Group and Gender as a % ^g

Age	Women	Men	Total
Under 30	2.2%	13.1%	15.3%
30-50	5.9%	39.2%	45.1%
Over 50	4.3%	35.3%	39.6%
Total	12.4%	87.6%	100%

^g Excludes Vida and casual/temporary employees

2021 Board Directors by Company, Age Group and Gender as a %

Company	Women	Men	Total
Canfor			
Under 30	0%	0%	0%
30-50	0%	7.7%	7.7%
Over 50	15.4%	76.9%	92.3%
Canfor Total	15.4%	84.6%	100%
Canfor Pulp			
Under 30	0%	0%	0%
30-50	0%	0%	0%
Over 50	14.3%	85.7%	100%
Canfor Pulp Total	14.3%	85.7%	100%

2021 Employees by Gender and Job Category as a % ^h

Job Category	Women	Men	Total
Operations	5.5%	70.1%	75.6%
Operations Management	11%	8.8%	9.9%
Business Support	1.4%	0.4%	1.8%
Professional	3.0%	5.2%	8.2%
Professional Management	1.0%	1.0%	2.0%
Executives & Senior Management	0.4%	2.1%	2.5%
Total	12.4%	87.6%	100%

^h Excludes Vida and casual/temporary employees

2021 Executives by Age Group and Gender as a %

Age	Women	Men	Total
Under 30	0.0%	0.0%	0.0%
30-50	11.1%	5.6%	16.7%
Over 50	0.0%	83.3%	83.3%
Total	11.1%	88.9%	100%

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Indigenous Relations

We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relations and by deeply respecting Indigenous histories, cultures, values and beliefs.



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Our Approach

We value our working relationships with Indigenous communities on whose traditional territories we operate. Our Indigenous Engagement Strategy is built on a foundation of deep respect for Indigenous Peoples and an interest in growing their involvement in the resource sector.

We prioritize meaningful engagement with Indigenous groups, including opportunities for economic partnerships; stewardship of the environmental, social and cultural values of forests; and sustainable practices to honour and respect the land for future generations.

All of Canfor's Canadian operations, manufacturing facilities and corporate offices overlap with traditional Indigenous territories. We care about the wellness of Indigenous Peoples, and these relationships influence every aspect of our work. We focus on procurement, employment, partnership agreements and community engagement. We acknowledge that forests are an integral part of the livelihoods of Indigenous Peoples and see opportunities for mutually beneficial partnerships with Indigenous communities.

OUR INDIGENOUS ENGAGEMENT STRATEGY IS GUIDED BY THREE PRINCIPLES

Recognition and Respect

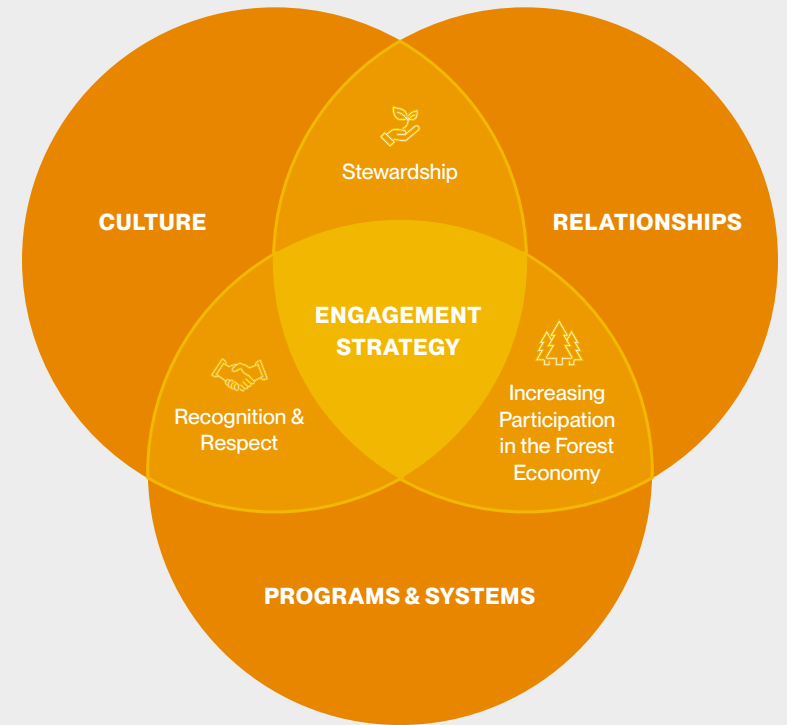
Canfor recognizes and respects the constitutionally protected rights and treaty rights of Indigenous Peoples. We are working to understand the unique interests and challenges of each region and community by working with the diverse Indigenous groups within our operating areas.

Increasing Participation in the Forest Economy

Canfor acknowledges that forests are an integral aspect of the lives and livelihood of Indigenous Peoples. As a manufacturing business that embraces sustainable forest management, Canfor sees opportunities for mutually beneficial partnerships with Indigenous communities that complement and enhance our business.

Stewardship

Canfor and Indigenous Peoples share common goals in conserving and sustaining the environmental, social and cultural values of forests. Together, we can improve the wellness of Indigenous Peoples through shared principles that ensure the sustainability of forests for current and future generations.



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Governance and Accountability

Canfor evolved our organizational structure to support the implementation of our Indigenous Engagement Strategy. In 2020, we created the Indigenous Relations team to provide leadership and coordination of Canfor's overall activities related to Indigenous partnerships, engagement and employment. The Director, Indigenous Partnerships, provides leadership direction and coordination of Canfor's Indigenous partnerships agreements.

We encourage and support Indigenous involvement in the forest sector, provide careers and are continuing to work towards best practices in forest stewardship. To do so, we work with Indigenous groups and others in the resource sector to align efforts. Our

Regional Indigenous Relationship Liaisons are critical in implementing and strengthening our relationships with Indigenous Nations.

To advance Indigenous relations, our Indigenous Engagement Working Group (IEWG) provides leadership and coordination. Our Vice President, Woodlands, is accountable for the oversight of the IEWG and for our Indigenous Engagement Strategy.

Treaty Rights

We recognize and respect the constitutionally protected rights and treaty rights of Indigenous Peoples and understand there are unique interests and challenges in each region and community.

We support the Canadian, B.C. and Alberta governments' adoption of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Truth and Reconciliation Commission of Canada's (TRC) Calls to Action, including recommendation 92.

We acknowledge the efforts of the B.C. government to entrench the UN declaration into law through the November 2019 passing of Bill 41, the *Declaration on the Rights of Indigenous Peoples Act*.

Rights of Indigenous Peoples

Canfor recognizes the assertion of Indigenous rights and title. We disclose all material litigations and legal proceedings in our regulatory findings. During the reporting period, there were zero incidents reported in our findings.

We acknowledge there are a variety of communication opportunities with our neighbouring Indigenous communities and endeavour to create an open forum to actively listen to their feedback.

We encourage and support Indigenous involvement in the forest sector.



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Canfor Indigenous Relations Connections

Canfor Indigenous Relations Connections (CIRC) was established in 2021 through our Diversity Council.

The CIRC is an employee network group for any Canfor employee; participants are invited to come together to promote education, create awareness and work with leaders to enhance Indigenous engagement and inclusion. Our Indigenous members use their individual experiences, perspectives and passions as Indigenous Peoples to positively impact Canfor's operations and culture.

As the CIRC grows, it will become the learning ground for both Indigenous and non-Indigenous Peoples to connect about Indigenous histories, cultures and values. This connection is fostering an empathetic workforce that is more inclusive of Indigenous Peoples. It also builds on our Indigenous Cultural Awareness and Understanding (ICAU) training to encourage further conversations and will help drive Canfor's commitment to creating a diverse, inclusive and respectful workplace.

Canfor Indigenous Relations Connections encourages further conversations and is helping to drive Canfor's commitment to creating a diverse, inclusive and respectful workplace.

Implementation of our Indigenous Engagement Strategy

Canfor aims to be the forest sector partner of choice for Indigenous groups within whose traditional territories we operate. We will engage meaningfully with Indigenous groups through partnerships, and we will utilize our business activities to provide opportunities for economic reconciliation for Indigenous groups within their traditional territories.

In 2021, our strategy progressed through completion of the following three phases:

- Phase 1: regional engagement sessions were completed, where we finalized our internal engagement sessions across the company.
- Phase 2: we identified internal champions within different areas of Canfor's business to elevate the Indigenous Engagement Strategy.
- Phase 3: Regional Action Plans were completed and rolled out across the regions.



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Performance

Canfor values our working relationships with Indigenous communities on whose traditional territories we operate.

OUR GOAL

Canfor aspires to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs. We commit to co-creating lasting, mutually beneficial partnerships that advance social, economic and environmental priorities for Indigenous Peoples.

TARGETS	2021 Results	Status
100% of operating area covered by agreements with willing Nations by 2030.	41%	On track
Achieve 100% participation in Indigenous Cultural Awareness and Understanding training for all Canadian salaried employees by 2021.	97%	Achieved. ^a We are tracking ongoing completion of training and going forward will maintain our target of 100% completion of the training by focusing on new hires and hourly employees.
5% of total spend with Indigenous vendors for Canadian wood products operations by 2025.	3.4%	On track

^a We have evaluated this target to be achieved as those who have not yet completed is likely impacted by timing of facilitated course offerings..

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Partnership Agreements

Canfor continues to work closely with Indigenous Nations within our operating areas to expand our relationships for mutually beneficial opportunities. We recognize that Indigenous participation in the forest economy supports the reconciliation process. There are continuing opportunities for growth and alignment between Canfor's Indigenous Engagement Strategy and the future of the forest sector. We focus on economic involvement, forest stewardship participation, employment, training opportunities and procurement, and continue to make progress in all areas. We have existing agreements with several of the Indigenous Nations on whose traditional territories we operate and continue discussions with many other Indigenous Nations to enter into additional agreements.

Indigenous Talent Program

Canfor's Indigenous Talent Program continues in its capacity to build, support and engage our Indigenous community within the company while increasing Indigenous participation within the forest economy. We want to be the employer of choice for Indigenous Peoples.

The Indigenous Talent Program seeks to attract Indigenous candidates and connect them with career opportunities through guidance, skill matching, access to advisors and interview preparation. The program offers continued support after the initial hire, through mentorship, targeted programs and community-building. We aim to provide a positive candidate and employee experience through enhanced services, meaningful employment and career opportunities for Indigenous candidates.

Our Indigenous Employment and Training Advisor provides full employment services to candidates, resulting in a higher level of engagement with Indigenous applicants. In 2021, we hired 93 new Indigenous employees, compared to 62 in 2020, with a retention rate of 88%.

In recognition of the ever-changing landscape and the cultural evolution at Canfor, we continue to focus on employment opportunities that help promote and advance an inclusive workplace culture.

In 2021, we:

- Launched the Canfor Indigenous Relations Connection (CIRC), our first Indigenous Employee Resource Group; CIRC is open to all interested employees at Canfor—Indigenous and non-Indigenous
- CIRC hosted a company-wide Orange Shirt Day campaign in recognition of the Every Child Matters initiative and the National Day for Truth and Reconciliation, with a flag raised at each of our Canadian operations
- Hosted a month-long virtual celebration in June with a variety of engagements in honour of National Indigenous History Month, including the summer solstice and National Indigenous Peoples Day on June 21
- Profiled Indigenous employees and their journeys to success at Canfor
- Partnered with the Prince George Native Friendship Centre's Bladerunner and Access programs to identify and connect with qualified Indigenous workers in our Canadian operations
- Participated in community career fairs virtually and in person with local Indigenous Nations communities
- Continued to partner with communities to promote careers in forestry through virtual presentations, industry days and collaborative approaches that meet community needs in our areas of operation

Looking ahead, we plan to continue the pathway forward for Indigenous engagement at all levels by attracting Indigenous talent in collaboration with Canfor's talent acquisition specialists. We will also be working to implement our planned Indigenous Internship Leadership Program in Canfor College, and develop and launch the Canfor Walk Tall Mentorship Program in 2022.

We want to be the employer of choice for Indigenous Peoples.

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Scholarships and Bursaries

Since 2013, Canfor has supported B.C. Indigenous communities by contributing to the New Relationship Trust Foundation (NRT Foundation) Scholarship and Bursary program. The partnership has created 14 scholarships and bursary awards since inception. We believe the continued partnership between Canfor and the NRT Foundation presents an ideal opportunity to pursue our shared interests of:

- Continuing meaningful partnership-building with Indigenous communities in B.C.
- Enhancing Indigenous students' capacity, health and education goals
- Fostering opportunities for Indigenous participation in B.C.'s economic future

National Day For Truth and Reconciliation

On September 30, 2021, Canadians recognized the first National Day for Truth and Reconciliation, also known as Orange Shirt Day. Canfor employees came together, proudly wearing their orange shirts, to raise awareness of the tragic history and ongoing impacts of residential schools and to support the survivors and communities affected.

Canfor employees raised more than \$6,650 in donations for the events, and Canfor matched and topped up this amount for a total contribution of \$20,000 to the Orange Shirt Society. An additional \$20,000 was donated to the Indian Residential School Survivors Society for National Indigenous History Month in June. These funds will support Indian Residential School reconciliation, creating awareness of the individual, family and community intergenerational impacts of Indian Residential Schools and strengthening awareness that Every Child Matters.

In 2021, Canfor committed to raise Every Child Matters flags at all Canadian office and mill locations every September 30 and has permanently raised the Canadian Indigenous flag.



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HIGHLIGHT

Engaging with Indigenous Businesses

We have many established business relationships and are committed to advancing our business procurement with Indigenous businesses to improve economic participation in the industry.



ʔAmakʔis Transport Ltd.

This is the second of two trucks owned by ʔAmakʔis Transport Ltd. in the Kootenay Region. ʔAmakʔis Transport Ltd. is the most recent addition to the Ktunaxa Enterprises Limited (KEL) business group and specializes in hauling logs within the Ktunaxa territory. This has been a very positive development for both Canfor and KEL and we are excited for the future growth and success of the company and for the business relationship that we are continuing to develop.



Six Nations Ventures

Six Nations Ventures is a Limited Partnership between six Treaty 8 Nations: Blueberry River First Nation, Doig River First Nation, Halfway River First Nation, Sauleau First Nation, Prophet River First Nation and West Moberly First Nation. The company has provided contracting and equipment services to Canfor for many years, including loading and unloading, yard maintenance and sample spreading. The photo above shows work underway at the Fort St. John 118 Sort Yard.

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BY THE NUMBERS

97%

of all Canadian salaried employees completed our Indigenous Cultural Awareness and Understanding (ICAU) training



BY THE NUMBERS

3.4%

of our spend by Canadian wood products operations was with Indigenous vendors, with the target to increase this to 5% by 2025

Indigenous Cultural Awareness and Understanding Training

To enhance our Indigenous community engagement, we need to improve our cultural understanding. In 2020, we launched Indigenous Cultural Awareness and Understanding (ICAU) training. The focus was to provide our teams with knowledge on Indigenous history, the *Indian Act*, residential schools, governance structures and much more. The training complements the suite of leadership programs that already include unconscious bias, diversity and inclusive leadership training.

We trained 97% of all Canadian salaried employees in 2021. Our target was to achieve 100% participation within our Canadian operations by the end of 2021. We had an incredible uptake,

and continue to offer additional training courses to strive for full completion. Going forward, we will maintain our goal of 100% participation within our Canadian operations for all salaried employees. In 2022, the focus will be on new hires, hourly employees and those at our recently acquired mills.

Procurement

We are committed to engaging with Indigenous businesses and contractors for supplies and services. In 2021, 3.4% of our spend in our Canadian wood products operations was with Indigenous vendors. In each of our regions, we make our best efforts to hire local Indigenous vendors for the services we need.

We will continue this effort and aim to increase this total spend to 5% by 2025.

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HIGHLIGHT

Supporting Indigenous Communities



In 2021, Canfor supported the UBC Remote Communities Drone Transport Initiative, which is a demonstration project in the Stelat'en First Nation and Village of Fraser Lake. Doctors and researchers from the University of British Columbia have partnered with these communities to explore the use of drones to deliver medical supplies and health-care services to remote communities in Central and Northern B.C. With many of our operations in remote regions of the province, Canfor is excited to support a project that could enhance access to vital health services for Indigenous Nations, our employees, their families and the communities we operate in.



In 2021, Canfor upgraded the Shelley Beaver Forest Service Road, one of the main access routes into the Lheidli T'enneh's Shelley Reserve, which is near our Prince George office. Over the past several years, the road had deteriorated, resulting in potholes and concrete separation. Numerous complaints had been made by log haulers using this section of road, by the residents of Shelley and by the Lheidli T'enneh band, whose reserve is situated at Shelley. See more about our capital investments in our [Community Engagement](#) section.



In 2021, Canfor's Indigenous Community Investment Committee (ICIC) approved \$37,000 of donations and in-kind time to many Indigenous communities across B.C. and Alberta. This included monetary donations to Nation community event sponsorships, Christmas hampers and Elder support. Our overall corporate Indigenous donations and sponsorships exceeded \$113,000.



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Human Rights

Treating people fairly—including community members, employees, contractors, stakeholders, Indigenous partners and anyone impacted by our operations—is a core value for Canfor.



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Our Approach

Responsible business conduct includes complying with laws and regulations; respecting all internationally recognized human rights, including workers' rights and the right to enjoy a safe, clean, healthy and sustainable environment; and prioritizing public health and safety. We uphold these expectations in all our activities and business relationships. We recognize our responsibility in establishing policies and processes to conduct due diligence with the goal of identifying, preventing and mitigating any impacts on the economy, environment and people, including impacts on human rights. We all have a role to play to ensure a safe, equitable and inclusive environment for all.

We are committed to respecting human rights across our company, value chain and with stakeholders, partners and special interest groups in our communities.

We recognize the importance of international human rights frameworks such as the International Bill of Human Rights, which includes:

- The Universal Declaration of Human Rights
- The International Covenant on Civil and Political Rights
- The International Covenant on Economic, Social and Cultural Rights

We also recognize the importance and relevance of other human rights frameworks, such as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Declaration on the Rights of Indigenous Peoples and the Convention on the Rights of the Child. We continuously work to ensure that all of our operations and business practices meet or exceed regulatory laws and requirements to protect the rights of our employees, contractors, suppliers, partners and members of our communities.

We are committed to protecting and advancing human rights.



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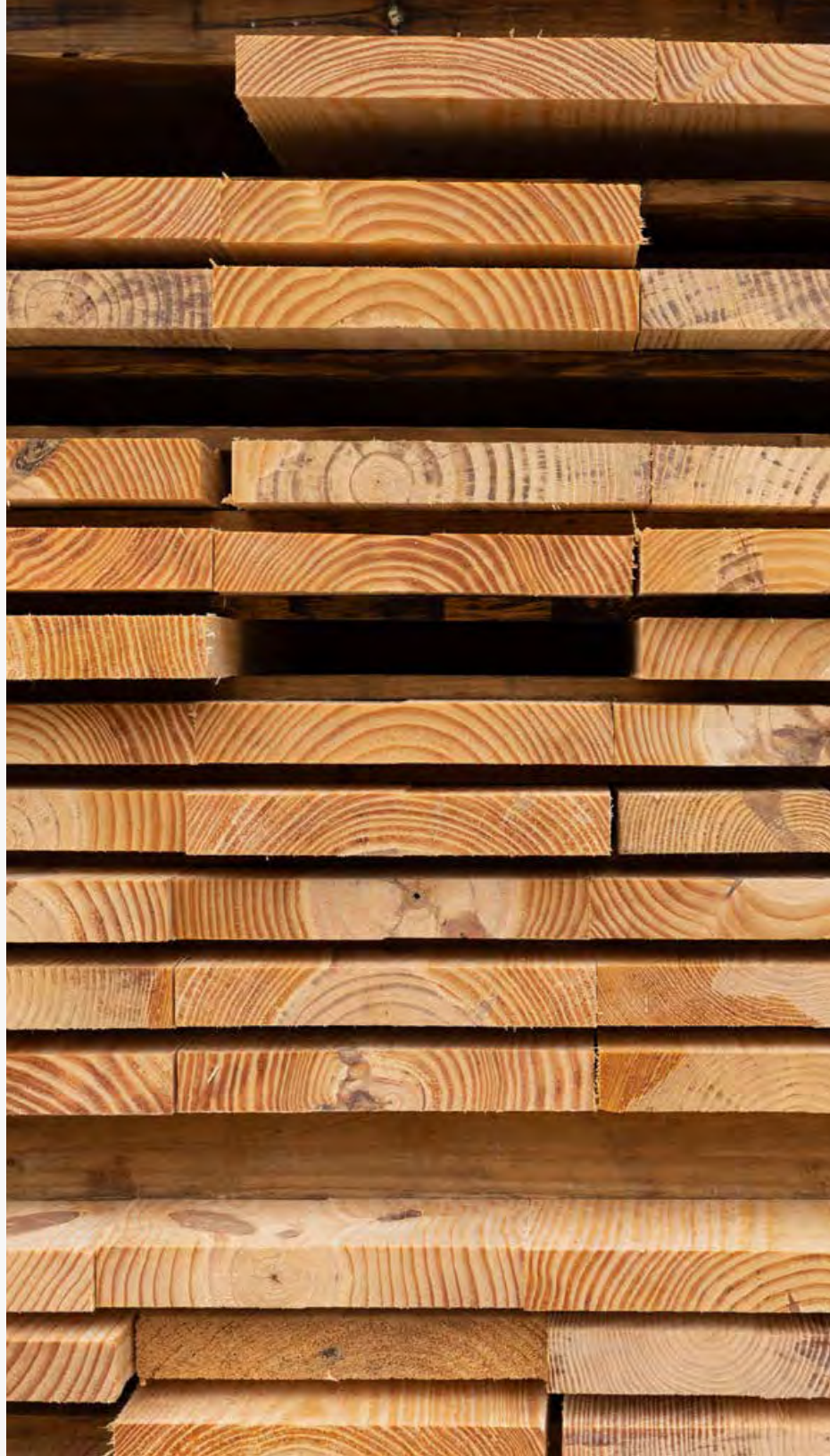
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Equitable Pay

Canfor periodically verifies that our pay practices comply with applicable laws and regulations. We address any known compliance issues in a timely manner.

We continually revisit our compensation framework to support our philosophy of competitiveness and fairness. We evaluate our job descriptions against a point-based methodology that fairly evaluates the competencies that correspond to specific pay bands. Compensation increases are based on performance assessment or collective agreements. This framework is designed for equity, fairness and to be free of systemic biases.

Labour Relations

We comply with all applicable labour and freedom of association laws and collective agreements. Of our total employees at our Canadian wood products operations, 66% are covered by collective agreements with the United Steelworkers (USW); Public and Private Workers of Canada (PPWC); and Unifor. Of our total employees at our pulp operations, 66% are covered by agreements with Unifor and PPWC.

Our U.S. wood products operations are not unionized. We believe that open communication with all our employees can promote discussion, transparency and address concerns in our workplace. Canfor respects the decisions chosen by employees and does not endorse or discourage unionization.



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Diversity & Inclusion in the Workplace

At Canfor, we are working hard to cultivate meaningful change to foster stronger inclusion, diversity and equity. We want to ensure all employees feel safe, valued, respected, heard and engaged.

- We have and enforce strong Code of Conduct and Bullying and Harassment policies; these outline the standards and values that apply to all employees and contractors, service providers, suppliers and their employees
- We deliver Inclusion and Diversity training to all North American salaried employees, and Indigenous Cultural Awareness and Understanding training to all Canadian salaried employees
- We practice inclusive hiring practices that attract a more diverse group of people and to create a fair and equitable recruitment process; we train hiring managers on competency-based interviewing and selection; and we track self-disclosed applicant demographic data to inform targeted attraction efforts of equity-deserving groups

- Our Indigenous Talent Program seeks to attract more Indigenous candidates and connect them with career opportunities through guidance, skill matching, access to advisors and interview preparation
- The Diversity Council informs and prioritizes actions within our inclusion, diversity and equity strategy; advises on company policies; supports goal setting around hiring, retaining and advancing a diverse workforce; addresses employee engagement concerns among under-represented groups; and continually looks for ways to embed and advance inclusion and diversity in our company. Council members represent different dimensions of diversity, business functions and geographic locations
- We track and review the results of our efforts regularly using a dashboard, data, surveys and benchmarks, which show progress and where we need to improve

Code of Conduct and Bullying & Harassment Policy

All employees sign our Code of Conduct Policy annually, which outlines the high ethical standards and values that apply to all employees at Canfor. Employees are required to acknowledge and abide by our Bullying and Harassment Policy as part of onboarding training and as updates are issued. Our Bullying and Harassment Policy strictly prohibits such conduct, including discrimination, by anyone at the workplace. This policy applies to all Canfor employees, along with contractors, service providers, suppliers and their employees. Any violations of either policy are to be reported to the employee's immediate manager or Human Resources; steps towards resolution will follow the procedures, as stated in the Bullying and Harassment Policy.

Whistleblower Hotline

Our Whistleblower Hotline can be accessed through phone or email for employees to report suspected fraudulent or unethical activities. This includes behaviour that goes against Canfor's values, such as discrimination witnessed or suffered and situations in which company policy has been wilfully breached. The hotline is administered by our Internal Audit team, which maintains employees' anonymity; all information provided remains confidential. The Internal Audit team works to ensure a zero-tolerance approach to retaliation when legitimate concerns are reported. Incidents are reported directly to our Board of Director's Joint Audit Committee by our Internal Audit team.

We work to ensure all employees feel safe, valued, respected, heard and engaged.

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HIGHLIGHT

Human Rights Risk Assessment

Canfor is committed to respecting human rights and is evolving our programs and policies. In 2021, per United Nations Guiding Principles on Business and Human Rights (UNGP) recommendations, we formed a working group of senior management representatives to begin a formal human rights risk assessment to better understand what is needed to ensure a leading approach to human rights. The risk assessment, which will cover our entire North American operations, reviews activities across our value chain to identify potential human rights impacts on our stakeholders and partners.

The assessment will be informed by the following frameworks, as aligned with the UNGP methodology and their relevance to Canfor's operations:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The United Nations Convention on the Rights of the Child
- The United Nations Declaration on the Rights of Indigenous Peoples

The assessment will further our understanding of the impacts we may have on certain groups and individuals in connection with our business. Through this process, we hope to identify a better understanding of the potential steps to prevent and mitigate human rights risks. The assessment of our impacts will be ranked based on UNGP's recommended criteria, which

includes four dimensions: scale, reach, probability and remediability. This initial analysis will guide our next steps in embedding human rights considerations in our operations and supply chain, including developing additional policies and eventually also setting targets that will measure and monitor our performance. It will also strengthen our due diligence towards preventing human rights violations. This will help ensure that human rights continue to be fully respected and protected at Canfor by our business partners and in the communities where we work.

In 2021 we formed a working group of senior management to begin a formal human rights risk assessment.



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Performance

We are currently conducting an initial human rights risk assessment, which is our first step towards prioritizing areas of concern. We will use the findings to develop appropriate targets and actions while collaborating at a corporate level and across all entities. We will provide this information in future reports.

We are working to engage experts, key stakeholders and partners to better understand the following from a human rights perspective:

- The emerging needs and risks of a global world
- The growing expectations and implications of industry advancements

- Regulatory shifts such as the adoption of the *Modern Slavery Act*, which is being considered by the Canadian federal government; similar forms exist in other nations where we do business

OUR GOAL

We are committed to respecting human rights across our company, value chain and with stakeholders, partners and special interest groups in our communities.

Incidents of Reported Discrimination

Canada

In 2021, there was one reported incident of bullying and harassment in our pulp operations. Both WorkSafeBC and an internal investigation determined the incident to be unsubstantiated. There were three reported incidents at our Canadian wood products operations. All three incidents were investigated thoroughly. Two did not meet the definition of bullying and harassment; one was found to be a Bullying and Harassment Policy violation and an employee received disciplinary action as a result of the investigation.

United States

At our U.S. wood products operations, we had three reported incidents in 2021. We investigated the reported incidents and two employees received disciplinary action for violation of our Bullying and Harassment Policy. The remaining reported incident includes a claim of wrongful termination and the case is currently in litigation.

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Community Engagement

Community engagement is about strengthening and maintaining our working relationship with stakeholders, Indigenous Peoples, and other individuals or groups who have an interest in our operations.



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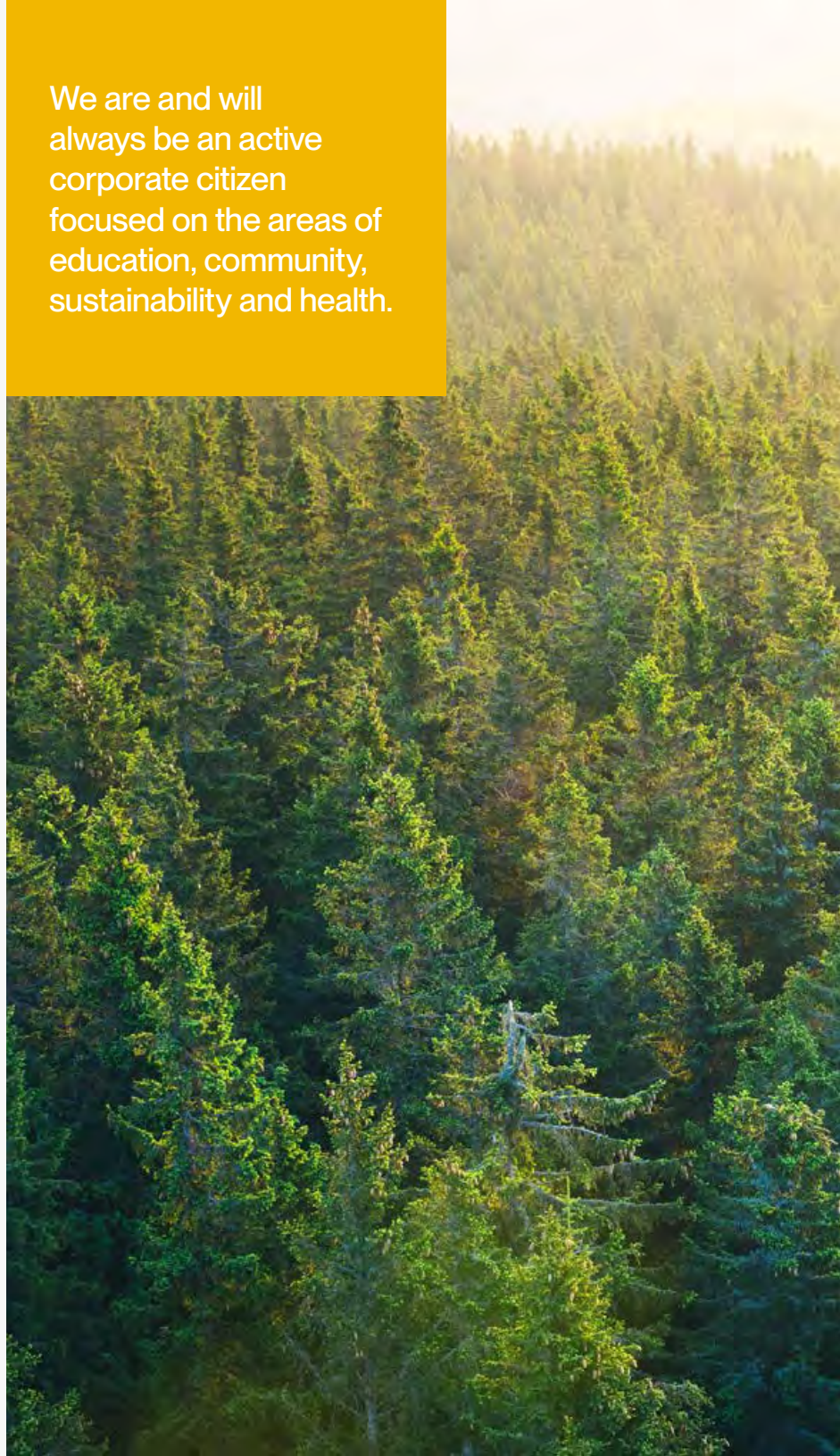
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We are and will always be an active corporate citizen focused on the areas of education, community, sustainability and health.

Our Approach

Canfor believes in being a good neighbour in our communities and responsible stewards of the environment. We are and will always be an active corporate citizen focused on the areas of:

- Education
- Community
- Sustainability
- Health

Our community investment programs reinforce our support for the places where our employees live and work. Canfor’s approach ensures that we have a sustained community giving program through the business cycle and that we’re purposeful about allocating funds to local communities and regional initiatives.

We endeavour to have open relationships with our communities, local governments and community groups. Canfor is involved with local chambers of commerce, as well as industry and business associations. We aim to promote best business practices, advance policies, introduce new initiatives and ensure long-term viable partnerships.

We continue to build strong working relationships with Indigenous Peoples in support of their interests and cultural values. This happens through initiatives such as partnership commitments, youth employment, workplace diversity and Elder activities. Canfor’s Woodlands team tracks all engagement, communications and commitments made to stakeholders and Indigenous Peoples in our proprietary Creating Opportunities for Public Involvement (COPI) database. Learn about COPI in our [Engaging with Stakeholders and Partners](#) section. This happens as field planning and forestry activities take place. In addition, the Woodlands team uses our Incident Tracking System to track all non-compliances, non-conformances and efforts to resolve the issues, along with the actions required and timelines to complete them.

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Community Giving

GOOD THINGS COME FROM TREES

In early 2021 Canfor restructured our approach to community giving and launched our Good Things Come From Trees program (Good Things).

The forest industry has always been cyclical in nature. Good Things ensures we have a sustained approach to community giving through local investments, sponsorships and scholarships in our priority giving areas of education, health, sustainability and community.

Canfor's Corporate Communications team oversees our community investment program. They work in collaboration with our Indigenous Engagement Working Group, as well as our local mills and offices to identify funding opportunities for the communities where we operate. Together, this provides guidance on our programming and activities for charitable community groups, health programs, environmental or sustainable initiatives, youth sports and local special events and schools.



OUR PRIORITY CATEGORIES AND EXAMPLES

Education

- Forestry and sustainability programs for grades K–12 that provide opportunities to engage with students about forestry, environmental sciences and sustainability
- Post-secondary training programs that enable greater participation in employment and contracting opportunities created by our business and the forest industry
- Youth environmental education programs that expose children to nature, encourage sustainable practices at home and promote the importance of the environment
- Scholarships to post-secondary institutions for programs that support job readiness within the forest sector
- Workforce enablement programs that offer job-readiness and workplace-essential skills training and that support diversified participation in communities
- Safety education and awareness programs that enhance safe community practices
- Education-focused special events and conferences that offer strategic opportunities for Canfor to engage with potential talent

Health

- Health and well-being initiatives organized by community groups or Indigenous groups to promote physical and mental health
- Medical and health-care equipment that will enhance the well-being of local communities
- Youth sports and physical activity initiatives
- Mental health and wellness initiatives that support community health

Sustainability

- Environmental projects organized by local or national environmental non-governmental organizations, community groups, Indigenous groups and other cultural groups that protect ecologically sensitive landscapes and species-at-risk, or that restore important wildlife habitats
- Environment- or sustainability-focused special events and conferences that bring subject matter experts together for collaboration

Community

- Cultural awareness programs and initiatives that support diverse and inclusive communities
- Green building projects that profile mass-timber construction
- In-kind product donations to support community infrastructure projects that provide a safe and inclusive gathering place
- Local special events and celebrations that bring people together and support diversity and inclusion
- Events hosted by business associations that drive economic growth and generate employment opportunities

In 2021, Canfor provided more than \$1.8 million through our Good Things Come From Trees program.

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Performance

Canfor is currently collaborating at a corporate level and across all entities to identify the appropriate goals and targets for community engagement. We will provide this information in future reports.

OUR GOAL

We will be an active corporate citizen focused on supporting education, community, sustainability and health initiatives.

HIGHLIGHT

Canfor employees honour the National Day for Truth and Reconciliation

Canfor employees wearing orange shirts at the Plateau sawmill (top right) and Canfor Administration Centre (left) and executives at our Vancouver head office (bottom right) with an Every Child Matters flag. Thanks to all our Canadian employees for honouring the National Day for Truth and Reconciliation and Orange Shirt Day on September 30.

We committed to raise Every Child Matters flags at all Canadian office and mill locations every September 30 and have permanently raised the Canadian Indigenous Flag.



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Community Investment

In 2021, Canfor provided more than \$1.8 million in giving to 310 organizations through Good Things Come From Trees. We also donated more than \$442,000 to community organizations through other corporate giving initiatives that were implemented in 2021.

\$25,000

to support the University of British Columbia's Remote Communities Drone Transport Initiative, a partnership with Stelat'en First Nation to launch a study that will use drones to deliver medical supplies and health-care services to remote communities in Central and Northern B.C.



\$44,000

contribution to the Southern Regional Technical College Foundation for education and training for the industrial workforce in South Georgia.

\$200,000

for campaigns to United Way in Canada and the U.S. that support kids, seniors and those who are most in need in our communities. While the pandemic continues to impact our lives, it hasn't changed our desire to help local agencies and those people who need it most, especially in the communities where we

operate. Whether we were working from home or in the office, we had a variety of virtual events for everyone to participate in.



United Way



\$120,000

donation to Vancouver General Hospital & University of British Columbia Foundation for cancer research and funding urgent care.



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\$178,000

donation towards Bishop State Community College's new Advanced Manufacturing Center to aid in the purchase of equipment to support students in gaining hands-on manufacturing training and skills.



\$100,000

contribution to the Canadian Red Cross for the 2021 British Columbia Fires Appeal fund, which provides immediate assistance to impacted communities and to homeowners who could not return home after a wildfire, along with long-term recovery and preparedness for future wildfires.

\$10,000

donated to the Kootenay East Youth Soccer Association to go towards their new multi-use indoor sports facility, New Dawn Place.



\$120,000+

to charitable organizations running meal programs and food banks in Canada and the U.S. South, across all communities Canfor operates in, to provide nutritious meals for those in need.



\$275,000

to support important local causes, including health research for the Dedicated Molecular Diagnostic Lab, youth sports and wildlife conservation, including organizations such as Variety's Prince George Radiothon, Spruce City Wildlife Association, Climb for Cancer and Prince George Cougars.

\$48,000+

in B.C.'s Peace River region to support organizations such as the Fort St. John Literacy Society, MS Society of Canada, Fort St. John Hospital Foundation and the Saulneau First Nations, with local projects and initiatives to encourage youth education, health and medical support, and more.



\$125,000

to the Canadian Red Cross British Columbia Flood and Extreme Weather Appeal to support their response efforts for the November 2021 flooding and mudslides in the province.



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Infrastructure Investment

Our Grande Prairie operation manages and maintains more than 3,000 kilometres of roads within its forest tenure areas in Alberta. We promote the safe use of these road systems and support community programs in the region.

Canfor's capital road and bridge infrastructure investment for the company and capital contribution to the broader Canadian communities where our operations are located was more than \$12.3 million in 2021. Major projects this year included:

- Upgrades to Bolton Road and Big Mountain Road in Grande Prairie totalling \$1.9 million, providing access for other industry and recreation users
- Upgrades to B Hill Bypass in Fort St. James, B.C. totalling \$1.2 million, which supports access for Takla Lake First Nation
- Road upgrades to Michelle Bay/ Morice River Road in Houston, B.C. of \$604,000 and St. Mary's Forest Service Road in Prince George, B.C. of \$543,000, supporting other industrial, community and recreation users

- Pavement resurfacing on forest service roads in Prince George, B.C. totalling \$433,000, supporting access for the community of Shelley and the Lheidli T'enneh First Nation

Many of these roads are important public or industrial access corridors, which Indigenous communities also use to access their traditional territories.

The services required to support these projects were primarily sourced from local providers, creating direct economic and employment benefits for the local regions.

Our Economic Contribution

We contribute to the countries and communities where we operate by generating economic value, which can be represented by our total revenues of \$7.7 billion. We also have economic value distributed through our operating costs, employee wages and benefits, capital expenditures, payments to providers of capital, tax payments and community investments.

For audited financial statements, please see our [2021 Annual Report](#).

Our taxes are used by the jurisdictions we operate in to fund important social services like health care, education and other federal, state and provincial programs. In 2021, Canfor paid \$341.4 million in taxes, which consisted of \$164.6 million in Canada, \$144.8 million in the U.S., \$27.8 million in Sweden, \$3.4 million in the U.K. and \$0.8 million in Asia. Of the total taxes paid, \$273.6 million relates to income taxes and the remainder relates to indirect taxes, which are property tax, sales tax, employer health, estimated gross carbon tax and severance tax.

Canfor's capital road and bridge infrastructure investment was more than \$12.3 million in 2021.



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Sustainable Forestry

Canfor is committed to sustainable forestry and supporting resilient forests. Forest management also helps preserve biodiversity and wildlife habitat and contributes to water quality and availability.

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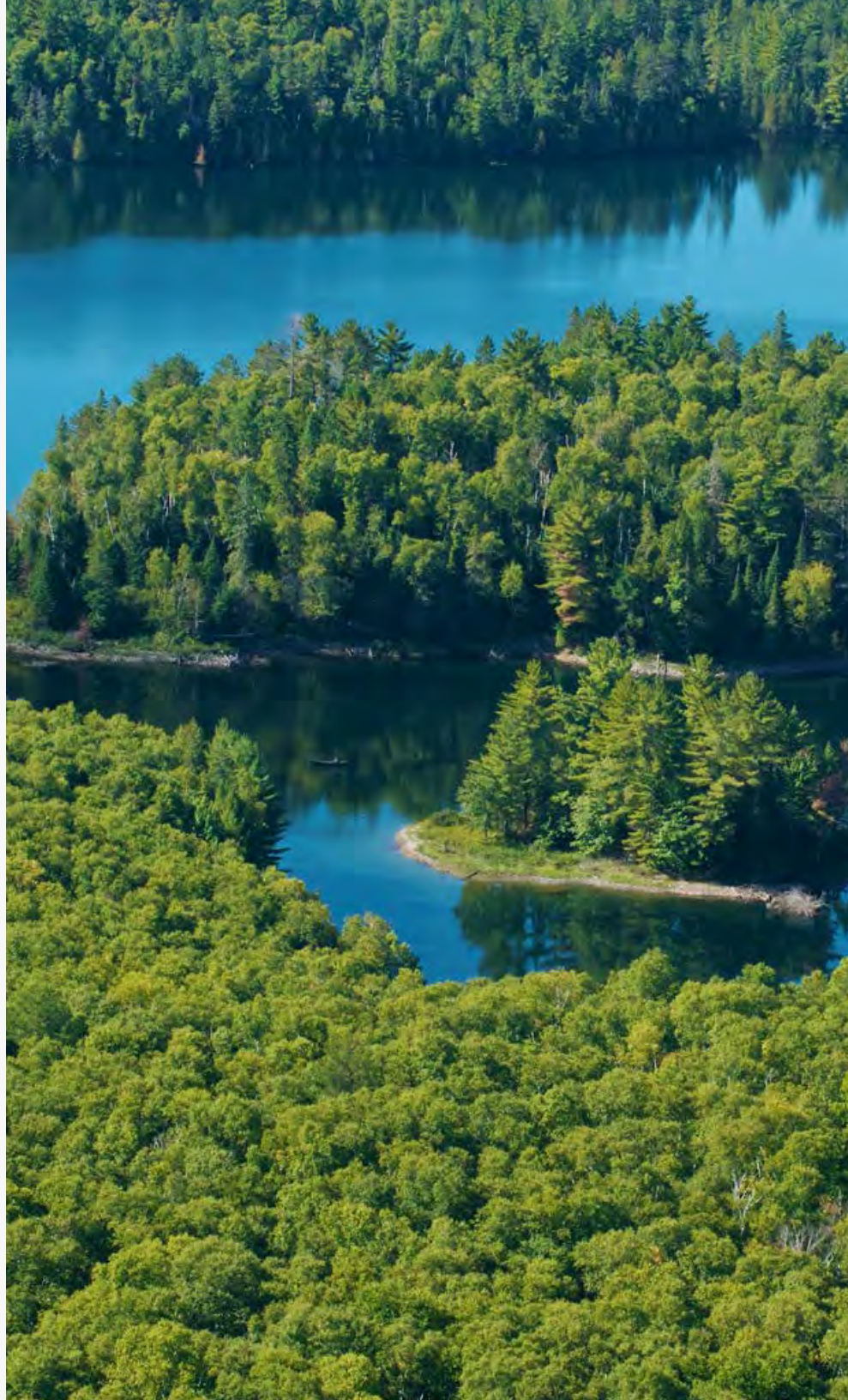
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Our Approach

The long-term sustainability of forest ecosystems is in the mutual best interests of our employees, local communities, Indigenous partners, woodlot owners and Canfor. We value wood for being renewable, high quality, reliable and environmentally sustainable as a carbon-storing building product and as raw material for our pulp and paper products.

We recognize that harvesting and building roads in forested areas can affect wildlife and water quality. A high concentration of harvesting at one time in watersheds can also affect the peak and timing of water flows. That’s why we are continuously working to lessen these potential effects by implementing credible, science-based, ecosystem-focused and sustainable forest management practices.

Our forest management program includes all our North American operations. In Canada, we source wood primarily through long-term tenure agreements on publicly owned land. In the U.S., we do not manage forest lands directly, but deliver on our

commitment to sustainable forestry through our certified fibre-sourcing practices. We have independent forest certifications, which assures our customers that they are buying products from forests managed to comprehensive environmental, social and economic standards.

Forest management can have a range of potential social and ecological effects. We aim to build collaborative partnerships and develop innovative solutions so we can contribute positively to forest health, enhance the resilience and productivity of the forests we manage, and mitigate climate change.

Canfor is committed to sustainable forestry and supporting resilient forests.

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A Balanced Approach to Managing B.C.'s Old-Growth Forests

British Columbia is a jurisdiction blessed with expansive forests, natural beauty and biodiversity. Each year, our industry sustainably harvests less than 1% of the total forest area designated for harvesting by B.C.'s Chief Forester. B.C. leads the world in sustainably managed and certified forests.

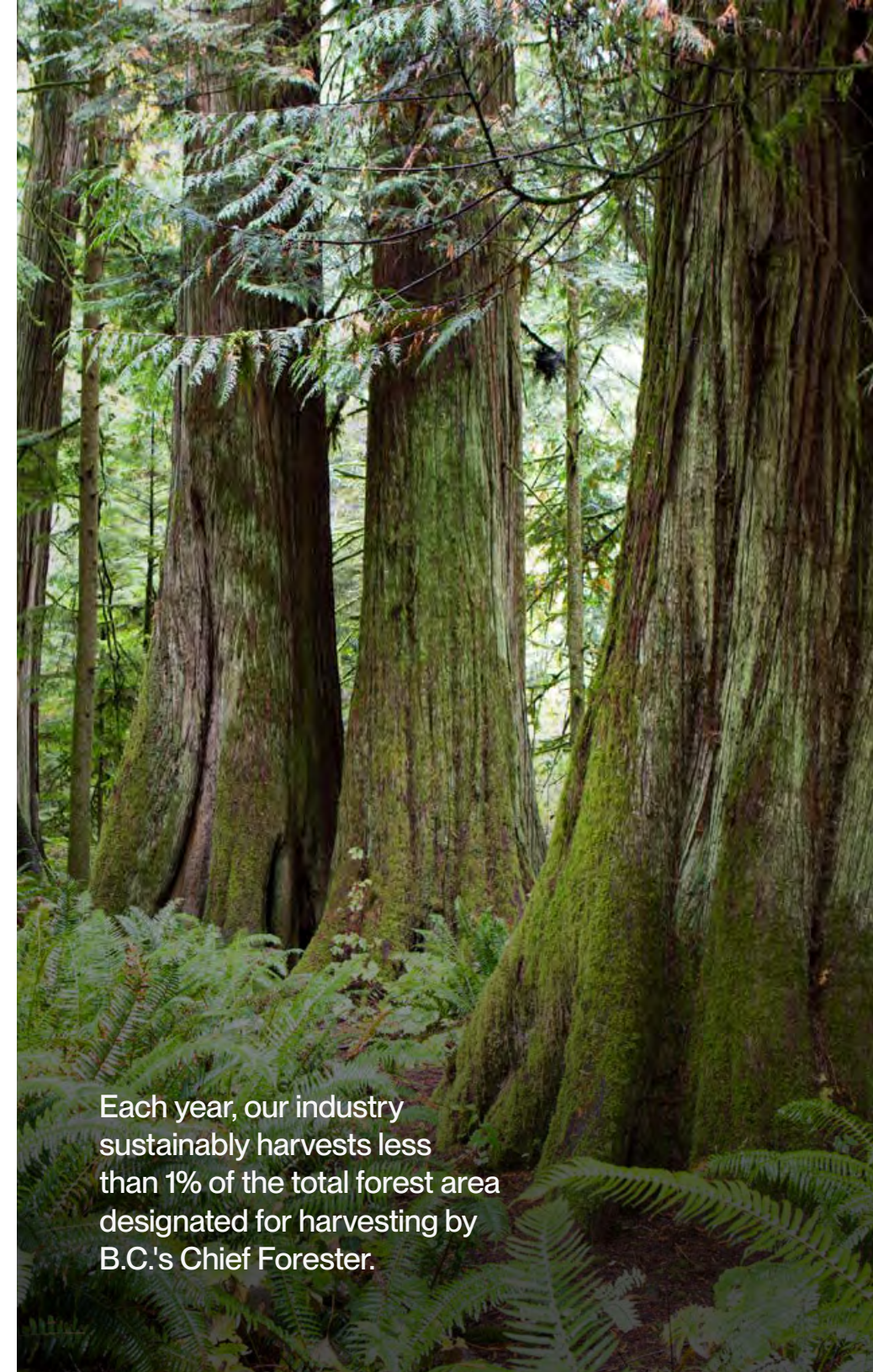
We, like most people, greatly value true old-growth and ancient forests and believe they should be protected. In fact, more than 75% of B.C.'s old-growth forests are already protected and will never be harvested.

We believe that the proposed designation of old-growth deferral areas by the Government of B.C. needs to be based on good science and developed through a fair, balanced, informed process that takes into consideration the full socio-economic impacts of those deferrals on communities, families, Indigenous Nations and forest sector workers. Unfortunately, this has not happened to date.

Although we don't yet know the full effects of these deferrals, we do expect these deferrals to compound the constraints already on the Timber Harvesting Land Base. Together with the already decreasing allowable annual cut in our post-Mountain Pine Beetle environment and the shrinking harvesting land base resulting from species-at-risk and legal decisions, our ability to access competitively viable timber is a very real concern.

Canfor supports modernization of B.C.'s forest practices; however, it needs to be done in a collaborative way, by building on our already world-leading sustainable forest management regime and practices. It needs to be inclusive of all stakeholders.

Forest policy modernization that reflects all interests can support healthy forests and good jobs and continued investment in producing climate-friendly products that our world needs and that B.C. is known for producing.



Each year, our industry sustainably harvests less than 1% of the total forest area designated for harvesting by B.C.'s Chief Forester.

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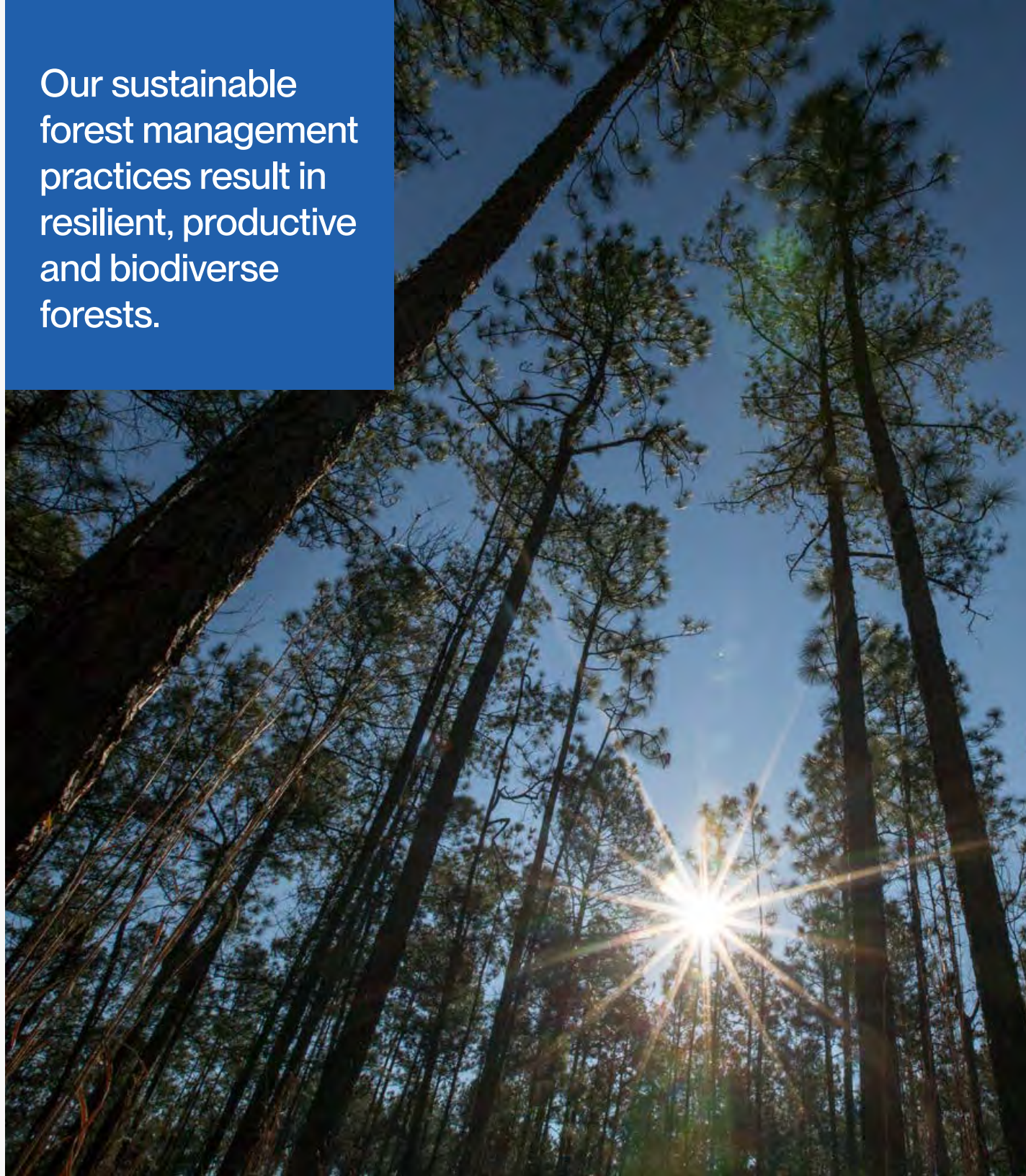
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Our sustainable forest management practices result in resilient, productive and biodiverse forests.



Sustainable Forest Management System

Throughout our Canadian operations, we prioritize responsible stewardship of the environment. In this area, we're held accountable by our [Sustainable Forest Management System \(SFMS\)](#), [Environment Policy](#), [Log Procurement Program Policy](#) and [Sustainable Forest Management Commitments](#). All are developed and maintained by senior executives, approved by the CEO and reviewed by the Board of Directors. These systems, policies and commitments help us continually improve.

The scope of the SFMS includes all activities within Canfor's operations on company forest tenures, including activities performed by Canfor's employees, crews and contractors. This enables Canfor to:

- Maintain forest certification of our woodland tenures and sourced wood
- Maintain and regenerate resilient and productive forests, as well as habitats for wildlife (with special consideration for species-at-risk)
- Ensure deforestation and land conversion does not occur
- Mitigate the risk of catastrophic forest fires
- Minimize sediment input into streams and rivers, in consideration of aquatic life and water quality
- Manage interdependencies with other material topics, such as climate change, water management and air quality

Our reforestation processes are regulated closely by the provincial governments of B.C. and Alberta. We ensure that all our practices meet and exceed regulations, resulting in resilient, productive and biodiverse forests.

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Forest Stewardship

CANADA

In Canada, we operate primarily on public lands and are required to follow government policies and regulations, which we are committed to meeting and exceeding.

Collaborative Forestry Stewardship with Indigenous Nations

Our teams work in partnership with local First Nations around forest biodiversity, riparian areas and wildlife conservation. Our collaborative Forestry Stewardship Framework provides direction for planning, development and operations, emphasizing:

- Landscape-level retention planning
- In-block reserves and individual tree retention
- Enhanced riparian (streamside) reserves

Within large cut blocks, in-block reserves are bridged to cut-block edges with piles or windrows of coarse woody debris, such as rotten or broken logs and pieces of wood. This provides connectivity and habitat for small mammals such as martens, fishers, voles and mice. If roads within cut blocks are not required for further use, we close or restore them following

harvesting. This reduces impacts on wildlife and hydrological functions.

British Columbia

In accordance with the *Forest and Range Practices Act*, our Woodlands group must prepare forest stewardship plans. These plans show how our operations meet objectives set by the government for 10 resource values:

- Soils
- Timber
- Wildlife
- Water, fish, wildlife and biodiversity within riparian areas
- Fish habitats in fisheries-sensitive watersheds
- Water in community watersheds
- Biodiversity at the landscape level
- Biodiversity at the stand level
- Visual quality
- Cultural heritage resources

Before the government approves a plan, we must invite and consider input from the public and Indigenous communities. This ensures we are building collaborative partnerships that strengthen our sustainable forest management.

We prepare forest stewardship and management plans which include a range of considerations including biodiversity, wildlife habitat, water quality and recreation.

Alberta

As part of holding forest tenure in Alberta, we're required to develop or participate in forest management plans. These consider a broad range of forest values and social, economic and environmental factors, including water quality, wildlife habitat, recreation and tourism. Preparing these plans includes a range of opportunities for public consultation, including engagement with Indigenous Nations.

The current 10-year Forest Management Plan contains a suite of strategies to ensure that we focus on the mid- and long-term timber supply while also addressing other public and resource objectives.

UNITED STATES

As part of our commitment to being a responsible steward of the environment, our U.S. wood products operations focus on sustainable sourcing and procurement on all timberlands. We also encourage landowners to share that focus.

In the future, Canfor plans to support woodlot owners in adopting Sustainable Forest Initiative (SFI) Forestry Management Standard or American Tree Farm System (ATFS) certifications, each of which aligns with our sustainability ambitions and values.

In 2021, Canfor engaged with woodlot owners by:

- Distributing landowner information packets that include our U.S. wood products operations' commitments to sustainable forestry as an SFI program participant
- Promoting SFI at landowner meetings, mill tours and state association events, to encourage landowners to consider certification

As a result, 12% of our total volumes sourced from woodlot owners are certified under SFI or ATFS forest management certifications.

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Governance and Accountability

Management of environmental performance for all business units falls under the oversight of Canfor's Corporate Environment Management Committee (CEMC). The CEMC reports on compliance to the Joint Environment, Health and Safety Committee of the Canfor and Canfor Pulp Boards and key executives. See the [Sustainability Governance](#) section for details on the CEMC.

The committee considers topics such as Canfor's efforts to maintain priority status for the protection of the environment. Day-to-day compliance falls under the accountability of the Vice President, Woodlands for Canadian operations and the Vice President of Fibre Procurement and Residuals for our U.S. operations.

Feedback Mechanism

We have processes to resolve feedback related to our forest management, fibre sourcing and controlled wood and chain of custody certifications. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to Canfor's CEMC to ensure resolution.

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Performance

Canfor maintains forest management certifications and implements programs to support sustainable forest management practices.

OUR GOAL

We are committed to practicing world-class sustainable forestry that will result in resilient, productive and biodiverse forests. We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.

FOREST CERTIFICATION

TARGETS	2021 Results	Status
Canada		
Maintain 100% certification to SFI or FSC Forest Management Standards for all Canfor-managed forests.	100%	Achieved
United States		
Achieve 100% certification to SFI Fibre Sourcing Standard for all sourced wood.	100%	Achieved. Will seek to maintain 100% certification going forward.
Support willing land and woodlot owners to achieve 50% of SFI Forest Management Standard or American Tree Farm System certification by 2030.	12%	On track

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CANADIAN WOODLANDS OPERATIONS

TARGET	Metric	Status
Enhance the climate change resilience and future productivity of our forests by implementing credible, science-based sustainable forest management practices.	100% of harvested areas reforested within four years of harvest start.	On track
	100% of reforested areas monitored and tended until the stand has achieved a specified state of health and growth.	On track
	Less than 5% (three-year rolling average basis) of land is occupied by permanent roads.	Data collection in progress.

NORTH AMERICAN WOOD PRODUCTS OPERATIONS ^a

TARGET	Metric	Status
Maintain biodiversity and habitat for wildlife by employing ecosystem-based management and collaborative partnerships, with special consideration for species-at-risk.	Develop and implement wildlife habitat features management program across all tenured woodlands.	On track for completion in 2023.
	Establish and implement a species-at-risk management program for key species across all tenured woodlands.	On track for completion in 2023.
Conserve water quality and fish habitat by implementing best management practices to minimize erosion and sedimentation.	Erosion and sediment control training delivered at each operation at least every three years for all tenured woodlands.	Data collection in progress.

^a Metrics are only applicable to Canfor's Canadian Woodlands operations. Canfor is currently developing metrics for these targets related to our U.S. operations.

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Forest Certification

To help achieve our goals and targets, we follow internationally recognized forest management and chain of custody standards. These standards give our customers several assurances, including that:

- The wood we use originates from responsible sources
- Harvesting is conducted using sustainable forestry practices
- There is no unauthorized or illegal logging
- Wildlife habitat is conserved and soil and water quality are maintained

Our commitment to sustainable forestry is linked to third-party certification. Canfor's customers can be confident that our products come

from well-managed and sustainable forests and that the raw materials in our supply chain come from legal and responsible sources.

Canfor has third-party certification from:

- The Sustainable Forestry Initiative (SFI) for tenures owned and managed by our operations in B.C. and Alberta, with two separate certificates:
 - A multi-site SFI Forest Management certificate for all Canfor operations in B.C. and Alberta
 - An SFI Fibre Sourcing multi-site certificate for all areas that procure wood directly from public and privately owned forests

- The Forest Stewardship Council (FSC) Forest Management and Chain of Custody certification at sites in B.C.'s East Kootenay region

We track our forest-based products from their sustainable forest origins, through the log scale, log yard, manufacturing facilities and finally to our customers. This happens via the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification and FSC Chain of Custody in the East Kootenays. See details on Canfor's third-party certifications, public summary and audit reports.



BY THE NUMBERS

- 100%** of Canfor-managed forests are SFI or FSC Forest Management certified
- 100%** of our Canadian wood products operations certified to the SFI Fibre Sourcing Standard
- 100%** of our U.S. wood products operations' raw material wood supply purchased from woodlot owners certified to the SFI Fibre Sourcing Standard
- 93%** of our pulp mills' fibre was from FSC- and PEFC-certified Chain of Custody sources

We track our forest-based products from their sustainable forest origins all the way to our customers.



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Sustainable Forestry and Climate Change

Forests play an important role in the global carbon cycle, helping to mitigate climate change. Trees absorb carbon from the atmosphere through photosynthesis and store it in living biomass, dead wood and soil. Once wood is harvested, a significant amount of carbon is removed from the forest and can be stored for decades in long-lived wood products, such as building materials and furniture. The amount of carbon dioxide released through harvesting is small compared to what is typically released through forest fires and other natural disturbances such as insect infestations and diseases. Sustainable forest management helps minimize these occurrences.

As part of Canfor's sustainable forestry and climate change strategy and in accordance with Sustainable Forestry Initiative (SFI) Climate Smart Forestry requirements, Canfor is conducting a climate change vulnerability assessment with core teams in three areas: Fort St. John, B.C., Chetwynd, B.C. and Grande Prairie, Alberta. For more, see the [Climate Change Vulnerability Assessment](#).

Canfor plants three seedlings for every tree harvested.

REGENERATING FORESTS

Prompt reforestation is a key element of sustainable forest management and creating the healthy forests of tomorrow. This work starts long before a tree is harvested.

Forest professionals identify the silvicultural system that restores the forest to its preharvested state. This means identifying reserves to protect key wildlife and biodiversity areas, maintaining scenic views, keeping soil out of waterways, timing harvesting to avoid damage to soils, ordering seedling stock well in advance of planting needs and more. Canfor's silviculture program helps maintain forest productivity and gives our young trees a head start against competing vegetation such as grasses and shrubs.

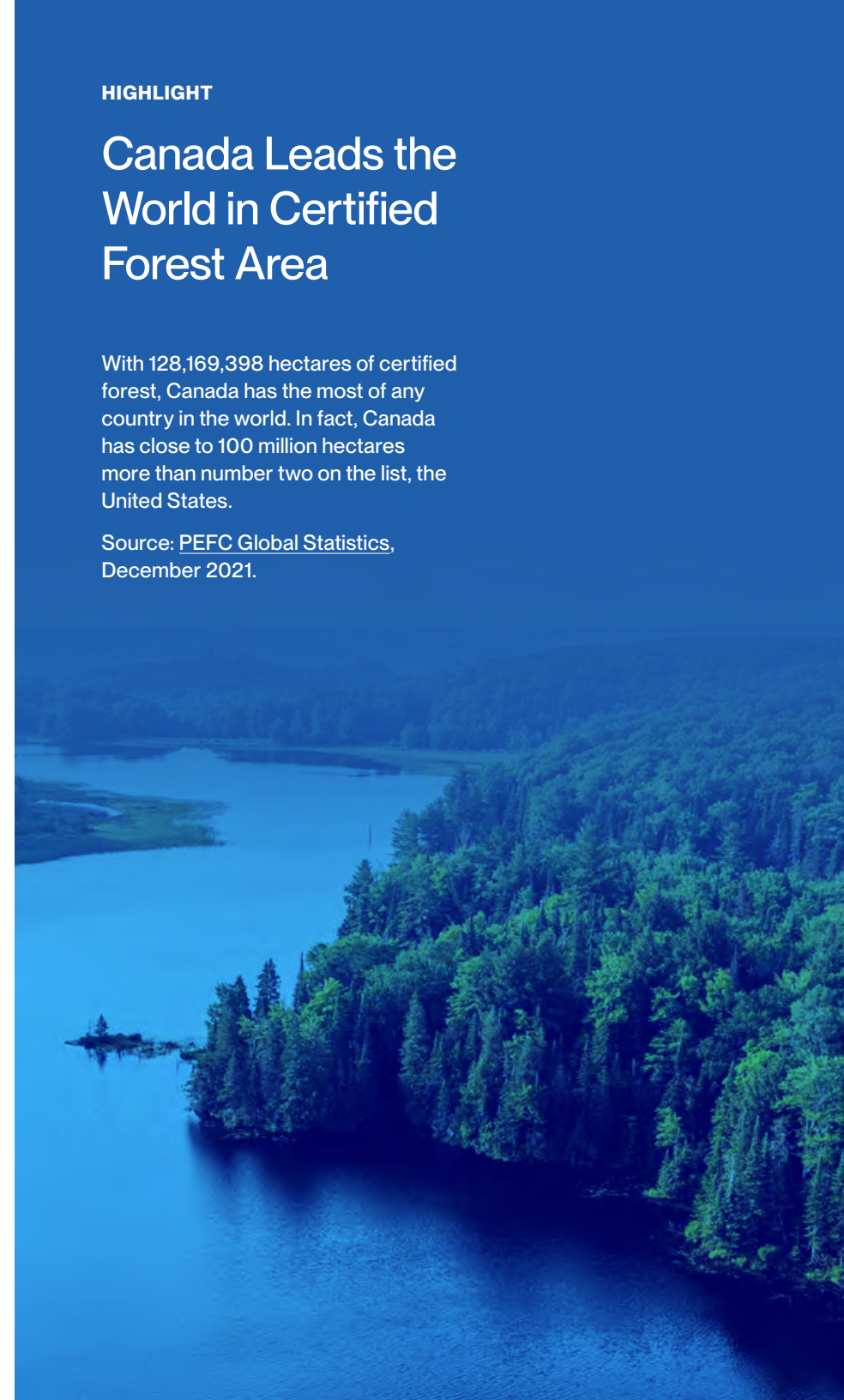
The forest industry harvests less than 1% of the land available to harvest in B.C. and Alberta each year. To make a positive impact, Canfor plants three seedlings for every tree harvested. More than 90% of the seedlings survive and thrive. Over the past two decades, Canfor has planted more than one billion seedlings.

HIGHLIGHT

Canada Leads the World in Certified Forest Area

With 128,169,398 hectares of certified forest, Canada has the most of any country in the world. In fact, Canada has close to 100 million hectares more than number two on the list, the United States.

Source: [PEFC Global Statistics](#), December 2021.



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PLANNING AND PLANTING

Canfor’s reforestation program looks at forest health, climate (including recent or potential changes), seeds, access to the block and feedback from stakeholders.

Tree planting is key to our reforestation success. In 2021, with the help of 10 planting contractors and more than 1,000 tree planters, Canfor planted more than 54 million seedlings in Alberta and British Columbia. Once an area is planted, we monitor it over time to determine the health of the trees and to monitor species and genetic diversity. We manage our planted areas until they reach specified standards of density and height.

Our reforestation processes are regulated closely by the provincial governments of B.C. and Alberta. We ensure that all our practices meet and exceed regulations, resulting in productive and biodiverse forests.

Prompt planting after harvesting gives seedlings a head start to grow above other vegetation. About 67% of seedlings planted by Canfor come from seed orchards. These orchards select trees that exhibit superior growth and resistance to forest health problems, such as pests and disease. This approach supports and enhances forest resiliency by targeting genetics that can tolerate the conditions more likely to occur with climate change. Seed orchards have greater genetic diversity than natural stands, enabling seed orchard trees to adapt to a wider range of conditions, which is particularly helpful in adapting to climate change.



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HIGHLIGHT

Digital Technology Supports Forest Management

Canfor has implemented various technologies to efficiently and effectively support sustainable forest management, including:

- Medium and high-resolution satellites for salvage harvesting opportunities after beetle attack, wind or wildfire events.; we used this approach in B.C. in Vanderhoof, Chetwynd and the Kootenay area in 2021
- Lidar (light detection and ranging) and satellite information for enhanced forest inventory and planning, resulting in less travel required to forest blocks, lower carbon emissions and better utilization of timber
- Lidar to predict stream locations, allowing us to better plan and protect streams and habitats through road and crossing locations and reserve zones



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Canfor is the only major licensee to have a nursery facility, which provides us with first-hand knowledge of the challenges and opportunities around seedling production and gives Canfor's silviculture employees vital training.

MANAGING OUR SEEDS AND SEEDLINGS

Enhancing climate change resilience and the future productivity of our forests begins with our seeds and seedlings. Their health and success predict the development and health of our forests.

We manage our seeds and seedlings in multiple ways, both through our own forest centre and our investment in a seed orchard. These strategies offer advantages for our operations and for the wellness of forests.

Canfor owns and operates the J.D. Little Forest Centre (JDL) near Prince George, B.C. This nursery grows roughly nine million trees each year for our tree-planting programs, representing around 13% of our total seedling needs. JDL grows exclusively white spruce seedlings for the Central Interior region of B.C.

Canfor is the only major licensee to have a nursery of this scale in British Columbia. The facility provides us with first-hand knowledge of the challenges and opportunities around seedling production and gives Canfor's silviculture employees vital training. Having our own growing facility in the Central Interior of B.C.

also reduces costs for cold storage and transportation of seedlings every spring.

Canfor is also part owner of the Vernon Seed Orchard Company and Huallen Seed Orchard Company, both of which supply our reforestation programs.

In B.C., more than 67% of our seedlings in 2021 were grown from improved seed, while almost half of our harvested sites in Alberta were planted with improved stock. Using improved seed results in beneficial tree growth and pest resistance, and achieves a broader range of biological, social and economic benefits, including conservation of genetic diversity, improved forest health, greater forest resiliency, increased site productivity and reduced brushing.

Canfor is working with researchers and seed orchard managers to increase the amount of seed available from parents identified as having resistance to pests and disease in our operating areas. In cooperation with provincial tree breeders, the Vernon Seed Orchard Company continuously evaluates orchards and upgrades selected family composition. This increases gain, germination, wood density and pest resistance.

HIGHLIGHT

Reforesting with Drones



In 2021's planting season, Canfor participated in a unique trial project that tested the use of drone technology for planting in freshly harvested areas.

Seeds are embedded in small pellets that are filled with fertilizer and material to help the seeds grow. A drone flies over the area and distributes the pellets under the guidance of the operator. Still in its early stages of development by a Canadian-based startup, the company is testing different recipes and seed application techniques in several regions across Canada to determine the best outcomes for reforestation.

If successful, planting by drone can have significant potential benefits, including reducing carbon emissions from transportation, increasing planting productivity and enhancing worker safety. Researchers will return to the planted area during the growing season to check on the success rates of the newly planted seeds.

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HIGHLIGHT

Commercial Thinning Supports Biodiverse Forests

Commercial thinning is considered a silviculture treatment. It is when an intermediate harvest is done as part of stand management to remove certain trees to allow for increased growth of the remaining trees. The B.C. government currently only allows commercial thinning in stands younger than 45 years and only of trees that have visible defects in the first six metres of their stems. This process helps with biodiversity, wildlife and fire hazard risk reduction. Canfor applies commercial thinning to stands that meet these conditions.



RESPONDING TO WILDFIRES

Experts agree that climate change is a factor in the increasing number and severity of wildfires around the world, including in Western Canada. Canfor can have a positive impact on climate change by both preventing and responding to fires.

Canfor collaborates with our local communities to protect against severe wildfires. For example, we have worked with several communities in the East Kootenay region of B.C. and one in Alberta to reduce the fuel load in local forests, reducing the risk of severe wildfires reaching the communities.

Canfor also continues to improve our wildfire response procedures, working with government and our industry partners to:

- Reduce wildfire risk through prompt fire hazard abatement
- Increase our preparedness via equipment and crew readiness, planning and logistics
- Improve our wildfire response measures through prompt action and effective communication

Canfor operations focus on the prompt salvage-harvesting of burnt timber stands and optimizing utilization of saw logs and pulp logs while ensuring wildlife habitat is maintained. We are also completing an assessment on fire risk vulnerabilities in several of our operating areas. For more, see the [Climate Change Vulnerability Assessment](#).

Canfor collaborates with our local communities to protect against severe wildfires.

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Biodiversity & Species-at-Risk

Maintaining biodiversity and wildlife habitat is an integral part of sustainable forest management. We do so by employing ecosystem-based management, with special consideration for species-at-risk.

Our system tracks each species listed on provincial and federal species-at-risk lists in a detailed database. Our standard work procedures outline training requirements for employees and contractors, and guide actions upon encountering and managing for these species during the forestry planning phase and while conducting operations in the field.

We minimize the introduction of invasive species by grass-seeding areas of exposed soil, where invasive plants are likely to become established. We also identify rare ecosystem types and either place these areas in reserves or remove them from planned cut-block boundaries. Rare ecosystems tend to have rare species associated with them, including small plants, lichens and invertebrates. These are not easily monitored, but we recognize that our efforts protect an important component of biodiversity.

CANADA

Our operating areas in B.C. and Alberta include the ranges occupied by 52 species, subspecies and designated populations listed on Schedule 1 of Canada's *Species at Risk Act* and included on the International Union for Conservation of Nature's Red List of Threatened Species. This includes mammals, birds, amphibians, reptiles, fish, insects, plants, lichens, mosses and mollusks, which may be affected by forestry activities.

Forestry operations, such as opening up dense forest and creating open areas, can create habitat for species such as the American badger, rufous hummingbird and common nighthawk. However, habitats for other species require special management. For example, the Rocky Mountain tailed frog and Rocky Mountain sculpin occupy small streams and require clear, cold running water. Best management practices to protect water quality are implemented for species such as these.

Some species, such as woodland caribou, need habitat management and protection on a large landscape scale. In B.C., substantial areas of caribou habitat have been legally set aside from forestry activities or are prescribed for special management.

At the landscape scale, we track the amount of old-growth forest present in our B.C. operating areas. This ensures amounts meet legal targets, which are informed by natural disturbance patterns.

UNITED STATES

In the U.S., our fibre procurement team monitors any critically endangered and endangered species that may be on or near timber tracts to be harvested. We gather information from the Nature Conservancy, Natural Heritage Program, state wildlife action plans, NatureServe and U.S. Fish and Wildlife Service regarding these species. If any are noted, we take appropriate measures to protect them.

There are 68 species on the U.S. Fish and Wildlife Service Endangered Species List that are known to occur within our procurement regions. The listed endangered species are not necessarily found on any given tract on which Canfor or our suppliers are harvesting timber. We will continue to pursue partnerships and enhance our approach to ecosystems-based management to protect biodiversity and species-at-risk.

Maintaining biodiversity and wildlife habitat is an integral part of sustainable forest management.



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Number of IUCN Red List Species and National Conservation List Species in Canfor-Managed Lands in Canada	2021
Extinct	0
Extinct in the Wild	0
Critically Endangered	2 (Suckley's cuckoo bumble bee, alkaline wing-nerved moss)
Endangered	2 (little brown bat, whitebark pine)
Vulnerable	9
Near Threatened	8
Least Concern ^b	21
Data Deficient ^c	1
Schedule 1 <i>Species at Risk Act</i> (SARA) Only ^d	9

^b For category "Least Concern", we disclosed only species that were found on both IUCN and Schedule 1 for national *Species at Risk Act* (SARA).
^c The gypsy cuckoo bumble bee is considered "Data Deficient" by IUCN and has not yet been assigned a ranking.
^d An additional nine species with no assigned IUCN status are monitored by Canfor because they are on the Schedule 1 for SARA.

Number of U.S. Fish & Wildlife Service Endangered Species in U.S. Procurement Areas ^e	2021
Endangered	39
Threatened	26
Candidate	3

^e The listed data only implies that these endangered species are known to occur within each area's procurement region. It does not imply that the listed endangered species are necessarily found on any given tract that Canfor or its suppliers are harvesting timber.



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HIGHLIGHT

Restoring Caribou Habitat in B.C.'s Forests

Evaluating biodiversity and habitat impacts from forestry activities is an important part of sustainable forestry management. In British Columbia, recent studies have shown that most mountain caribou herds are in decline, due in part to the high density of roads in their habitat. Predators like wolves travel more quickly along roads than through the forest, accessing caribou habitat they wouldn't otherwise be able to easily reach. Canfor is leading or participating in several habitat restoration projects with local partners to restore roads so they no longer serve as travel corridors.

The Habitat Conservation Trust Foundation (HCTF) provides grants for road rehabilitation in caribou habitat areas. The Whitesail Lake Project, led by Canfor and with collaboration with

the B.C. government and Noot'senay Consulting (Cheslatta Carrier Nation and DWB Consulting partnership), aims to restore about 86 kilometres of roads in a priority area of low-elevation summer range for the Tweedsmuir-Entiako caribou herd. 2021 was the first year of the five-year project.

With financial support from HCTF, another project is underway to help grow the high elevation Klinse-Za herd range near Chetwynd, B.C. The Mount Rochfort project covers critical habitat in the alpine. Canfor provided logistical and financial support to the project, including donating the use of lidar data, which overlaps the Klinse-Za herd area. The project is a collaboration between Canfor and West Moberly First Nation, Saulteau First Nations and Wildlife Infometrics and is expected to continue

until at least 2024. Canfor recently completed two other HCTF-funded projects in the Prince George area for mountain caribou habitat, restoring a further 20 kilometres of roads.

For each project, the team creates site-specific restoration plans by assessing the current condition of the roads through field visits and remote cameras to determine wildlife movement. Roads are restored to a more natural state using a variety of methods, including digging up the surface and planting tree seedlings, and placing woody debris on the road to make both human and animal travel difficult. Remote cameras will provide data to evaluate the impact of the work and improve future projects.



Photo credit: Kevin Skarda

We respect and follow the legally established management requirements within defined areas of high biodiversity value.

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HABITAT PROTECTED AND RESTORED

In southeastern B.C., Canfor is working to restore historical grasslands and open forests that have been negatively impacted by forest ingrowth and encroachment due to fire suppression. Priority areas are logged with the goal of opening up the forest so that the grasses and shrubs that provide important winter forage for elk and deer can increase and habitat is restored for species-at-risk that prefer open habitats, such as the American badger and Lewis’s woodpecker.



AREAS OF HIGH BIODIVERSITY VALUE

We respect and follow the legally established management requirements within defined areas of high biodiversity value, including any identified Old Growth Management Area, riparian reserves, wildlife habitat areas for species-at-risk, Ungulate Winter Ranges in B.C. and trumpeter swan management areas in Alberta.

We have spatially identified High Conservation Value Areas in the East Kootenay region and operate within a subset of these (others are reserves), following special management strategies directed at maintaining or enhancing the biodiversity values within them.

Given the multitude of provincial parks and conservancies in B.C., our operating areas are adjacent to many, but we only operate within national or provincial parks with approval from provincial or federal government for fuel reduction (areas identified for wildfire risk) or ecosystem restoration purposes. An example would be the fuel reduction project we undertook with Jasper National Park to help protect the town of Jasper from severe wildfire.

We do not operate in World Heritage Sites and we respect all legally designated protected areas, including International Union for Conservation of Nature categories 1a, 2, 3, 4 and 5. We support the Qat’muk Indigenous Protected and Conserved Area identified by the Ktunaxa Nation Council in the central Purcell Mountains of B.C. and we look forward to working with the Ktunaxa on stewardship objectives for this area in the coming years.

One of Canfor’s tree farm licences shares a small portion of its eastern boundary with the Columbia Wetlands, a Ramsar Convention area. Our operating area in the East Kootenays is adjacent to two national parks.

PARTNERSHIPS

Canfor is involved in many noteworthy partnerships and projects designed to advance forestry planning and biodiversity efforts. For example:

- The forWater Research Network is a Canada-wide interdisciplinary partnership that works on innovative solutions to address climate change impacts on forested-source drinking water
- The Forest Management Wetland Stewardship Initiative is a partnership with Ducks Unlimited Canada and other forest sector leaders; it promotes sustainable forest management and wetland stewardship in the boreal forest
- Through partnerships with researchers at the University of Alberta, we’re increasing our knowledge of maintaining migratory bird habitats through forestry practices and conserving biodiversity by emulating natural disturbance patterns
- Supporting the implementation of the Together for Wildlife strategy, our Manager of Biodiversity and Wildlife has been part of B.C.’s Minister’s Wildlife Advisory Council since 2020

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Continuous Improvement

To keep ourselves accountable and to ensure we're making progress towards our goals, we conduct woodlands audits. The scope of the internal and external audits relates to:

- Sustainable forestry
- Forest productivity and health
- Protecting water resources, biological diversity and special sites
- Responsible fibre-sourcing practices
- Legal compliance
- Continual improvement

As we identify improvement opportunities, we develop and monitor action plans.

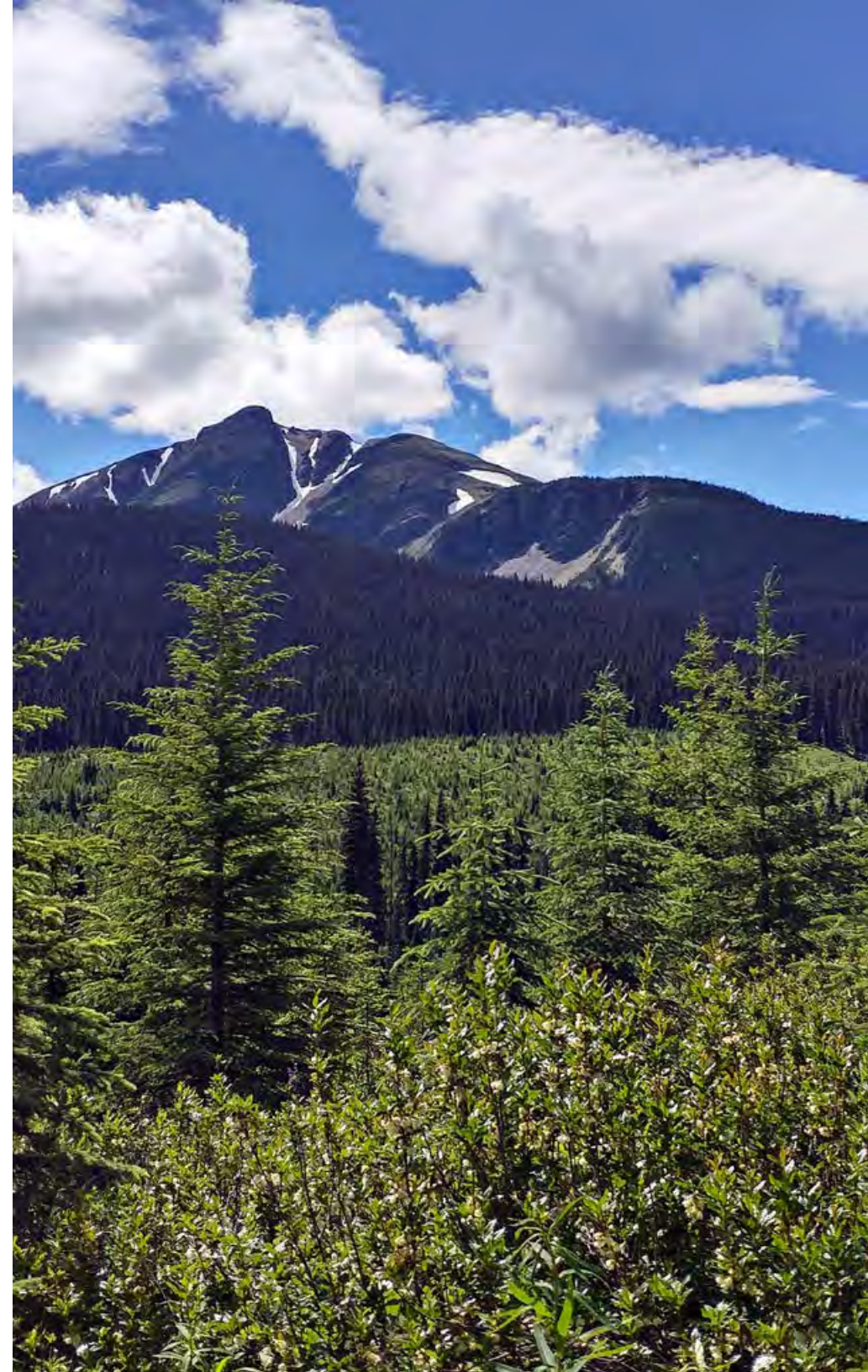
B.C. and Alberta monitor compliance through planned and random audits of forest operations and field inspections. B.C.'s independent Forest Practices Board also conducts audits and investigations and issues public reports.

In B.C., Canfor's Kootenay Division operations are certified to the FSC forest management standard. In 2020, the region transitioned to the new FSC National Forest Stewardship Standard of Canada (V 1-0). An audit found that the Kootenay Division's forest management system was in full compliance with the requirements of the standard.

FORESTRY ENVIRONMENTAL COMPLIANCE

We monitor incidents of non-compliance with legal requirements for environmental activities and categorize them by severity. Canfor investigates all non-compliance incidents, completes root cause analyses and develops and implements corrective actions. We conduct internal audits and we also have external audits conducted by independent third parties. Our external audit results can be found on [our website](#). Inspections completed by regulatory agencies did not identify any significant non-compliances regarding our forest management activities. We did not receive any fines for forestry environmental non-compliances, nor any non-monetary sanctions.

We conduct woodlands audits relating to sustainable forestry, legal compliance, forest productivity and health, and more.



Climate Change

Climate change is the most urgent environmental issue we are facing today. The potential impact on our communities and business is far-reaching.

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Our Approach


The risks associated with climate change, including increased frequency of wildfires, flooding, extreme weather events and insect infestations, can have a significant impact on our business.

These events affect the forests and the communities we operate in and may cause supply chain interruptions. We recognize that the urgency of climate action requires us to continue to evolve our practices to meet the needs of tomorrow. Our best tool to tackle climate change is healthy forests, through sustainable forest management. Additionally, our wood-based products can be a significant contributor to a low-carbon economy to help mitigate climate change.

The use of products derived from wood is a responsible choice, as they are renewable and require less energy to extract, process and transport than fossil-fuel and non-renewable alternatives. Wood product-based construction requires less energy to build and maintain. Wood products store carbon, locking it in for as long as the product is in use, which is normally many decades.

Canfor's sustainable forest management practices and product advantages position us to have a positive environmental impact. Still, we recognize our responsibility to reduce greenhouse gas (GHG) emissions in our operations. We are proud to be reporting on the initial steps we've taken in 2021 as part of a robust plan to address our impact on climate change. Our climate ambition includes reducing GHG emissions within our operations, estimating and managing emissions within our value chain and leading in the development of innovative low-carbon products.

This year, we are reporting detailed scope 1 and scope 2 emissions, including data from our North American facilities and global sales offices. We also report on our estimated scope 3 emissions for the first time. In 2021, we advanced several important initiatives, including identifying decarbonization pathways within each of our business units, undertaking vulnerability assessments within our Canadian Woodlands operations that consider climate warming scenarios from the Intergovernmental Panel on Climate Change and carrying out a pilot project to gain insight into our fibre-harvesting (upstream scope 3) emissions.



We are proud to be reporting on the initial steps we took in 2021 as part of a robust plan to address our impact on climate change.

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A well-managed forest stores carbon dioxide, which is good for the planet.

Our transition to a low-carbon economy is ongoing. Our climate ambition includes concurrently addressing immediate opportunities to reduce emissions within our operational control, while seeking to enhance our understanding of opportunities to reduce our supply chain emissions.

This effort is well supported by our ongoing commitments to operational excellence. For instance, our pulp operations' Manufacturing Excellence (MAX) program formalizes processes for continuous improvement, and our energy management teams ensure that we continually improve our energy efficiency across a variety of functions. These existing systems are mutually reinforcing and contribute to our ongoing objective to reduce carbon and other GHG emissions.

Building on these programs, we leveraged existing and potential future opportunities across our North American business units to develop a decarbonization plan. This road map outlines how we will achieve our stated scope 1 and scope 2 emissions reduction goal. See the [Road Map to Decarbonization](#) section.

We understand that the impact of our business extends far beyond our operations, and we share the urgency to address climate change with our

suppliers, customers and partners. We are investigating opportunities to collaborate across our supply chain and meaningfully track our scope 3 emissions.

Beyond supply chain emissions, a well-managed forest has the potential to draw down carbon dioxide. We are monitoring developments in standards to account for and accurately report on these land sector emissions. Our ability to embrace and implement sustainable forest management practices plays a key role in reducing carbon emissions, by maintaining and regenerating resilient and productive forests, avoiding forest land conversion and mitigating risks of catastrophic forest fires. For more details on our forest management program, see the [Sustainable Forestry](#) section.

Canfor established a Bio-Innovation team in 2020, with the mandate to find new opportunities to rethink, evolve and grow our business in the areas of biofuels, biochemicals and biomaterials. The work of this team is relevant to Canfor's overall climate ambitions. See the [Residuals Management](#) section to learn more about Arbios Biotech and our bio-innovation work.

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Canfor is continuing its evolution in environmental, social and governance reporting by providing increasing transparency and disclosure.

Governance and Accountability

Canfor and Canfor Pulp’s Joint Governance and Sustainability Committee of the Canfor and Canfor Pulp Boards provides strategic guidance for our sustainability program, including issues from material topics like climate change. The committee reviews and monitors key sustainability performance measures and includes considerations of climate-related issues in corporate-level strategies.

Our Chief Financial Officer is also our Senior Vice President, Sustainability. This role provides oversight of Canfor’s direction for sustainability and integration with the corporate strategy, including the risks and opportunities related to climate change. Our Director, Environment & Sustainability,

is responsible for the development and execution of the climate change strategy. For more information on these roles, see the [Sustainability Governance](#) section.

Supporting the Director, Environment & Sustainability is the Manager, Climate Change & Carbon. This Manager’s responsibilities include managing the corporate GHG inventory, the development of the decarbonization plan and coordinating the development of Canfor’s climate change strategy. These activities require collaboration across the business and coordination with our energy and environment, forestry and capital planning, supply chain and accounting functions. Each of the business units contribute by

identifying climate change-related risks and opportunities.

A cross-functional Working Committee was convened by the Director, Environment & Sustainability and the Manager, Climate Change & Carbon, to support progress on Canfor’s climate strategy development. The Working Committee collaborated on the decarbonization plan to prove the feasibility of reaching our new emission reduction targets. This model will be employed on an ongoing basis to support the development of future climate change strategy elements, ensuring integration of climate action across many business functions.

Task Force on Climate-related Financial Disclosures

Canfor is continuing its evolution in environmental, social and governance reporting by providing increasing transparency and disclosure. This will be the first year we are aligning disclosures with the recommendations from the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). Beyond disclosures, Canfor is considering how these recommendations can guide our business processes, such as how we identify and manage risks and opportunities related to climate change. We plan to continue to deepen our understanding of TCFD recommendations and report on the impacts of climate risks and opportunities on our operations. For more details, see our TCFD Index on [page 173](#).

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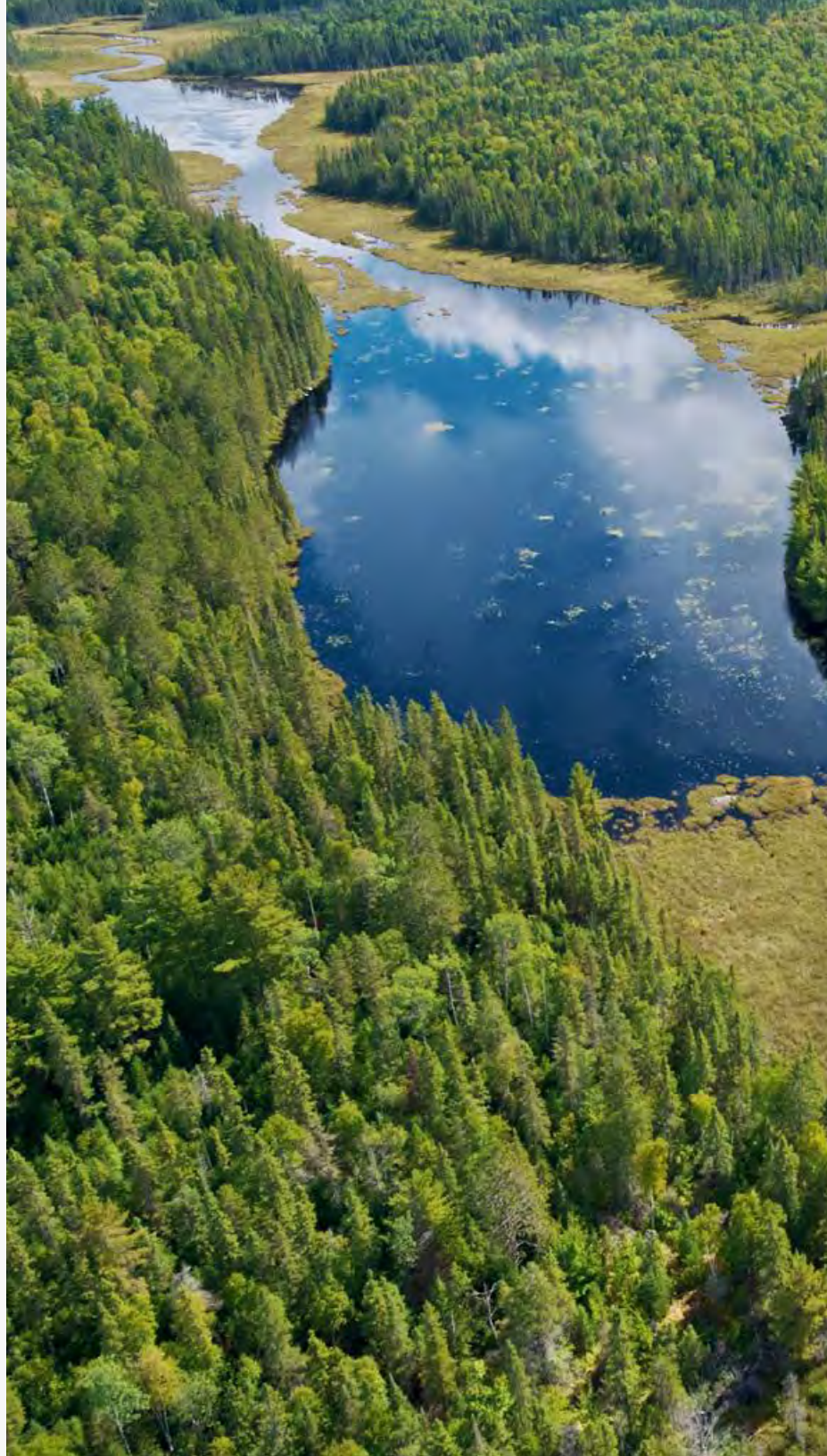
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HIGHLIGHT

Climate Change Vulnerability Assessment

As part of Canfor's sustainable forestry and climate change strategy, Canfor is conducting a climate change vulnerability assessment with core teams in three areas: Fort St. John, B.C., Chetwynd, B.C. and Grande Prairie, Alberta.

In this assessment, Canfor is reviewing forest management plans and practices to identify climate-based physical risks that exist in these regions. For example, increased extreme weather events can lead to wildfire or flooding, and temperature fluctuations can impact the ability to harvest and haul wood on a timely basis due to lack of freezing and snowpack, which means soils and roads cannot support heavy equipment.

In 2021, a pre-vulnerability analysis was performed to review our existing procedures for addressing physical climate risks and vulnerabilities at different locations under current and future conditions. The outcomes of this analysis were then ranked for severity and impact of risks and uncertainties.

We are beginning our journey in conducting climate scenario analyses across our Woodlands operations. This work informs our assessment of impacts on our forest ecosystem, land, water, and socio-economic and cultural conditions. This work explores the implications of an RCP 8.5 warming scenario² to assist with preparing for

severe outcomes. The time horizons reviewed include present day to the year 2046, 2047 to 2072 and 2073 to 2100. This assessment will inform our development of adaptation and mitigation processes to reduce anticipated impacts.

Canfor is documenting best practices that have been implemented to date, as well as further options and opportunities; we are also conducting a cost-benefit analysis to form a business case for adaptation.

Examples of implemented adaptations include the use of satellite log yards and matting to access timber in conditions when the ground will not support heavy equipment and traffic. Other adaptations include pre-thinning and commercial thinning to reduce forest fuel loading, which increases forest resiliency to wildfire.

Ongoing monitoring processes will be recommended to assess the efficacy of responses to current and future risks. The assessments for these three areas are currently in progress and due to be completed in late 2022. Progress will be reported for Sustainable Forestry Initiative (SFI) Climate Smart Forestry requirements.

² Representative Concentration Pathways (RCPs) describe four different 21st century pathways of greenhouse gas emissions and atmospheric concentrations, air pollutant emissions and land use. They have been developed for climate scenario analysis. Further details can be found in the International Panel for Climate Change AR5 Synthesis Report, Box 2.2.

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Tackling Climate Change Through Forest Management

As a forestry company, we are on the front lines of climate change and we understand the importance of forest management as a climate solution. In jurisdictions where we manage the land, we take numerous measures to support the resilience of forests. By maintaining or increasing the diversity of tree species on the lands we manage, we can mitigate the negative impacts of climate change and help forests become more resilient.

Canfor prioritizes the harvest of trees that are most susceptible to pests, disease and fire, and conducts prompt reforestation and stand-tending to promote vigorous growth and high rates of carbon sequestration. We continually monitor developments in carbon-sequestration modelling, using best practices in our management planning.

We also recognize the need to actively manage our forests, with the goal of reducing the extent and severity of wildfires, and their impact on the landscape, to ensure our forests don't become a carbon source, instead of a carbon sink. We know that good forestry practices can help mitigate wildfires, so that when fires occur, they are less destructive and communities have more time to respond. Canfor has piloted community interface logging, mitigating the risks to communities by reducing the available fuel—highly combustible timber—in the areas surrounding the community.

Planting Seeds Strategically to Mitigate Climate Change

Another climate change adaptation strategy is assisted migration, in which we move tree seeds from areas where they grow naturally to planting sites that are more suitable in the context of our changing climate.

Assisted migration is changing where we source and deploy our seeds, as well as the composition of our seed orchards. It's about improving how we match seeds to the current and projected climates of the sites we reforest.

Canfor is participating in the Government of B.C. and Forest Genetics Council's Climate-Based Seed Transfer project. We are analyzing a tool to help our operating areas identify seeds that can adapt to a changing climate. These contribute to our efforts to establish and maintain healthy, resilient and productive forests for today and into the future.

Active forest management can reduce the extent and severity of wildfires to ensure that forests store more carbon than they release.



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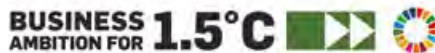
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Performance

We are committed to the Science Based Targets initiative (SBTi) and we plan to undergo the SBTi validation process within the next two years.



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 pre-industrial levels. Alignment with this standard is an important step towards showing our commitment to, and monitoring progress towards, this shared goal. By committing to the SBTi, Canfor joins thousands of other companies who are aligning with the

best available science and working to meet the challenges of a low-carbon future.

Canfor has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the SBTi. Canfor has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign.

OUR GOAL

We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.

TARGETS

Status

Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year.

In spring 2022, we set science-based targets and a road map to decarbonization. We will report on progress in future reports.

Measure our scope 3 emissions and establish a science-based reduction target by 2024.

We have calculated our scope 1 and scope 2 emissions since 2019 and have calculated our initial estimate of scope 3 emissions. We plan to work with our supply chain to obtain better data to further refine our scope 3 emissions calculation methodology. Also, we intend to undergo the Science Based Targets initiative validation process within the next two years.

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Road Map to Decarbonization

In 2021, we developed a decarbonization road map as part of our overall climate change strategy.

The road map demonstrates a pathway for us to achieve our ambitious scope 1 and 2 science-based targets and long-term net-zero ambition.

We started by reviewing our baseline carbon inventory and establishing a forecast of projected future emissions associated with our operations. We convened the Working Committee from across our North American business units to consider emission reductions that are already planned or forecasted, or future potential emission reduction projects with available data. Projects were identified by the Energy and Environment Managers, Strategic Capital, Woodlands and Supply Chain teams. We then analyzed this portfolio of carbon abatement projects from across our operations and modelled the potential carbon emissions reductions achievable over time.

Finally, we used this analysis to inform the development of a decarbonization road map to enable us to achieve our targeted carbon emissions reductions over the short term (2020 to 2025), medium term (2025 to 2030) and long

term (2030 to 2050). This included estimates of capital expenditures required over the course of the decarbonization journey, as well as expected operational costs and cost savings.

Setting a goal to become a net-zero carbon company and establishing science-based targets reflect critical early steps in our broader strategy for addressing climate change and transitioning to a low-carbon economy. This goal-setting project documented many viable emission-reduction strategies across our organization and is a strong example of cross-functional collaboration. Further analysis will help us determine the exact projects to implement, but this project proved the feasibility of committing to a science-based emission-reduction target. While our focus to date has been reducing emissions from our own operations, we are also investigating opportunities to reduce scope 3 emissions along our value chain and considering how it will fit into our plan.

We are working to reduce non-biogenic scope 1 and scope 2 emissions from our operations and we have developed a road map for how we will reduce our GHG emissions.

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Our approach to scope 1 and 2 decarbonization focuses on several potential abatement strategies.

1 ENERGY AND PROCESS EFFICIENCY

Implementing strategies and technologies to improve energy and fuel efficiency in existing infrastructure and vehicles.



2 FUEL SWITCHING

Switching from higher-emission fuels to lower-emission fuels such as biofuels, biodiesel, renewable natural gas, hydrogen and biomass.

3 ELECTRIFICATION

Electrification of vehicles and stationary mobile equipment.

4 INVESTING IN RENEWABLES

Producing or procuring electricity from renewable sources.



5 OTHER INNOVATIVE TECHNOLOGIES

Continuing to investigate and invest in emerging technologies and solutions that will help us reduce emissions in the long term, such as carbon capture, utilization and storage; hydrogen fuel; and direct air capture.



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Our Greenhouse Gas Emissions Inventory

SCOPE 1 AND 2 GHG EMISSIONS

We take an annual inventory of our scope 1 and scope 2 GHG emissions.

Our GHG inventory is calculated using recognized standards and protocols, such as the [GHG Protocol of the World Resources Institute](#) and the [World Business Council for Sustainable Development](#). To compile the inventory, Canfor chose an operational control approach. This includes emissions from all companies and business entities that operate under Canfor's operational control.

In 2021, our total non-biogenic (location-based) scope 1 and 2 GHG emissions were 876,829 tonnes CO₂e. Our non-biogenic GHG emissions are closely tied to energy use at all our facilities:

- Key sources of emissions include the combustion of natural gas for process heat, the use of diesel and

gasoline in heavy equipment and vehicles, and the use of grid electricity in jurisdictions with higher-intensity electrical grids

- In 2021, the non-biogenic GHG emissions from pulp and wood products operations increased from 2020 due to a rebound in production, following pandemic-related curtailments. Despite curtailments in both years, absolute pulp production increased from last year. Natural gas consumption increased as a function of increased steam loads and reliability challenges with the biomass combustion system
- Biogenic emissions arise from our processes due to the combustion of wood waste for process heat and from certain chemical reactions in the pulping process. Biogenic emissions are part of the natural carbon cycle and, as such, are accounted for separately. As part of our commitment

to make use of every part of the trees that we harvest, we capture energy from wood waste (hog fuel) to generate heat. As with non-biogenic fuel sources, overall biogenic energy consumption increased in 2021 and biogenic emissions were approximately 5,517,034 tonnes CO₂e

We prepared our emissions inventory based on best data available, which includes estimations. We are continuing to refine our emissions inventory by seeking third-party assurance and will update our methodology to reflect best practices. Our base year will be further refined and recalculated, should there be a significant change in business operations, corrections to historical data based on more accurate information, and/or significant acquisitions and divestments.

DEFINING SCOPE 1, 2 & 3 EMISSIONS

Scope 1 Emissions

are direct GHG emissions from the use of fossil fuel energy at our own operations, such as natural gas, diesel or gasoline used on-site.

Scope 2 Emissions

are indirect GHG emissions associated with electricity, heat or steam purchased from another provider.

Scope 3 Emissions

arise from activities upstream and downstream of our operations that are related to our business, such as the goods and services we purchase, the transportation of our products and the end use of our products by our customers.

Scope 1, 2 & 3 Emissions

can be either biogenic or non-biogenic.

Biogenic Emissions

come from biological sources, such as combusting wood waste to produce heat or electricity. Biogenic emissions are accounted for differently because the carbon released is part of the biological carbon cycle and naturally cycles through the biosphere and atmosphere.

Fossil (Non-Biogenic) Emissions

come from the combustion of fossil fuels, such as natural gas, diesel, propane and gasoline, which are composed of carbon that has been trapped underground for millions of years.

BY THE NUMBERS

876,829

 tonnes CO₂e

our total non-biogenic scope 1 and 2 GHG emissions in 2021



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2021 Scope 1 and 2 GHG Emissions (tonnes of CO₂e) ^{a,b,c,d,e,f}

	Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Total
Scope 1	616,158	91,866	82,437	790,461
Scope 2 (location-based)	4,757	3,309	78,302	86,368
Scope 2 (market-based)	416,778	3,309	78,302	498,389
Scope 1 & 2 (location-based, non-biogenic emissions)	620,915	95,175	160,739	876,829
Scope 1 & 2 (market-based, non-biogenic emissions)	1,032,936	95,175	160,739	1,288,850
Biogenic emissions ^g	3,147,497	1,380,506	989,031	5,517,034

^a Excludes Vida and Houston Pellet Limited Partnership (HPLP). Emissions associated with corporate offices are included in their corresponding business units. Woodlands emissions are included in Wood Products Operations – Canada.

^b Scope 1 (direct) greenhouse gas emissions are emissions from energy sources that are owned or controlled by the company.

^c Scope 2 (indirect) greenhouse gas emissions are emissions from the generation of purchased electricity consumed by the company. Scope 2 emissions physically occur at the facility where electricity is generated. Location-based scope 2 reflects average emissions intensity of grids on which energy consumption occurs. Market-based scope 2 reflects emission factors from contractual instruments, which includes power purchase agreements and any energy attribute certificates bought or sold. Canfor sells renewable energy certificates (RECs) and adds the equivalent amount of emissions based on the electrical grid where RECs are sold.

^d Canfor's quantification methodology for our scope 1 and scope 2 emissions is aligned with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

^e Emissions are stated in metric tonnes on a CO₂e basis, which is inclusive of greenhouse gases such as carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and hydrofluorocarbons (HFCs). It was determined that perfluorochemicals (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) are not emitted from Canfor operations.

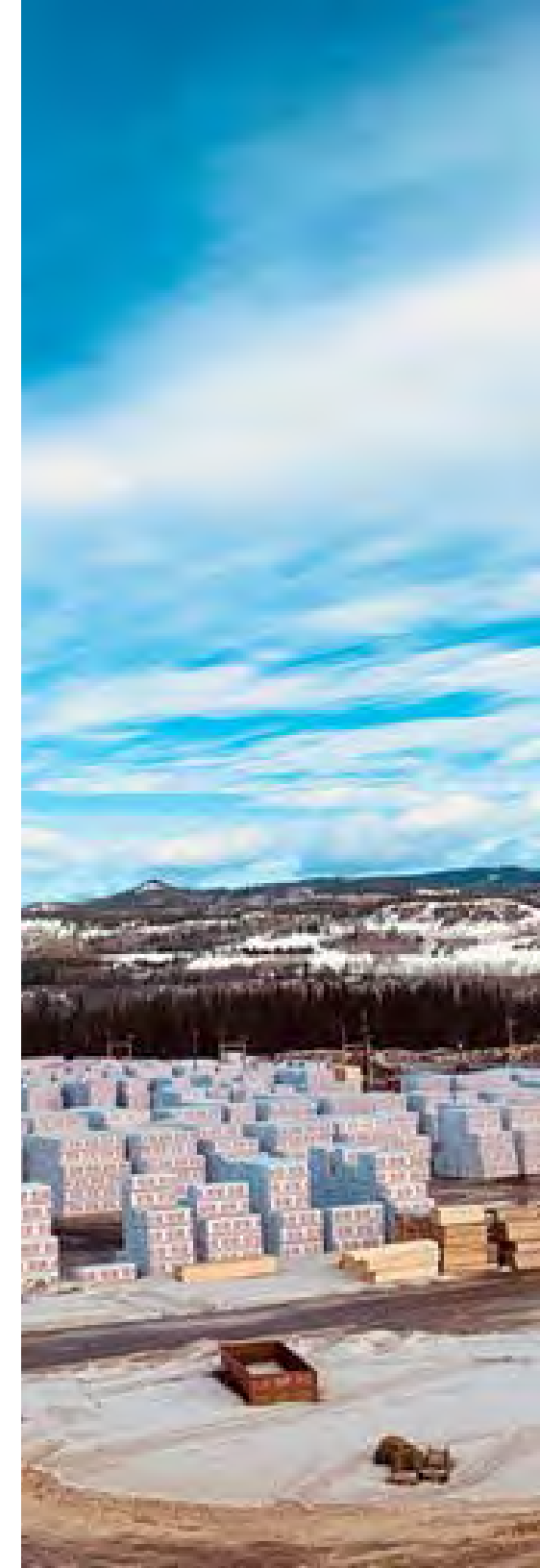
^f Greenhouse gases were converted from individual gases into CO₂e using the IPCC Sixth Assessment Report (AR6) global warming potential values (GWP).

^g Biogenic emissions increased from 2020 due to a change in methodology for estimating the amount of woodwaste for 2021 and use of the latest emission factors.

2020 Scope 1 and 2 GHG Emissions (tonnes of CO₂e) ^h

	Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Total
Scope 1	497,470	92,522	67,244	657,236
Scope 2 (location-based)	5,775	4,368	97,357	107,500
Scope 2 (market-based)	246,297	4,368	97,357	348,022
Scope 1 & 2 (location-based, non-biogenic emissions)	503,245	96,890	164,601	764,736
Scope 1 & 2 (market-based, non-biogenic emissions)	743,767	96,890	164,601	1,005,258
Biogenic emissions	2,901,541	505,267	654,058	4,060,866

^h Our prior year figures have been restated due to the review and refinement of our calculation methodology and assumptions and to ensure consistency with current year comparatives. Market-based scope 2 values were not calculated for the Canadian and the U.S. wood products operations so they are stated to be the same as the location-based scope 2 emissions. The difference between scope 2 market-based and location-based emissions relates to the corresponding amount of renewable energy certificates sold to third parties.



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SCOPE 3 GHG EMISSIONS

In 2021, Canfor estimated our 2020 scope 3 GHG emissions as a first step to understanding and managing our supply chain emissions. This project involved engaging procurement, supply chain, sales and accounting functions to gather the required data.

Based on guidance from the Greenhouse Gas Protocol³ and resources from the National Council for Air and Stream Improvement (NCASI), we considered 15 categories of emissions that cover upstream and downstream activities. The estimation methodology made use of emission factors based on current literature and industry standards; some emissions were calculated as a function of production when actual data could not be collected by Canfor. In line with best practices, an uncertainty factor was applied when Canfor’s own data could not be used, so the resulting scope 3 emissions may be an overestimation in some categories. It is common to begin with an estimation approach, including the use of uncertainty factors, to understand the proportion of scope 3 emissions. It will require time and collaboration to obtain actual data. When we look at the magnitude of our scope 3 emissions relative to the total, it is clear that scope 3 emission reductions must play a key part in our strategy for meaningful decarbonization. Going forward, we will determine how we can gather more accurate data and collaborate with our supply chain partners more formally.

We found that four categories comprise the majority of our estimated scope 3 emissions:

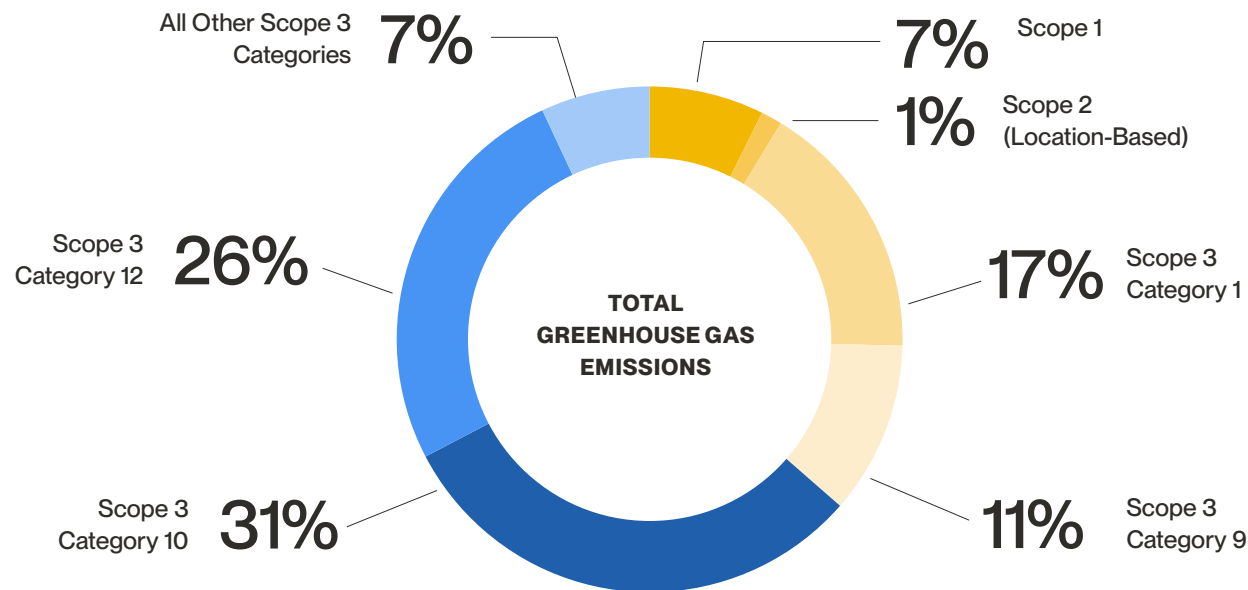
- **Category 1:** Purchased Goods and Fibre
 - Before logs are purchased by Canfor, emissions result from harvesting and transportation to the sawmill and from the processing of purchased chips and their transportation to the pulp mill
- **Category 9:** Transportation and Distribution of Sold Products
 - Our finished products are transported around the world by truck, train and marine vessels, resulting in emissions from the combustion of fossil fuels

- **Category 10:** Processing of Sold Products
 - Emissions result from the further processing of our sold pulp and wood products into finished products
- **Category 12:** End-of-Life Treatment of Sold Products
 - Once finished products reach the end of their useful life, they may further release GHG emissions into the atmosphere, depending on the method of disposal

Our scope 3 emissions make up the majority of our total GHG emission footprint, when we consider the total of our scope 1, 2 and 3 emission categories. Scope 1 emissions represent 7% of the estimated total, scope 2 emissions represent 1% of the estimated total and scope 3 emissions comprise the remaining 92%.

Since our scope 3 emissions exceed 40% of our estimated total emissions, we will set a scope 3 emission-reduction target as part of our net-zero carbon commitment under SBTi. It will be developed by 2024 before the SBTi target validation process.

³ ghgprotocol.org/standards/scope-3-standard



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CARBON IN FORESTS AND WOOD PRODUCTS

Carbon Stored in Forests

Key to our upstream supply chain emissions are the forests where we source fibre. We are striving to better understand the impact of our activities on the amount of carbon stored in the forests, as well as changes in carbon stored over time. We are monitoring important changes to the guidance for quantifying land-based emissions or removals, which is expected to be published in 2022 by the GHG Protocol. Canfor does not own any land and we are not currently reporting any land-based carbon removals within this report, but we will continue to monitor future guidance to determine if it is applicable to our reporting boundaries.

Carbon Stored in Wood Products

While Canfor's wood products offer a sustainable advantage for our customers, we do not offset the products' stored carbon when calculating our GHG footprint. We recognize this is a substantial carbon benefit that we are able to offer our customers. The table below shows the quantity of CO₂ stored as solid carbon in our finished products in 2020 and 2021. In general, 1.62¹ tonnes CO₂e are stored in 1,000 board feet of softwood lumber product.

Stored Carbon in Our Finished Lumber (tonnes of C and tonnes of CO₂e)

Business Unit	2021 Stored Carbon ¹	2020 Stored Carbon
Wood Products Operations: Canada	1,110,252 tonnes C 4,070,925 tonnes CO ₂ e	1,100,766 tonnes C 4,036,144 tonnes CO ₂ e
Wood Products Operations: U.S.	725,000 tonnes C 2,658,332 tonnes CO ₂ e	684,297 tonnes C 2,509,091 tonnes CO ₂ e
Total	1,835,252 tonnes C 6,729,257 tonnes CO₂e	1,785,063 tonnes C 6,545,235 tonnes CO₂e

¹ Tonnes of carbon is calculated based on the total quantity of lumber produced by our Canadian and U.S. operations only (excludes other wood products, pulp and paper, pellets) (in MMbfm) converted to density per the NCASI Carbon Storage Tool for softwood lumber. The carbon content of wood is 50% by weight. Conversion from carbon to CO₂e is calculated using the molecular weight ratio between CO₂ and C of 44/12.

HIGHLIGHT

Using Technology to Reduce Emissions from Forest Operations

Canfor is working on the Forest Machine Connectivity (FMC) project.

Using a satellite-connected network of machine monitoring devices and working collaboratively with our partners Mosaic Forest Management, the University of British Columbia, LIM Geomatics and the Canadian Digital Technology Supercluster, this project aims to:

- Increase the uptime of logging machinery through performance management
- Provide visibility into our product supply chain from the very start

The project is helping to reduce our scope 3 emissions, since logging activities are completed by contractors and are part of our upstream supply chain. As machine uptime improves, we reduce idle time and improve harvesting efficiency. This means that less fuel is consumed in the process of harvesting, resulting in an emissions intensity reduction.

The expected gains in machine uptime over the project lifespan are 5% to 10%, resulting in a corresponding decrease in emissions per cubic metre of harvested fibre. The data from the project can be utilized to extrapolate emissions and identify opportunities for future emission reductions—a level of insight that was previously unavailable.

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HIGHLIGHT

Carbon Stored in Wood Products

Not only can we help mitigate climate change in the way we manage our business and forestry practices, but our products themselves are a significant solution to climate change.

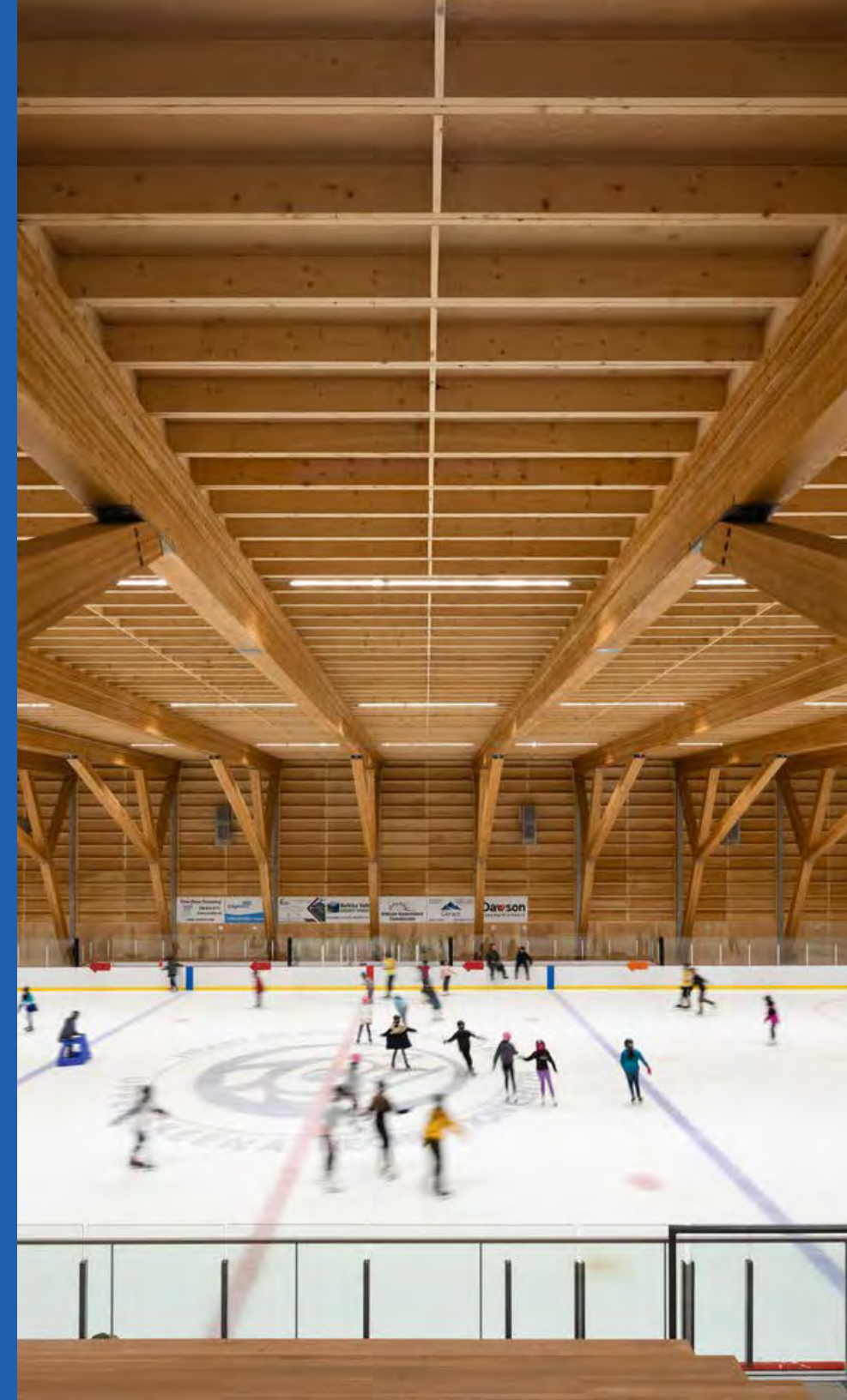
Forest products are the ultimate renewable resource. Carbon dioxide is captured by trees via photosynthesis and converted into carbon-based wood biomass. This carbon dioxide is stored as solid carbon in wood products for the useful life of those products—sometimes decades.

The sustainable benefits of wood-based products make it a material of choice for customers around the world who are looking for renewable building materials to support sustainability strategies such as net-zero emission buildings. Unlike high-emission products such as steel and concrete, wood stores carbon for as long as it is in use, resulting in a lower environmental footprint. Wood also insulates 15 times better than concrete and 400 times better than steel.⁴

Unlike single-use plastics, products made from pulp and paper are derived from renewable sources. Products such as food packaging, straws and bags made from paper are less carbon-intensive than those made from fossil fuels.

As mass timber technology has progressed, building codes have evolved. Tall wood buildings are increasingly promoted to decarbonize the built environment. These structures, constructed with modern building techniques, can be built faster and with less waste than conventional methods, all while making the most of the benefits of wood as a building material.

⁴ Wood stores carbon and requires less energy from harvest to transport, manufacturing, installation, maintenance and disposal than cement or steel. Find more at www.thinkwood.com/sustainability



Air Quality

The quality of the air we breathe has a significant impact on our health, as well as the health of the environment—locally and globally.

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Our Approach

Our approach to air quality includes monitoring, testing and recording of air quality indicators, including:

- Particulate matter emissions (PM)
- Volatile organic compounds (VOCs)
- Carbon monoxide (CO)
- Total reduced sulphur (TRS)
- Sulphur oxides (SO_x)
- Nitrogen oxides (NO_x)

Our most material impacts on air quality are particulate matter emissions, nitrogen oxides and sulphur oxides, carbon monoxide and volatile organic compounds from our manufacturing processes. Total reduced sulphur emissions are also material as they are a main contributor to odour from our pulping process. Odour occurs from point sources such as stacks and vents, or fugitive sources such as effluent treatment. Particulates can be emitted from wood waste burning, the recovery process of black liquor, lime kilns and smelt dissolving tanks, and fugitive particulate that includes road dust.

Beyond fully complying with regulatory requirements, we are committed to minimizing pollutants through implementing leading maintenance and management systems. As part of being proactive, our environment team routinely reports on-site emissions with regulators. This helps reduce the impact of our operations, protect local air quality and drive continuous improvement. While air quality is impacted by a range

of factors, from industrial processes to local transportation and beyond, we recognize the need for Canfor to be a leader in air quality and we take this responsibility seriously.

Canfor has implemented an Environmental Management System (EMS) aligned with ISO 14001. The EMS provides a framework to manage our short- and long-term environmental impacts for air quality, water and solid waste. We also adhere to our [Environment Policy](#), operational control procedures and evaluate our environmental risks and opportunities. We complete routine maintenance and inspections on all sources of air emissions-control devices to ensure the equipment is running optimally.

The frequency of testing our operational equipment is determined by environmental operating permits; additional testing is completed to confirm operating emissions. Some emissions are monitored continuously, allowing operators to adjust operating conditions to help reduce overall source emissions. In addition, operations track key performance indicators for continuous improvement around air quality.

We are always working to minimize pollutants through implementing leading maintenance and management systems.



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Emissions Monitoring and Reporting

Our emissions-monitoring programs are audited regularly. This includes internal and external audits, compliance reviews, regulatory meetings and regulatory agency site inspections. Results are reported to our operations' senior management and Environment teams. Significant findings are reported to Canfor's Corporate Environmental Executive Management Committee (CEMC) and Joint Environment, Health and Safety Committee of the Canfor Board and Canfor Pulp Board. Environmental reviews are required for capital expenditures, to ensure we identify potential impacts on air quality and associated regulatory requirements.

Governance and Accountability

Management of environmental performance for all business units falls under the oversight of the Canfor's CEMC. The CEMC reports on compliance to the Joint Environment, Health and Safety Committee of the Canfor and Canfor Pulp Boards and key executives. Day-to-day compliance falls under the accountability of the Environment Lead at each site, who in turn reports to the Plant Manager for the mill. Ultimately, all of Canfor's operations are accountable for minimizing negative impacts on air quality emitted from our operations. See the [Sustainability Governance](#) section for details on the CEMC.

Feedback Mechanism

We have processes to resolve feedback related to air quality. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to the CEMC to ensure resolution.

Prince George Airshed

Canfor operates three pulp mills, a paper mill, a sawmill and a tree nursery in Prince George, B.C. and a significant number of employees live in the area. Air quality in the Prince George airshed is important to us, not just as a responsible company, but also as residents and for our friends, families and neighbours. Canfor contributes to air monitoring programs in Prince George, as the region has a sensitive airshed. Regular monitoring helps to:

- Drive improvements around data collection
- Identify trends
- Inform the Prince George Air Improvement Roundtable (PGAIR) on areas of focus for their strategic plan

We are a member of PGAIR and have a seat on the Board. We also participate in the Prince George Air Quality Monitoring Working Group, which manages an extensive network of ambient monitoring in the Prince George airshed. In this capacity, we provide the community with regular updates on the steps we are taking. In 2021, as a participant of PGAIR, we assisted in the finalization of the strategic plan for 2022–2026. This included goals related to developing and implementing an air quality management plan, and plans to engage and inform the community about air quality and collaborate with partners.

Air quality in the Prince George airshed is important to us, not just as a responsible company, but as residents and for our friends, families and neighbours.



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Performance

Canfor is committed to managing our impacts on air quality.

In 2021, we collaborated across Canfor business units to identify appropriate goals and targets for air quality management.

OUR GOAL

We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.



TARGETS ^a

Wood Products Operations

Pave 50% of unpaved high-frequency-use wood products operations roads and yards to reduce fugitive dust generation by 2030.

Improve key business processes to reduce particulate matter across wood products operations.

Pulp Operations

Reduce the total loading of particulate to the airshed by 10% by 2030.

Achieve Pulp and Paper Air Emissions Code of Practice for SO_x discharge while reducing TRS emissions by 20% by 2030.

Reduce the loss of ozone-depleting substances from refrigeration units by 50% by 2030.

^a In 2021, we collaborated across our business to set new targets for this topic. We will report on metrics and status of these targets in future reports.

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Air Emissions by Business Units

The following table provides a breakdown of our air emissions by type for each of our business units. In the current year, we are disclosing nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter emissions (PM). We will work to disclose data on our other significant air emissions in future reports.

Our pulp mill operations are our most significant sources of air emissions. We use biomass as an energy source—offsetting fossil fuel use at our pulp mills—which generates total reduced sulphur (TRS) from black liquor and NO_x and PM emissions. Our SO_x emissions are generated from our chemical recovery processes, mainly

from our kraft mills in Prince George. To minimize particulate discharge, we have emissions control technology on all of our boilers, including Best Achievable Technology (BAT) on all but one. We continually monitor emissions and are evaluating air emission reduction projects for future years. We recognize that TRS is an ongoing concern, and we are actively involved with ambient monitoring and community roundtables.

2021 Air Emissions By Business Units by Type (tonnes)^{b, c, d}

Business Unit	Substance		
	NO _x	SO _x	PM
Wood Products Operations: Canada	656	33	602
Wood Products Operations: U.S.	614	72	553
Pulp Operations	1,890	3,209	1,171
Total	3,160	3,314	2,326

^b Particulate matter emissions exclude road dust particulate emissions.
^c We estimate NO_x and SO_x emissions based on the National Pollutant Release Inventory (NPRI) requirements for our pulp and wood products operations in Canada and based on direct measurements as required by U.S. Environmental Protection Agency (US EPA) Title V guidelines for our operations in the U.S. The NPRI and US EPA have different reporting requirements and calculation methods. Information in this table may not reflect exactly the contents of NPRI and/or US EPA reports, due to different reporting definitions. Some air emissions are not directly measured but are monitored to maintain permitted levels using an estimation methodology informed by actual production quantities. We also monitor other air emissions, which vary based on permitted emissions for each location.
^d Additional air emissions (such as volatile organic compounds (VOCs) and carbon monoxide (CO)) are reported separately through regulatory reporting.



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Upgrades to Monitoring and Controls

CANADA

We continuously assess equipment upgrades and processes to identify opportunities to improve air quality and minimize impacts. For example, our operation in Fort St. John, B.C. replaced a cyclone in 2021 and added a wind fence to prevent escape of fugitive dust from facility boundaries. Our Prince George Sawmill installed a sprinkler system to control road dust. These upgrades help minimize air emissions from our facilities. In our pulp operations, we made upgrades to Power Boiler No. 4 at our Northwood Pulp Mill in Prince George, resulting in lower particulate emissions from biogenic fuel sources.

UNITED STATES

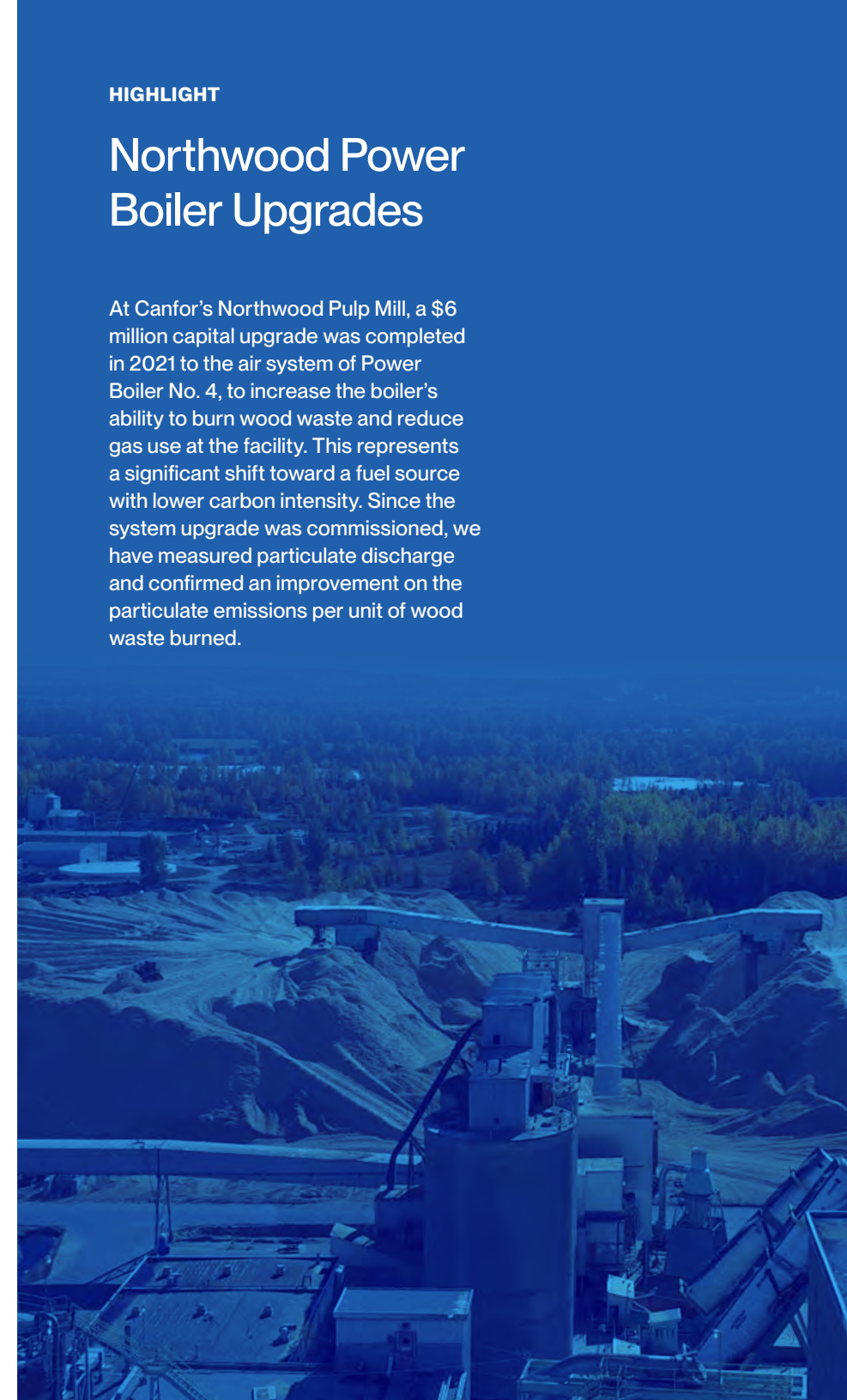
In 2021, our U.S. wood products operations continued to upgrade emissions controls and monitoring equipment, which meet or exceed U.S. guidelines. This included capturing, recording and measuring past, present and potential emissions. An improved record-keeping system will lead us into the next phase of measuring and controlling future emissions. Upgrading and expanding our internal emissions-tracking programs is a priority. This will help us to stay ahead of U.S. guidelines and provide the funding, tools and training to ensure we remain a leader in controlling our footprint at all operations.

We continuously assess equipment upgrades and processes to identify opportunities to improve air quality where we operate.

HIGHLIGHT

Northwood Power Boiler Upgrades

At Canfor's Northwood Pulp Mill, a \$6 million capital upgrade was completed in 2021 to the air system of Power Boiler No. 4, to increase the boiler's ability to burn wood waste and reduce gas use at the facility. This represents a significant shift toward a fuel source with lower carbon intensity. Since the system upgrade was commissioned, we have measured particulate discharge and confirmed an improvement on the particulate emissions per unit of wood waste burned.



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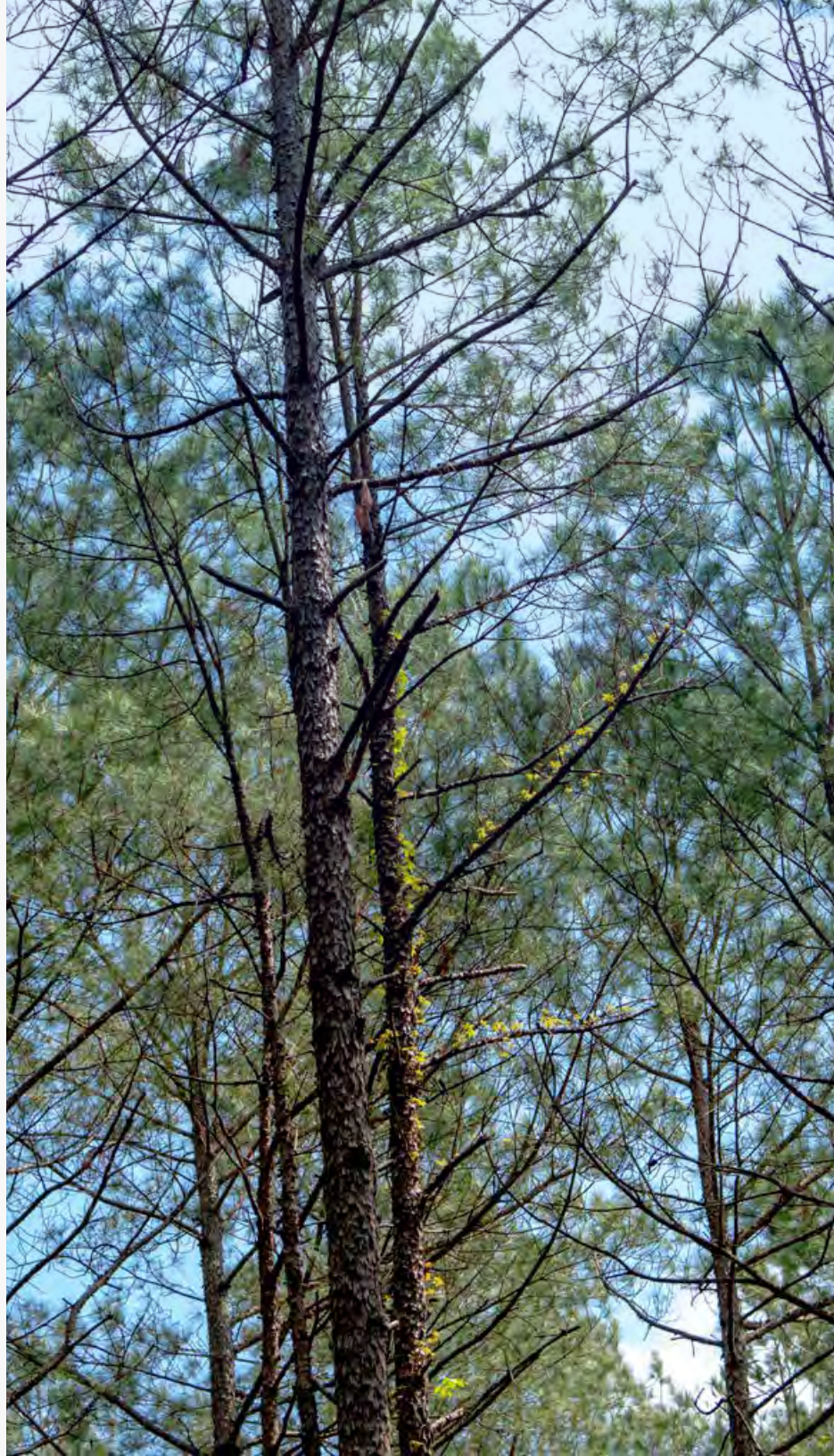
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Continuous Improvement

We track overall reduction of site emissions to reduce TRS (applicable for pulp mills), SO_x, NO_x and PMs across all Canfor locations. To achieve these goals, it is paramount to engage with site operations, regional management and senior management. Internal and external auditors review our environmental management system for:

- Air quality, water and waste management procedures and policies
- Regulated permits, including programs to measure and reduce limits
- Legal compliance
- Continual improvement

These audits are tools to evaluate our programs, policies and practices. As we identify improvement opportunities, we develop and monitor action plans. When Canfor acquires a new operation or entity, we audit environmental requirements quarterly until we fully integrate the operation into Canfor's EMS. The audit frequency is gradually reduced as we ensure all operations are meeting and exceeding performance expectations.

Air Quality Environmental Compliance

We monitor incidents of non-compliance with legal requirements for environmental activities and categorize them by severity. Canfor investigates all incidents, completes root cause analyses, and develops and implements corrective actions around all categories of significance. Our operations reported the following incidents in 2021:

- Canadian wood products operations reported two minor incidents related to short-duration opacity exceedances and one additional incident where a boiler classified as a standby unit was operated as an ancillary unit
- U.S. wood products operations had zero reportable incidents related to permitted air emissions discharge limits
- Pulp operations reported two incidents, which related to permit failure on lime kiln particulate and a smouldering chip pile at one location

We did not receive any significant non-compliances, fines or non-monetary sanctions related to air quality. We will continue to focus on air emissions control equipment for 2022 following minor permit exceedances through the past year. In each instance, we made maintenance or operational changes to bring the discharge back into compliance as required by the regulatory body.

Water Management

Water has always been a vital resource. Climate change is making water management more important than ever—and more challenging.

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Our Approach

Climate change is making weather patterns more difficult to predict, leading to dynamic swings in temperature, precipitation and humidity. Canfor is highly dependent on water in our operations, particularly in our pulp and paper mills. Our water management efforts are focused on both conservation and quality: we work to streamline the amount of water we use, and we protect water quality downstream of our operations. Specific to forestry, we also identify and evaluate

protection requirements for community watersheds, riparian areas, streams, lakes and other significant water bodies during operational planning. This is documented in site plans and associated maps. Riparian Reserve Zones and other areas to protect significant water bodies are marked in the field and documented in our project plans. We review and monitor these plans and do on-site inspections to avoid accidental encroachment on water bodies.

Canfor has implemented an Environmental Management System (EMS) aligned with ISO 14001. The EMS provides a framework to manage our short- and long-term environmental impacts for water. The main components include our [Environment Policy](#) outlines our commitment to water stewardship. Water quality and quantity are also important considerations in our Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC) certifications. Both certifications

help us protect the water quality of rivers, streams, lakes, wetlands and other water bodies by meeting or exceeding best management practices. For more details, see our [Sustainable Forestry](#) section.

While Canfor complies with all water requirements in our permits and regulations, we also look to improve our programs, policies and practices. With proper water management, we can protect and preserve this essential resource.



Our water management efforts are focused on both conservation and quality: we work to streamline the amount of water we use, and we protect water quality downstream of our operations.

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Pulp Operations

In B.C., our pulp mills extract and treat surface water from the Nechako, Fraser and Peace rivers. The mills treat and discharge wastewater to the Fraser and Peace rivers.

Canfor carefully monitors and measures the subtle effects of effluent on the environment and we strive to minimize any negative impacts, including potential effects on fish and organisms that make up the aquatic ecosystem. Each site follows water discharge requirements as set out in site-specific provincial permits and federal pulp and paper effluent regulations.

Our pulp and paper mills operate in full compliance with these regulations. We are confident that we do not have significant negative impacts on these ecosystems.

Our water management practices include internal water monitoring, spill control and containment procedures. They also include monitoring our wastewater and upstream contaminants and measuring water flow and temperature.

Wood Products Operations

Our sawmills operate under the most stringent water management programs to ensure we:

- Adhere to allowable discharge limits within all our permits
- Meet federal and municipal standards of purity
- Ensure safe and clean drinking water and other sources of fresh water

At each location, we have site-specific water management programs. They include installing oil water separators in high-risk areas, effluent treatment for domestic waste (as prescribed by the health authority or governing body), monitoring site ditches for stormwater concerns and spill response plans to prevent entry to waterways. We train all site personnel and conduct annual refresher training, and include regulators as required in these programs.

Our U.S. wood products operations have site-specific state and federal water permits related to stormwater runoff, which must be monitored and reported continually. Each of our U.S. sawmill locations has its own allowable discharge parameters. These typically comprise total suspended solids, oil, grease, pH (acidity or alkalinity), carbon oxygen demand (COD) and biological oxygen demand (BOD). Site-specific monitoring plans include incident response contingency plans. Upon hiring, we train site personnel on these requirements and provide annual refreshers as required by permit.

Governance and Accountability

Management of environmental performance for all business units falls under the oversight of Canfor's CEMC. The CEMC reports on compliance to the Joint Environment, Health and Safety Committee of the Canfor and Canfor Pulp Boards and key executives. See the [Sustainability Governance](#) section for details on the CEMC.

All Canfor operations are accountable for maintaining water management. Day-to-day compliance falls under the accountability of the Environment Lead at each site, who in turn reports to the Operations Management team.

Feedback Mechanism

We have processes to resolve feedback related to water management. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to CEMC to ensure resolution.



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Performance

Canfor is always trying to minimize water use and to identify projects that will conserve water.

In 2021, we collaborated across Canfor business units to identify appropriate goals and targets for water management.

OUR GOAL

We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.



TARGETS ^a

Wood Products Operations

Reduce water usage by 10% by 2030.

Pulp Operations

Reduce the water intensity of pulp and paper production by 10% by 2030.

Reduce the reduction of biological loading intensity of pulp and paper production by 25% by 2030.

^a In 2021, we collaborated across our business to set new targets for this topic. We will report on metrics and status of these targets in future reports.

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Watersheds Near Our Operations

Key water usage in our operations includes domestic uses, fire suppression, dust suppression, boiler feedwater and wet decks.

Our main water withdrawal sources include groundwater, surface water and public community water sources. Canfor has not identified any activities from our pulp and sawmill operations that withdraw and consume water from areas of high or extremely high baseline water stress, as classified by the World Resources Institute's Water Risk Atlas Aqueduct tool. However, we continue to work closely with communities we share our water resources with, and we comply with government requirements for watershed management.

Main water discharges relate to effluents from sawmill and pulp mill processes, which includes collected stormwater and treated sanitary effluent.

Pulp Mills Water Usage

Our pulp mills are our most water-dependent operations. They withdrew approximately 100,000 megalitres from all water sources in 2021: 99% from surface water sources and 1% from groundwater sources. Even when a mill is not producing pulp, it uses water in its operations, for example, to run boilers to make heat and electricity. This contributes to the quantity of water used per unit of production.

Approximately 88% of the water used in manufacturing processes is returned directly to surface waters following treatment. About 11% evaporates during manufacturing and wastewater treatment and 1% is imparted to products or solid residuals.⁵

Water discharge is treated for indicators and priority substances of concern. These include:

- Flow
- Metals
- Biochemical oxygen demand
- Total suspended solids
- Chemical oxygen demand
- pH (acidity or alkalinity)
- Temperature
- Conductivity
- Toxicity
- Adsorbable organic halides
- Nutrients
- Resin acids

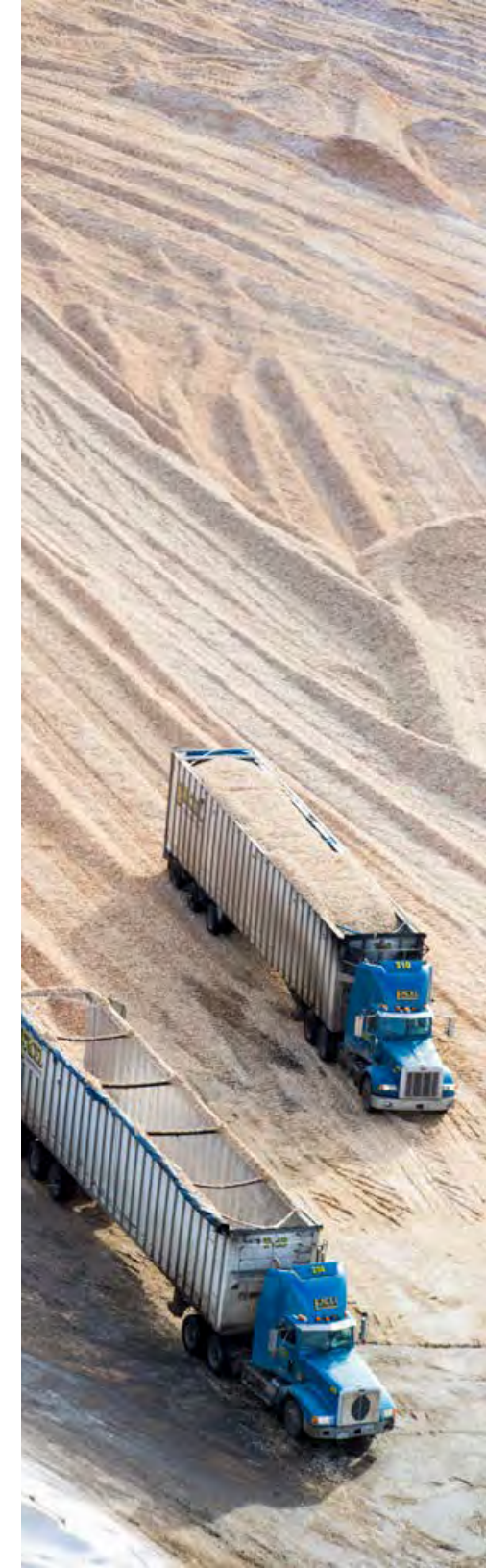
⁵ Percentages of water processed and water retained were derived from information contained within NCASI Technical Bulletin 975: Water Profile of the Canadian Forest Products Industry (March 2010).



BY THE NUMBERS

88% approx.

of the water used in pulp manufacturing processes is returned directly to surface waters following treatment



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Update on Our Prince George Water Treatment Plant

Canfor's Prince George, B.C. water treatment plant was a significant capital investment project of \$42 million. Construction started in spring 2019 and operation commenced in December 2020. It has the capacity to process up to 215 megalitres of clean water in a day. Treated water supplies neighbouring operations, in addition to our Prince George and Intercontinental pulp mills. The plant is located on the Nechako River. It has helped mitigate the high turbidity of the river water, which causes operational upsets, poor product quality, and inefficient use of water and process chemicals.

The water treatment plant has resulted in significant positive impacts on operational efficiency and the environment. It has reduced our need to draw groundwater that is shared with our neighbouring communities. Cleaner water reduces chemical use and improves equipment reliability and operational efficiencies. For example, it helps heat exchangers work more efficiently to generate steam. It has also enabled more reliable fire protection systems and more consistent product quality for our customers.

Looking ahead, we will continue to identify water reduction opportunities at all our sites. At our Prince George and Intercontinental pulp mills, we are exploring how to leverage the benefits of cleaner water due to the water treatment plant and how we can further optimize our plant processes.

Sawmills Water Usage

Sawmills do not use as much water as typical pulp mills. However, water management is still a priority for sawmills, as water is used for cooling and cleaning equipment, steam generation for power, fire protection systems and dust control. Our sawmill operations are in compliance with all required permits. In 2021, our Canadian wood products operations used more than 400 megalitres of water from groundwater and city water sources. This figure represents estimated water withdrawn, based on permitted use per water licences. We are looking into installing additional flow meters for more accurate data in future reports.

Our U.S. wood products operations draw water from groundwater and city water sources. We continue to upgrade our internal compliance-tracking system, which includes all water analyses and records. This will enable us to track and report on our progress managing site-specific data and will facilitate further development of our compliance programs. We are working towards implementing a formalized program.

The main water discharge to receiving water bodies is stormwater runoff. We monitor the quality of runoff and ensure proper drainage exists within our operations. Outside of the potable water or effluent permits, Canfor has an internal standard for oil water separators based on best practices from the Petroleum Storage and Distribution Facilities Storm Water Regulations and manufacturer recommendations. Oil water separators that are not specifically mentioned in permits are tested annually for our operations as part of our due diligence. For all our U.S. wood products facilities, oil water separators meet allowable benchmarks as required by our permits. We monitor oil water separator discharge to ensure it is under 15 milligrams per litre of total extractable hydrocarbons. Canfor also uses septic tanks, lagoons and aerated lagoons to treat effluent where required.

The water treatment plant is having a significant positive impact on both operational efficiency and the environment.

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Continuous Improvement

Canfor strives for continuous improvement in our water management practices. We use Environmental Management System audits to evaluate and enhance our programs, policies and practices. The scope of audits includes:

- Water management procedures and policies
- Programs to reduce consumption and waste
- Legal compliance
- Continual improvement

As we identify opportunities for improvement, we develop and implement action plans and monitor outcomes.

Water Environmental Compliance

We monitor incidents of non-compliance with legal requirements for environmental activities and categorize them by severity. Canfor investigates non-compliance incidents, completes root cause analyses, and develops and implements corrective actions around all categories of significance. In 2021, we did not receive any significant fines for water or effluent-related non-compliances, or any non-monetary sanctions in our operations.

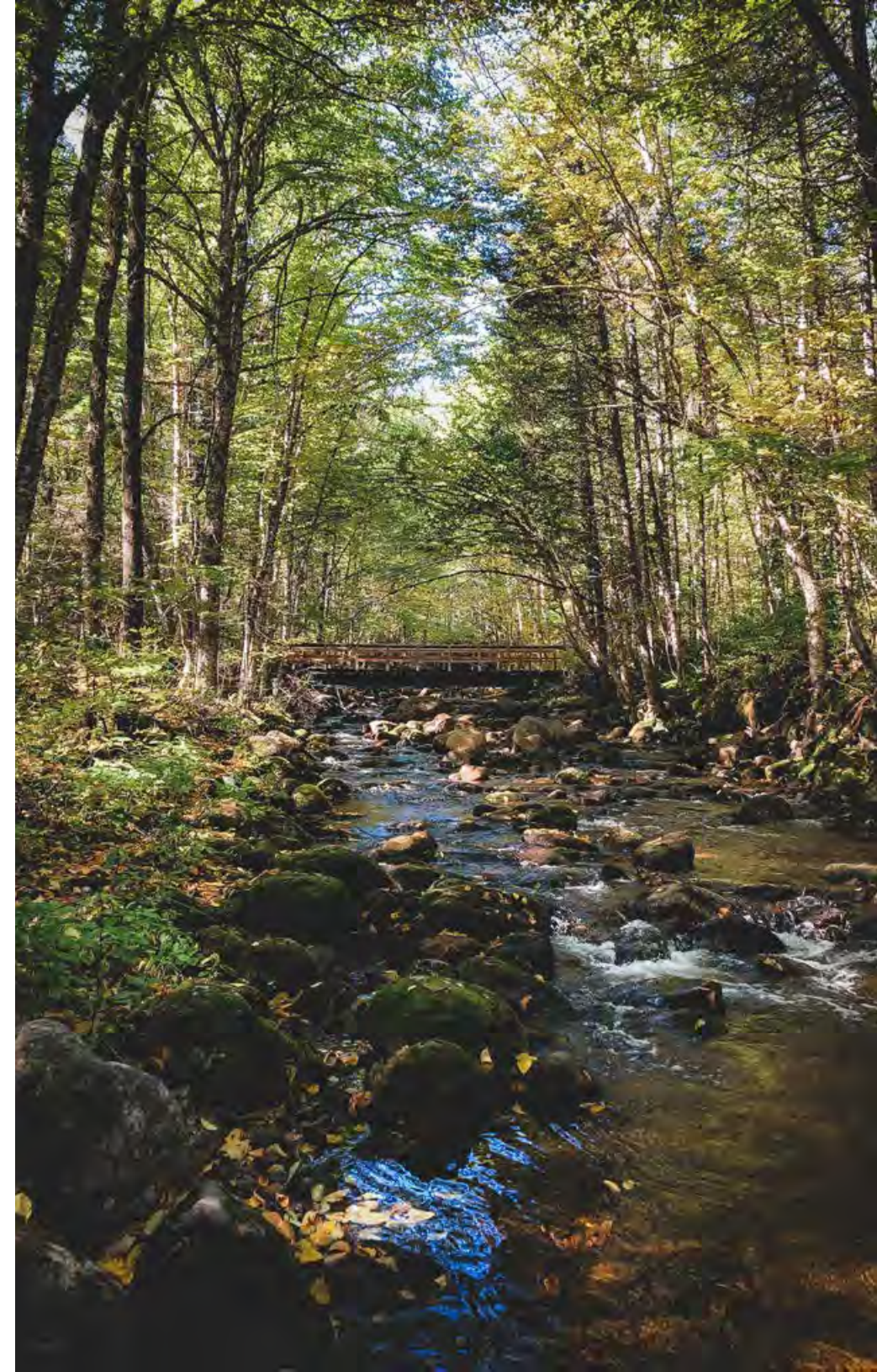
We did have four minor reportable spills to ground and two effluent water exceedances at our Canadian wood products operations and 12 reportable spills to ground at our pulp operations. There were zero reportable spills at our U.S. wood products operations. All incidents were investigated and appropriate actions were taken to remediate impacts.

2021 Water Withdrawn (megalitres) ^b

Business Unit	Surface Water	Groundwater	Total
Wood Operations: Canada	167	260	427
Wood Operations: U.S.	Not available	Not available	Not available
Pulp Operations ^c	99,202	547	99,749
Total by Source	99,369	807	100,176

^b Data not available for all operations for water discharged and consumed. Water withdrawn data is not currently available for our U.S. wood products operations, our two Canadian pellet plants and one Canadian sawmill. We have estimated water withdrawn based on water permits, invoiced estimates or utility meter readings where available. We are working on improving our data collection by installing flow meters for future reporting.

^c Water withdrawn for pulp is based on utility meter readings, but for one pulp mill, volumes have been estimated based on last year's water intensity per unit of production, as meter data was not available.



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Canfor aims to optimize fibre use and minimize landfill waste across all our activities, reinforcing our commitment to strong environmental stewardship.

Waste Management

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Our Approach

Canfor's Waste Management Program details the appropriate handling of all hazardous and non-hazardous waste generated at our sites. We report on hazardous waste disposal in accordance with relevant regulations. Hazardous waste is removed from site by a licensed third party and brought to a disposal facility. Non-hazardous material is either sent to landfill or diverted from landfill for other beneficial uses or recycling. Materials generated as a byproduct include ash, effluent treatment solids, non-hazardous sludge, log yard debris and used oil.

Our Residual Fibre group is responsible for procuring and recovering lumber and pulp residuals throughout our operations. They ensure our residual material streams are used efficiently and not wasted. See more in the [Residuals Management](#) section.

Our mills follow our Environmental Management System (EMS), which outlines recycling collection points and waste disposal guidelines. The EMS covers hazardous waste identification and correct disposal, waste recovery, reuse and recycling, and optimization of waste streams and pickups.

The EMS is aligned to ISO 14001 and is guided by our [Environment Policy](#). Canfor's approach to waste management is site-specific, with processes to track all records, including invoices, manifests, chain of custody and vendor disposal facility documents. These allow us to collect and monitor waste-related data. In cases where we do not directly measure the volume, we use standard industry conversion factors to estimate domestic waste volumes.

Governance and Accountability

Management of environmental performance for all business units falls under the oversight of Canfor's CEMC. The CEMC reports on compliance to the Joint Environment, Health and Safety Committee of the Canfor and Canfor Pulp Boards and key executives. See the [Sustainability Governance](#) section for details on the CEMC.

All Canfor operations are accountable for maintaining waste management. Day-to-day compliance falls under the accountability of the Environment Lead at each site, who in turn reports to the Operations Management team.

Feedback Mechanism

We have processes to resolve feedback related to waste management. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to Canfor's CEMC to ensure resolution.



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Performance

At Canfor, we are always trying to improve our ability to prevent and mitigate impacts from waste generation.

In 2021, we collaborated across Canfor business units to identify appropriate goals and targets for waste management.

OUR GOAL

We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.



TARGETS ^a

Wood Products Operations

Reduce the volume of log yard debris generated by 15% by 2030.

Recover 40% of Canadian wood product operations' ash and log yard debris through beneficial use programs by 2030.

Support and promote waste reduction and recycling programs to reduce domestic waste to landfill.

Pulp Operations

Create beneficial use projects for process wastes that reduce the volume to landfill by 10%.

Eliminate the landfilling of wood waste, pulp and paper generated at the facilities.

^a In 2021, we collaborated across our business to set new targets for this topic. We will report on metrics and status of these targets in future reports.

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Continuous Improvement

We are tracking overall waste volumes across the majority of our locations. Engagement with site operations, regional management and senior management is paramount to achieve waste reduction and effective waste management.

Internal and external auditors review our Environmental Management System for:

- Waste management procedures and policies
- Regulated waste permits (including programs to measure and reduce limits)
- Legal compliance
- Continual improvement

Each site has a different compliance review program, due to permitted conditions. We have implemented guidelines for site personnel to help measure overall compliance. The Environment team completes regular site visits and meets with key site personnel to review any open or pending items identified on compliance assessments. Our Environment teams review and add new conditions to the compliance matrix and assign tasks as required.

Waste Environmental Compliance

We have monitoring processes in place to ensure that third parties involved in the management and removal of waste from our sites operate in line with contractual and legislative obligations. For example, for ash that is applied to land, we hire contractors to monitor compliance and attain annual authorization from regulatory bodies. We audit waste manifests during internal compliance assessments to ensure that vendors are registered appropriately as licensed transporters or receiving sites for hazardous waste. If there are incidents of non-compliance with legal requirements for environmental activities, we:

- Assess for severity
- Investigate them
- Develop and implement corrective actions around all categories of significance
- Monitor them

In 2021, we did not receive any significant fines or non-monetary sanctions for waste-related non-compliances in our operations. We did receive a permit failure notice related to sludge, but there have been no resulting environmental implications and we continue to monitor the effects. We received a warning at one of our wood products operations' landfills regarding the maintenance of surface water runoff management. An action plan is in place to address this.



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Waste Diversion

Wood Products Operations

In our manufacturing process, sawmills generate chips, sawdust, shavings, trim blocks, bark and hog that are considered residuals and that are recovered to become value-added products. As a result, the majority of our non-hazardous waste generated is recovered and diverted from landfills. Residuals are used as an input by our pulp mills, sold to third parties to be made into other value-added products or used to generate energy—allowing us to offset natural gas use in our kilns. The remaining non-hazardous waste is ash and log yard debris. A portion of this material is landfilled, but we are focused on increasing diversion through our screening and beneficial ash programs. We also generate minimal amounts of domestic waste and recycle collected cardboard, metal and wood where possible.

Our processes produce minimal hazardous waste, other than waste oil. Energy system oil replacement programs are completed approximately once every 10 years under current operating conditions. Canfor is exploring the use of inline oil filters in energy systems to prolong oil life and thus reduce the frequency and impact of oil replacement programs and the volume of waste oil.

In 2021, Polar Sawmill in Bear Lake, B.C. completed an energy system oil exchange and system clean, which generated approximately 543,000

litres of waste oil. The increased waste oil volume in 2021 is largely related to this oil exchange. However, as we further investigate inline oil filters, we expect the impacts from oil exchanges to decline, both in frequency and volume. Data reported is based on best estimates and available figures. Our wood products mills are working towards compiling complete and consistent data across our operations for hazardous and non-hazardous waste diverted or directed to disposal.

Pulp Operations

In our pulp operations, we generate non-hazardous waste such as sludge, lime mud, ash, dregs, yard waste and domestic waste. We also recover wood waste to be used as a fuel for renewable energy. We generate some hazardous waste, including waste oil, oily debris, antifreeze, asbestos and lead-paint waste. All hazardous waste is handled and processed according to regulations and best practices.

The majority of our non-hazardous waste is recovered and diverted from landfills, converted into value-added products or used to generate energy.

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TOTAL WASTE GENERATED, DIVERTED FROM DISPOSAL AND DIRECTED TO DISPOSAL—WOOD PRODUCTS OPERATIONS (TONNES)^b

2021 Total Waste Generated—Wood Products Operations^c

Waste Composition	Waste Diverted from Disposal	Waste Directed to Disposal	Total Waste Generated
Non-hazardous	4,678,418	875,278	5,553,696
Hazardous	-	662	662
Total	4,678,418	875,940	5,554,358

^b All waste data is collected in either oven-dried tonnes or in tonnes. For the purposes of reporting, we have conservatively reported all amounts in tonnes. For Canadian wood products operations, waste data includes a blend of estimate and actuals.
^c Data for waste generated by our U.S. wood products operations is incomplete at this time and only includes amounts related to residuals recovered for value-added products and biomass incinerated for energy recovery. It does not include hazardous and non-hazardous waste that is landfilled, recycled or recovered for beneficial use.

2021 Waste Diverted from Disposal—Wood Products Operations

Waste Composition	Recovery Type	On-site	Offsite	Total
Non-hazardous	Other Recovery Operations: Residuals Recovered for Value-added Products ^d	3,828,736	807,129	4,635,865
	Recovered in Beneficial Use Programs ^e	34,732	6,187	40,919
	Recycling	-	1,634	1,634
Total Waste Diverted from Disposal		3,863,468	814,950	4,678,418

^d Residuals recovered for value-added product are shavings, trim block, sawdust, chips and wood waste. They are generated by the lumber manufacturing process and recovered for use in manufacturing pulp or as fuel in our pulp operations, or they are diverted from disposal for use in other beneficial ways. See more in our Residuals Management section.
^e Log yard debris, gravel and ash that are recovered for beneficial use through Canfor's beneficial use programs on-site and offsite. It does not include fines that were recovered as part of the beneficial use programs that have not been landfilled or processed. Fines are currently stored on-site as we explore recovery options.

2021 Waste Directed to Disposal—Wood Products Operations

Waste Composition	Disposal Operation	On-site	Offsite	Total
Non-hazardous	Landfilled	25,717	2,835	28,552
	Incinerated (with Energy Recovery) ^f	846,726	-	846,726
Total Non-hazardous Waste Directed to Disposal		872,443	2,835	875,278
Hazardous	Disposed ^g	-	662	662
Total Waste Directed to Disposal		872,443	3,497	875,940

^f Residuals incinerated represents bark and hog recovered for energy. See more in our Residuals Management section.
^g Hazardous waste consists of small amounts of waste oil that is transported to licensed third parties for proper and safe disposal.



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Beneficial Use Programs

In 2021, Canfor implemented a screening program at three of our Canadian sawmills to reduce the amount of log yard debris sent to landfill. We screened 80,923 tonnes of material, which led to a hog and gravel recovery rate of approximately 60%. Canfor reused the hog on-site; a portion of the hog was used as a renewable energy source and a portion was sold to third parties for energy recovery. This allowed us to limit the amount sent to landfill. We are exploring the implementation of screening programs at other sawmills.

Another beneficial use program is related to the volumes of ash generated by the combustion process in our biomass energy plants. In our Canadian operations, we've established two beneficial use projects. This program allows more ash to be diverted from landfill and instead transported to third-party farms for use as a liming agent.

Ash is routinely tested at sites to ensure it complies with provincial requirements before being transported to farms. Soil testing is conducted on farmland to ensure benefits from the addition of ash are observed in the soil.

In our U.S. operations, we are also providing a portion of our ash to farmers for agricultural applications, but we are continuing to investigate other beneficial uses. Currently, we are working with a third party that is conducting sample testing of our boiler ash to create activated carbon to be used for water filtration.

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Taylor Sludge Treatment

At Taylor Pulp Mill in Taylor, B.C. the effluent treatment system differs from traditional pulp mills. It uses the process of 'activated sludge treatment', which involves blowing air into untreated process water. This process separates fibre waste and biomaterial that can be sold as a soil nutrient and applied to agricultural land. Ultimately, this enables sludge to be diverted from landfills.

TOTAL WASTE GENERATED, DIVERTED FROM DISPOSAL AND DIRECTED TO DISPOSAL—PULP OPERATIONS (TONNES)^h

2021 Total Waste Generated—Pulp Operations

Waste Composition	Waste Diverted from Disposal	Waste Directed to Disposal	Total Waste Generated
Non-hazardous	18,534	421,674	440,208
Hazardous	-	197	197
Total	18,534	421,871	440,405

^h All waste data is collected in either oven-dried tonnes or in tonnes. For the purposes of reporting, we have conservatively reported all amounts in tonnes. Waste data includes a blend of estimate and actuals.

2021 Waste Diverted From Disposal—Pulp Operations

Waste Composition	Recovery Type	On-site	Offsite	Total
Non-hazardous	Other Recovery Operations: Residuals Recovered for Value-added Product ⁱ	-	18,507	18,507
	Recycling	-	27	27
Total Waste Directed to Disposal		0	18,534	18,534

ⁱ Residuals recovered for value-added product includes sludge collected from our operations and sold to external third parties. See more in our [Residuals Management section](#).

2021 Waste Directed to Disposal—Pulp Operations

Waste Composition	Disposal Operation	On-site	Offsite	Total
Non-hazardous	Landfilled ^j	48,114	1,390	49,504
	Incinerated (With Energy Recovery) ^k	372,170	-	372,170
Total Non-hazardous Waste Directed to Disposal		420,284	1,390	421,674
Hazardous	Disposed ^l	-	197	197
Total Waste Directed to Disposal		420,284	1,587	421,871

^j Non-hazardous waste landfilled offsite excludes data from our Taylor Pulp Mill, as data was not available.

^k Represents biomass and sludge burned on-site by pulp power boilers for energy recovery. See more in our [Residuals Management section](#).

^l Hazardous waste includes waste oil, asbestos and lead paint that is transported to licensed third parties for proper and safe disposal.

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Residuals Management

Canfor strives to maximize the use of the whole log that enters our facilities.

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Our Approach

Residuals management is an essential component in assessing what is best for the environment and ensuring that maximum value is retained by identifying the highest and best use of each log. Throughout our entire integrated operations, we are focused on circularity: integrating our processes to make the most of every single resource we use. There is a strong link between sustainable forest management techniques and increasing beneficial uses, from forest to finished product.

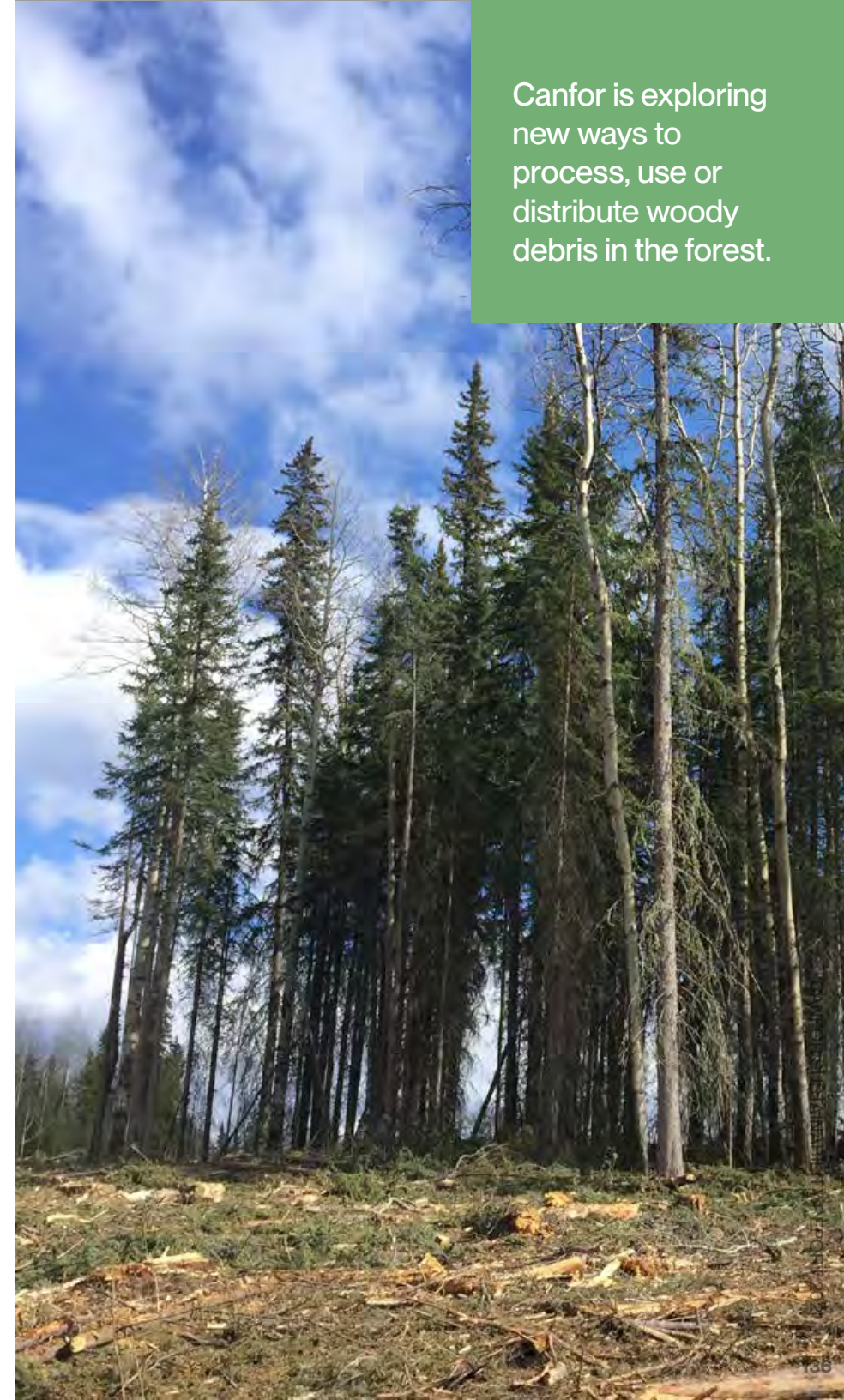
We are committed to efficient management of these forest residuals. We strive to find the best use of the whole tree, which could include ecological considerations like leaving enough behind to enrich the forest floor, repurposing materials for wildlife habitats, and finding innovative and economically viable uses for other residual materials. Canfor is exploring new ways to process, use or distribute the debris at the source. These efforts minimize the need to burn such material as a way to minimize wildfire risk from harvesting activities.

We're not just a global leader in lumber, pulp and paper—we're continually examining new business opportunities to optimize value creation from our resources to contribute to a lower-carbon future.

Similarly, we are continually exploring ways to find alternative uses for residual fibre, which is leftover material created from our manufacturing processes. By doing so, we reduce our overall impact and minimize the need to landfill this material. However, it is important to also consider the costs associated with transportation and further processing, and whether sufficient market demand exists.

As demand for low-carbon alternatives to fossil fuels increases, Canfor's commitment to harness green energy continues to grow through the use of forest residuals, enhancing the efficiency of our material use and the percentage of wood fibres that are productively processed and create value.

Canfor is exploring new ways to process, use or distribute woody debris in the forest.



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Forest Residuals

The primary residual product managed by our Woodlands operations is low-grade whole logs destined for chipping facilities, for use in pulp manufacturing. Some Canfor operations also provide low-grade fibre to non-Canfor manufacturing facilities, including post and rail manufacturers, cant mills, pellet plants and green energy power plants.

Above all, our approach aims for a high percentage of log utilization; pulp operations are an efficient way to maximize the use of low-grade fibre. The challenge is to make these objectives economically feasible and cost-effective. We use internal software programs that track our forest management information both in spatial and tabular formats. We use this data to analyze how far blocks are from manufacturing plants when assessing the feasibility of various programs. We are currently exploring metrics and targets to accurately measure and track forest residuals over time, allowing for the most efficient and sustainable use of residuals.

Canfor's Canadian Woodlands operations have implemented a residual fibre program that aims to:

- Extract maximum value while providing financial compensation to our logging contractors for handling volume
- Decrease the amount of fibre left on-block for fire hazard abatement
- Provide fibre for pulp mills, green energy and pellet facilities
- Provide fibre for locally owned and operated small businesses

In the U.S., Canfor works with private woodlot owners to determine how to meet our fibre needs while also meeting their management objectives. In some cases, certain landowners may request the use of wood chippers for unmerchantable fibre. However, decisions to leave residuals behind are based on soil and wildlife considerations. We support private woodlot owners in adopting sustainable forest management practices through best practices outlined in the Sustainable Forestry Initiative forest management certification or American Tree Farm System certification.

Manufacturing Residuals

Canfor's manufacturing facilities are responsible for forecasting their production of residual products, and the Residual Fibre group is responsible for maximizing the value of the residual products produced at each facility.

Canfor's approach to residuals management is site-specific, with processes to track all records through invoices. These allow us to collect and monitor residual-related data. In cases where we do not directly measure the volume, we use standard industry conversion factors to estimate material volumes based on weight and moisture measurements.

Our approach aims for a high percentage of log utilization; pulp operations are an efficient way to maximize the use of low-grade fibre.

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Policies and Programs

Canfor's Log Quality Specification guidebook provides clear guidance on proper practices to help maximize log use. In each Woodlands division, log scalers work with harvesting supervisors on weekly field reviews to monitor adherence and to keep all team members on track. Scalers also work directly with contractors, conducting audits to review log quality.

Part of the planning process involves assessing cruise plot data to gain insight on forest species, decay, waste, breakage and volumes for forecasting purposes. This allows employees to approach forest blocks strategically and maximize log efficiency.

Published log specifications at each mill offer guidance to logging contractors to process logs to maximize value and minimize waste. Our comprehensive log quality program, which includes log scalers, procurement foresters and mill managers, ensures that log specifications are followed and that adequate training and continual improvement are integrated throughout the supply chain.

Canfor is a member of many government and industry panels and working groups that address continuous improvement. We share our practices with working groups that help inform government programs and policies in the interest of establishing and enhancing best practices. We also work together with our Indigenous partners and certification bodies to ensure sustainable forest management practices.

Obligations Related to Residuals Management

Contractually, Canfor is involved as both a purchaser and seller of residual fibre. With respect to purchases, we seek whole pulp logs from various sources. Our Canadian and U.S. wood products operations also sell residual fibre in the form of whole logs that do not meet our requirements and that require further processing to become alternative products such as building logs, posts, rails and materials to be used in pellet plants and green energy power plants.

While there are no specific regulations requiring the use of harvesting waste, Canfor strives to maximize the recovery of residual fibre when there is demand. However, there are regulatory processes related to how residual fibre can be removed from its origin, how it is measured for quantity and economic value (also known as scaling and stumpage), and assessment processes to review the blocks for waste and residuals. These regulations include financial penalties for poor utilization. An important part of our commitment to sustainability is maximizing the value of harvested fibre and efficiently identifying its best use, which in turn minimizes waste.

An important part of our commitment to sustainability is maximizing the value of harvested logs and efficiently identifying their best use.

HIGHLIGHT

Partners for Forest Residuals

Canfor continues to investigate opportunities to partner with First Nations and other third parties to maximize the use of forest residuals. Here are a few examples of current partnerships:

- Canfor is investigating the feasibility of a residual fibre sales program between Arrow Transportation and the BioNorth Energy facility located near Fort St. James, B.C. BioNorth Energy is a joint venture partnership between Arrow Transportation, the Nak'azdli Development Corporation and low-carbon infrastructure developer Nexus Program Management Group. Canfor currently contracts Arrow's chipping facility in Fort St. James for chip production for our pulp facilities in the Prince George region, which in turn could provide hog fuel to BioNorth Energy
- Canfor's Houston Sawmill has a five-year agreement with Pacific Timber: Canfor provides 80,000 to 120,000 cubic metres of residuals to Pacific Timber for the production of cants, which are partially sawn logs that require additional processing
- Our Houston Sawmill is partnering with other customers who are interested in our residuals for products such as fence posts and pellets
- The Houston Sawmill donated 40 to 60 loads of firewood to local Indigenous communities; we are currently seeking further low-grade fibre opportunities for Houston Pellet Limited Partnership operations

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Prince George Chip Plant Upgrade

Equipment upgrades are scheduled for late 2022 at our Prince George Chip Plant, with the goal of enhancing the use of low-grade logs that are not acceptable as sawlogs for sawmills or that were previously too small or short for processing, increasing Canfor's harvest utilization efficiency.

We are planning to upgrade to a new debarking and infeed system that will accept logs two inches in diameter and that has the flexibility to feed shorter logs and chunks that may have broken in the process, which will enable more fibre recovery from cut blocks.

Other efficiency-related improvements to the plant include the elimination of the requirement to presort the logs by size.

Governance and Accountability

Management of environmental performance for all business units falls under the oversight of Canfor's Corporate Environmental Management Committee (CEMC). The Joint Environmental, Health and Safety Committee also reviews environmental performance. See the [Sustainability Governance](#) section for details on the CEMC. Day-to-day compliance falls under two groups: Forest Residuals and Residual Fibre.

- **Forest Residuals:** Our Woodlands divisions in Canada oversee sale agreements with local businesses that take our residual fibre; woodlands managers and superintendents in each division oversee planning, as well as harvesting and log purchases
- **Residual Fibre:** Our Residual Fibre group is responsible for marketing and maximizing the value of residual fibre products throughout our Canadian and U.S. operations. Our Residual Fibre group also procures materials for our pulp operations. They ensure our residual material streams are used efficiently at pulp and paper mills, wood pellet and fibre board plants and bioenergy facilities, and identify opportunities to sell to third parties for other beneficial uses

Feedback Mechanism

We have processes to resolve feedback related to residuals. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to Canfor's CEMC to ensure resolution.

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Performance

Canfor is always striving to maximize the utilization of fibre. Canfor is currently collaborating at a corporate level and across all entities to identify appropriate targets in future reports.

OUR GOAL

We are committed to maximizing utilization by identifying the highest and best use, from the forest to the finished product, while supporting sustainable forests.




Recovery of Residuals

Wood residuals, such as shavings, trim blocks, sawdust, chips and wood waste generated by the wood products manufacturing process, are recovered for use in manufacturing pulp or as fuel in our pulp operations, or they are diverted from disposal for use in other beneficial ways. In 2021, 5,873,268 oven-dried tonnes (ODT) of residuals were used internally or sold externally to other wood-related operations, such as pulp and paper, pellets and finger-joint plants, or to cogeneration facilities and landscapers across all North American operations.

We strive for the materials to be recovered and diverted from landfill. We continue to explore innovative applications of our fibre residuals.

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RESIDUALS PROCESSED BY MATERIAL (TONNES) ^a

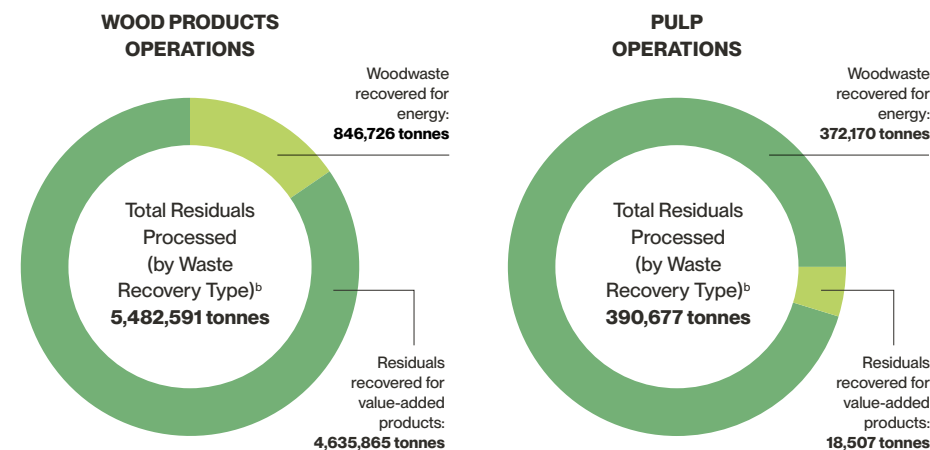
North American Wood Products Operations

Material	Amount	% of Total
External Sales		
Trim blocks	62,795	1.2%
Chips	2,293,328	41.8%
Bark	147,434	2.7%
Hog fuel	259,415	4.7%
Sawdust	274,613	5.0%
Shavings	433,614	7.9%
Salvage	6,296	0.2%
Ash	4,144	0.1%
Internal Sales		
Hog fuel	846,726	15.4%
Chips	878,696	16.0%
Sawdust	177,449	3.2%
Shavings	98,081	1.8%
Total Residuals Processed by Wood Products Operations	5,482,591	100%




Pulp Operations

Material	Amount	% of Total
Hog fuel	368,319	94.3%
Sludge used for energy	3,851	1.0%
Sludge applied to land or for agricultural use	18,507	4.7%
Total Residuals Processed by Pulp Operations	390,677	100%

Total Residuals Processed by Pulp and Wood Products Operations **5,873,268**



Innovative Uses for Residuals

-  We use woodwaste (hog fuel) as a renewable energy source for our operations.
-  We use chips from our sawmills as an input for our pulp mills and end pieces trimmed off finished lumber to be manufactured as straight finger-jointed lumber stud products.
-  We sell sawdust to customers who make medium-density fibreboard; shavings to make pellets for energy and beddings for farm animals. Ash and sludge are also used by customers for agricultural applications for soil.

^a All residuals data is collected in either oven dried tonnes or tonnes. For the purposes of reporting, we have conservatively reported all amounts in tonnes. For Canadian Wood Products Operations, data includes a blend of estimate and actuals.
^b The data reported as residuals is also shown in the waste data tables in the "Incinerated (With Energy Recovery)" and "Residual Recovered for Value-added Products" categories. These categories are considered waste diverted from landfill. See more in our [Waste Management section](#).

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Leading Bio-Innovation

In 2020, Canfor established our Bio-Innovation team, to explore long-term economic growth through diversification of sustainable products and lower-impact business solutions. This includes opportunities in the areas of biofuels, biochemicals and biomaterials.

The team assesses potential opportunities across the spectrum, from proof-of-concept to commercialization to implementation. New bioproducts will be designed and developed that meet customer needs and societal expectations around sustainability and renewable materials. The macro trends motivating the team include those related to decarbonization, net-zero emissions, single-use plastics bans, green buildings and sustainable e-commerce.



Canfor continues to make advances in bio-innovation through our joint venture, Arbios Biotech, with technology pioneer Licella Holdings. The Arbios Biotech partnership leverages the strengths and capabilities of both companies to convert wood residues and other biomass into renewable biofuels and biochemicals.

Canfor brings vast experience in biomass, engineering, operations and global supply chains. Licella has dedicated over a decade to developing a patented platform from which low-

carbon transportation biofuels and biochemicals can be produced. Arbios Biotech blends Licella's pioneering approach with Canfor's broad business expertise, and the two companies share a strong commitment to reducing carbon emissions and helping to mitigate climate change.

The Arbios Biotech program continued to advance in 2021. Licella built and commissioned a large-scale demonstration facility in Australia, which has completed a number of successful trials. This facility is de-risking the technology while providing significant volumes for larger-scale trials with prospective off-take partners.

With the success of the Australia facility, Arbios is preparing to establish a first-of-its-kind commercial facility in Prince George, B.C. Pending final approvals, construction will begin in 2022. Canfor Pulp will host the Arbios Biotech facility, with the main source of biomass feedstock to come from local sawmill operations. Arbios Biotech's low-carbon product will be processed through existing refineries to produce low-carbon transportation fuels.

The project is within the traditional territory of the Lheidli T'enneh First Nation, with whom Arbios Biotech has been working closely to understand the Nation's interests and ensure meaningful commercial and practical participation. The proponents are also collaborating on an environmental due diligence process with the Lheidli T'enneh First Nation.

In 2021, Arbios Biotech and Shell Catalysts & Technologies (SC&T) formed a new global alliance aimed at using SC&T's upgrading technology in the pursuit of a low-carbon-intensity, circular-economy biorefinery. The alliance between Arbios BioTech and SC&T aims to link Shell technology with the Licella platform and give Arbios Biotech the capability to upgrade sawmill residuals such as hog fuel to biofuels and biochemicals. When successful, this will allow Canfor to upgrade a low-value residual into a future carbon solution.

Arbios Biotech and its related partnerships are another demonstration of Canfor's commitment to environmental sustainability and pursuit of economic diversification.

Our Bio-Innovation team explores the long-term opportunities for new products, including biofuels, biochemicals and other biomaterials.



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Supply Chain Management

We want to make the journey our products take from the forests to our customers more sustainable.



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Our Approach

We work collaboratively with our stakeholders and partners throughout our supply chain to procure goods and services needed for our operations and ensure delivery of our products to our customers. We operate fairly with our partners and focus on local procurement when sourcing transportation.

Since 2020, global supply chains have been stretched beyond their capabilities. Supply chain issues can have serious economic impacts on our business, including global port congestion, container shortages, and transportation disruptions from severe wildfire conditions and unprecedented flooding. It is expected that climate change will continue to disrupt transportation, emphasizing the

need to prioritize a resilient supply chain to ensure access to markets and supplies. We closely monitor our supply chain to mitigate this risk, and work closely with our partners to find capacity in existing transportation options and identify alternate distribution routes through establishing new partnerships.

As part of our sustainability journey, we aim to evaluate environmental and social impacts directly by Canfor and indirectly through our relationships with our suppliers, customers and partners across our whole supply chain.

From harvesting wood fibre to transporting our finished products, we ensure transparency and traceability across our operations. Canfor is

committed to establishing and maintaining a chain of custody system within selected operations to create an information link between the raw materials used in our manufacturing or sold to other organizations and the forest area of origin of the raw material.

We aim to meet the forest management and fibre procurement requirements of the third-party Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC) certification.

As a result:

- 100% of Canfor-managed forests are SFI or FSC Forest Management Standard certified
- 100% of our U.S. wood products operations' raw material wood supply

is purchased from woodlot owners and is certified to the SFI Fibre Sourcing Standard

- 93% of our pulp mills' fibre was from FSC- and PEFC-certified Chain of Custody sources

Our initiatives cover all aspects of sustainability—environmental, social and economic—and help us manage our fibre supply chain responsibly. Each step is closely monitored, documented and audited by Canfor employees and independent certified bodies. This provides our global customers with assurance that Canfor's finished products come from legal, sustainable and well-managed forests.



We track the origin of raw material to ensure it comes from legal and responsible sources.

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Canfor's commitment to environmentally sustainable and socially responsible procurement is guided by a set of robust policies.

They include our Purchasing Policy, Environment Policy, Log Procurement Program Policy, Fibre Procurement Policy and Chain of Custody Policy. These policies delineate our expectations to avoid sourcing and trading raw material from illegally harvested areas and forests where high conservation values are threatened. We are committed to responsible sourcing, and expect our suppliers and contractors to comply with all

applicable laws and regulations. Our Purchasing Policy outlines that suppliers should support and respect human rights as defined by the Universal Declaration of Human Rights and associated covenants and the International Labour Organization.

We manage our Canadian fibre supply chain through a certified chain of custody process. Through PEFC Chain of Custody and FSC Controlled Wood/Chain of Custody, we track the origin of raw material to ensure it comes from legal and responsible sources. Chain of custody provides a

transparent information trail through each procurement, processing and delivery stage—from the forest, to the mill, through transportation, to our customers' hands. We conduct regular audits of our Chain of Custody system.

All of our SFI-, FSC- and PEFC-certified fibre must meet the required assessment procedures and controls for those certifications which includes certain environmental and social assessments.

This prevents the following from entering our operations:

- Controversial sources, which are associated with trading illegally harvested wood or wood harvested in violation of traditional human and labour rights
- Sources with forest management practices that do not maintain, conserve or enhance biodiversity and ecosystems

READ MORE

- [Environment Policy](#)
- [Log Procurement Program Policy](#)
- [Fibre Procurement Policy](#)
- [Chain of Custody Policy](#)



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Expectations of Our Suppliers

It is essential for us to ensure that the suppliers we source fibre from are practicing responsible forestry and production practices by agreeing to meet or exceed our minimum standards. Our Bullying and Harassment Policy applies to all employees, contractors, suppliers, agents and their employees. Our Code of Conduct and our Foreign Anti-Corruption Compliance Policy applies to all Canfor personnel when dealing with stakeholders, including suppliers.

We will continue to invest in technology to enhance our supply chain management from supplier to customer.



Governance and Accountability

Our Senior Vice President, Supply Chain and Digital oversees matters related to procurement, transportation and logistics of delivering our supplies to our operations and products to customers.

Our Canadian Woodlands team is led by our Chief Forester, who is responsible for sustainable forest management. Our U.S. fibre procurement is led by our Vice President, Fibre Procurement and Residuals. Canfor's Corporate Environmental Management Committee (CEMC) provides high-level oversight and due diligence of our sustainable forestry practices.

HIGHLIGHT

Digital Supply Chain

In 2021, Canfor focused on the initial steps to digitally transform our supply chain. Initiatives include researching yard management systems and geofencing to better track our finished goods inventory. We're also researching radio frequency identification (RFID) and telematics to help guide operators to fulfill orders with fewer moves at our facilities.

One of our key programs is Canfor Tender, a dashboard system that allows our transportation teams to maximize efficiency and ensure goods are transported on both directions of a truck's journey.

Supply chain disruptions have impacted all businesses globally. In response, Canfor is focused on increasing our supply chain visibility. We implemented a system that provides more accurate data for our ocean and rail shipments and positioning of our trucks, improving our ability to estimate delivery times and manage our supply chain.

We continue to invest in technology to enhance our supply chain management from supplier to customer. This will allow us to be agile and respond to future disruptions, and to further embed environmental, social and sustainability governance considerations in our supply chain.

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Performance

Canfor is focused on increasing our supply chain visibility. We are currently collaborating at a corporate level and across all entities to identify the appropriate goals and targets for the material topic. We will provide them in future reports.

OUR GOAL

We are committed to embedding sustainability throughout our supply chain.

We are audited by independent and accredited bodies to obtain their certifications. We also conduct independent internal audits to evaluate our efforts and make the results public. Please see the [Sustainable Forestry](#) section for additional details on audits and how we use findings to improve forest management practices and ensure responsible fibre sourcing.

Canfor recognizes that our supply chain plays an integral role in enabling sustainability throughout the organization. In 2021, we completed a full assessment of our scope 3 emissions and determined key areas in our supply chain that make up a significant portion of our overall emissions. With this information, we continue to refine our calculated estimate and will set a science-based scope 3 target. We are also in the process of conducting a risk assessment across our supply chain, focused on human rights. We will further explore our impacts and develop meaningful supply chain targets in future reporting years. This builds on our momentum to help us develop an even more reliable and resilient supply chain and examine it through the lens of sustainability.

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Supply Chain Risk Assessment

We will be conducting an assessment to define the high impact and risk areas along our supply chain, including potential impacts on human rights. In this assessment, Canfor will identify opportunities to make environmental, social and governance considerations part of our supplier management practices. We consider this a necessary step to further integrate sustainable practices into our supply chain.

Local Procurement

Our Purchasing Policy encourages supporting small local suppliers in our operating communities, where and when appropriate. We are also committed to engaging with Indigenous businesses and contractors for supplies and services. In 2021, 3.4% of our Canadian wood products operations spend was with Indigenous vendors. In Canada, we make our best efforts to hire local Indigenous vendors for the services we need. See more in our [Indigenous Relations](#) section.

In Canada, we harvest fibre from our certified Canfor-managed tenures, which are SFI or FSC Forest Management Standard certified and 93% of our pulp mill's fibre is from FSC- and PEFC-Chain of Custody certified sources. Our U.S. wood products operations source primarily from private woodlot owners, with whom we promote the use of best practices in forestlands management, based on sound scientific and economic principles that are locally appropriate. We support woodlot owners to adopt SFI or ATFS certifications. See more in our [Sustainable Forestry](#) section.

Scope 3 Greenhouse Gas Emissions

Similar to other companies, the majority of Canfor's emissions lie in our supply chain. Strong supply chain management supports our climate change strategy. We recognize the importance of working together with our supply chain partners to identify opportunities to reduce our total emissions. We have already taken the initial steps in understanding how our supply chain contributes to our total emissions by quantifying an estimation of our scope 3 emissions. We look forward to engaging our greater supply chain to improve our data collection and collaborating on initiatives that mutually support our sustainability ambitions.

We will be working with our supply chain partners to collaborate on initiatives that support our sustainability ambitions.



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HIGHLIGHT

New South Express

New South Express (NSE) is Canfor's trucking division that operates in our U.S. region, transporting harvested southern yellow pine lumber and residuals to sawmills and customers across the region. Truckers have always been an essential supply chain service. With the ongoing pandemic, transporting by truck has become even more important and it has become more challenging due to a shortage of skilled drivers.

Despite the challenges, NSE continues to make safety, diversity and employee experience a priority for drivers.

In 2021 NSE earned seven on-highway safety awards from a variety of trucking associations, including recognition for individual drivers' safety records and was named "Safest Fleet in Alabama" by the Alabama Trucking Association.

NSE's driver turnover was less than half the national average (42%, compared with a national average of 80% to 100%) and of our 174 drivers, six are women—a number that has doubled since 2019. To continue to attract more drivers, NSE is promoting "home time", which allows drivers to arrive home at the end of the day and automatic transmission trucks, which women and younger drivers say they prefer.

For National Truck Driver Appreciation Week in September, NSE and Canfor's transportation and procurement teams met drivers and distributed gift bags to express our thanks for all they do to keep goods moving.

Energy Management

Energy is essential in our production of renewable forest products, as is the need to manage energy resources responsibly to minimize environmental impact.

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Our Approach

Our employees play a vital role in helping to use energy efficiently, reduce consumption and strengthen our culture and commitment to energy management. We work closely with governments, utility organizations and other stakeholders to optimize our processes, conserve energy and continually seek effective and innovative approaches. Within Canfor, energy conservation metrics are directly linked to capital expenditure approvals. The integration of these considerations reinforces our focus on efficient energy management and a broad view of sustainability.

Energy is essential in our production of renewable forest products, as is the need to manage energy resources responsibly to minimize environmental impact. Our operations go beyond

the use of traditional fossil fuel energy sources by taking advantage of low-carbon alternatives like electric and biomass energy. Steam is generated by using spent black liquor from the pulping process. This steam is used to generate electricity in our pulp manufacturing operations. Our overarching goal is to lower the energy intensity of our operations while optimizing our energy to focus on clean sources. For energy consumption, all pulp mills have key performance indicators based on field measurements. We monitor consumption and assess resource efficiency actions accordingly. Canfor also conducts regular energy audits to identify and assess improvement projects as described.



Governance and Accountability

Canfor's Energy Management Program relies on shared accountability:

- The Energy Leader for each pulp mill reports to an Energy Manager, who coordinates efforts centrally; the Energy Manager reports to the General Manager of Strategy, Energy and Sustainability who ultimately reports to the Vice President of Pulp Operations
- The Energy Manager for our Canadian wood products operations oversees energy management for Canadian facilities and reports to the Manager of Capital and Maintenance Planning, who ultimately reports to the Vice President of Canadian Wood Products Operations
- The Environment Manager for our U.S. wood products operations oversees energy management at all U.S. facilities and reports to the Director of Environment and Sustainability; the Environment Manager also reports to the Vice President of U.S. Wood Products Operations for energy consumption matters

- The mentioned executives representing the operations report to the Canfor Board and Canfor Pulp Board
- The Energy Steering Committee is accountable for providing support and direction for the Energy Management Program and for supporting reduction goals; the senior leadership of our pulp mills and the General Manager, Capital and Maintenance Systems of our sawmills participate in the committee
- All employees are empowered and expected to reduce consumption in their day-to-day activities and are key to embracing an energy management culture

Our operations go beyond the use of traditional fossil fuel energy sources by taking advantage of low-carbon alternatives like electric and biomass energy.

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Feedback Mechanism

We have processes to resolve feedback related to energy management. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with Canfor. Significant matters are monitored by Environment Leads and reported to CEMC to ensure resolution.

Compressed Air Aware Campaign

The process for creating compressed air is energy intensive, and leaks in the process waste significant energy. Identifying and mitigating leaks decreases energy use. In 2021, we implemented a Compressed Air Aware campaign across all sawmills in Canada. We also finalized a new compressed air standard operating procedure (SOP) to help mills incorporate air leak detection into their routine maintenance schedules. This SOP provides employees with guidance on the proper way to document leaks and request repairs, as well as the tools needed to optimize our compressed air systems, detect and repair leaks, and reduce costs at our facilities.

Energy Management Information System

Our Northwood Pulp Mills in Prince George, B.C. has an Energy Management Information System (EMIS). Our Intercontinental Pulp Mill is also in the early stages of implementation of an EMIS. It compares actual energy consumption to dynamic targets while reporting in real time. This system looks at electricity consumption and generation as well as natural gas, biomass and steam consumption in each production area. We gather information using instrumentation in the field. Our other sawmills and pulp mills are investigating a similar implementation in future years.

Energy Engagement Event

Our Energy team and leaders hosted a virtual event in November, viewed by more than 300 employees. The team shared updates and the initiatives that Canfor is taking to lower our energy consumption and how they are essential for meeting our sustainability goals. Each business unit shared its approach to reducing energy use and how we can all make a difference in energy management and sustainability, both at work and at home. In 2021, our Canadian pulp and wood products operations completed energy management assessments: stakeholders identified energy efficiency action plans and objectives, and developed processes to monitor and analyze results.

HIGHLIGHT

WynnWood Energy Savings

In 2021, Canfor's WynnWood operation in Wynndel, B.C. successfully implemented a headrig carriage upgrade with a variable speed drive that resulted in annual electricity savings of around 192,500 kilowatt hours and decreased demand of 44 kilowatts. Due to the energy

savings associated with this project, FortisBC provided a rebate of \$57,755, which represented about 25% of the capital cost. Last year, WynnWood was recognized by FortisBC with the Industrial Efficiency in Action Award; the operation continues to pursue energy-saving opportunities.

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Performance

Through strategic energy management, Canfor aims to reduce our carbon footprint and create cost efficiencies.

Canfor is working at a corporate level and across all entities to identify the appropriate goals and targets for energy management. We will provide them in future reports.

OUR GOAL

We will decrease the energy intensity of the manufacturing process and continue to generate surplus clean energy.

Canfor's total energy consumption was 56,171,300 gigajoules in 2021 (compared to 55,553,312 gigajoules in 2020).

Overall, Canfor's energy consumption increased compared to last year primarily due to an overall increase in production following pandemic curtailments. There were some mill maintenance activities that have an impact on the mills' ability to optimize energy use. Hog fuel moisture content is another variable that could impact energy consumption. Natural gas consumption also increased as a function of increased steam loads and reliability challenges with the biomass combustion system for pulp operations.

We continue to seek opportunities to reduce our energy consumption. We conduct energy audits to evaluate our programs, policies and practices and encourage continuous improvement. These are conducted by internal auditors and relate to energy efficiency, legal compliance and internal processes. As we identify opportunities for improvement, we develop and monitor action plans.

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Total Energy Consumption Within Organization (gigajoules, GJ) ^{a,b}

Source	Fuel Type	2021				2020	
		Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Corporate Offices and Other Locations	Total	Total
Non-Renewable Sources	Diesel	107,131	336,481	603,780	0	1,047,392	992,496
	Gasoline	6,768	10,137	8,198	126	25,229	18,250
	Natural Gas	8,569,062	796,399	563,603	49,115	9,978,179	9,086,818
	Propane	35,194	18,878	34	0	54,106	54,818
	Subtotal	8,718,155	1,161,895	1,175,615	49,241	11,104,906	10,152,382
Renewable Sources	Crude Tall Oil	27,315	0	0	0	27,315	44,202
	NCGs	41,626	0	0	0	41,626	52,465
	Pulping Liquor	25,496,797	0	0	0	25,496,797	24,052,168
	Wood Waste/Hog Fuel	4,511,397	7,244,637	4,923,846	0	16,679,880	17,808,877
	Subtotal	30,077,135	7,244,637	4,923,846	0	42,245,618	41,957,712
Fuel Consumption	Subtotal	38,795,290	8,406,532	6,099,461	49,241	53,350,524	52,110,094
Electricity Purchased for Consumption	Non-renewable	37,060	24,533	767,714	1,782	831,089	n/a ^c
	Renewable	1,727,723	1,046,308	75,831	4,798	2,854,660	n/a ^c
	Subtotal	1,764,783	1,070,841	843,545	6,580	3,685,749	4,320,006
Electricity Sold	Subtotal	-685,805	-179,168	0	0	-864,973	-876,788
Total Energy Consumption Within Organization		39,874,268	9,298,205	6,943,006	55,821	56,171,300	55,553,312

^a Our prior year figures have been restated due to the review and refinement of our calculation methodology and assumptions and to ensure consistency with current year comparatives.

^b Data excludes Vida and Houston Pellet Limited Partnership (HPLP).

^c Information was not available to allocate electricity purchased for consumption between renewable and non-renewable sources.



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HIGHLIGHT

Polar Sawmill Upgrades to Debarker Waste Chain

When Canfor's Polar Sawmill in Bear Lake, B.C. updated their debarker waste chain, they also implemented a new low-friction material to save energy and reduce maintenance costs.

The debarker is the first piece of equipment a raw log is processed through at a sawmill. As the name suggests, it removes bark from logs and collects the stripped material, commonly known as hog or hog fuel. The hog is then burned to recover heat energy, which is used in our kilns to dry lumber.

Previously, a chain would drag metal 'pushers' along a metal base plate to move the hog material. Metal on metal causes significant friction and heat, leading to wear and tear. In the winter, the system could freeze up if it didn't run continuously.

Polar Sawmill shortened the entire chain assembly by 25 feet and replaced the metal pushers with ultra-high molecular weight polyethylene (UHMW) blocks. UHMW is an extremely durable and low-friction thermoplastic that is abrasion- and wear-resistant.

Due to the low-friction nature of UHMW, several metal wear points were eliminated, reducing system maintenance and extending the life of the equipment. These upgrades reduced energy consumption by around 1,000 kilowatt hours per year—roughly the amount of electricity consumed by the average household in one month.

With the success of the debarker waste chain upgrades, the mill maintenance team is considering adding UHMW blocks to several other metal-on-metal chains throughout the sawmill.

Our Polar Sawmill upgrades reduced energy consumption by around 1,000 kilowatt hours per year—roughly the amount of electricity consumed by the average household in one month.

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Biomass Electricity Generation

Our three pulp mills generate green energy. Where possible, we sell excess energy to the B.C. power grid. In 2021, the mills generated 833,198 megawatt hours (MWh) of power and sold 190,501 MWh to the power grid.

In Alberta, our Canfor Green Energy (CGE) biomass cogeneration facility provides renewable heat and electricity to our Grande Prairie sawmill. In 2021, CGE generated 87,882 MWh of power and sold 49,769 MWh of renewable energy to the Alberta power grid.

The Organic Rankine Cycle (ORC) at our Chetwynd, B.C. pellet plant generates renewable heat and electricity for the pellet plant. The ORC takes a portion of the heat from the energy system and converts it to electricity. In 2021, the Chetwynd ORC generated 12,785 MWh. The remaining heat is used to dry sawdust for use as pellet production feedstock.

Our Canfor Green Energy biomass cogeneration facility provides renewable heat and electricity to our Grande Prairie sawmill and the Alberta power grid. It generated 87,822 MWh of electricity—equivalent to the electricity used by approximately 7,600 homes in one year.

Green-up of Timber Increasing Energy Requirements

During the mountain pine beetle epidemic, the wood fibre we harvested had lower moisture content and required less energy in the drying process. Today's fibre is 'greener' and contains more moisture. As a result, we continue to see an increase in the total moisture of the timber processed in our B.C. operations. This 'green-up' of the fibre affects energy consumption, as it increases the time lumber needs to dry in the kilns to achieve high-grade products. It also affects our pulp operations, as the increased moisture in the hog fuel decreases boiler efficiency. At a number of operations, we've increased kiln capacity and installed high-efficiency gas boosters. This continues to result in an overall increase in the amount of natural gas consumed compared to previous years.

Energy Environmental Compliance

We monitor incidents of non-compliance with legal requirements for environmental activities and categorize them by severity. Non-compliance incidents are investigated and we develop and implement corrective actions around all categories of significance. In 2021, we did not receive any significant fines for energy-related non-compliances, nor any non-monetary sanctions.



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Cautionary Note on Forward-Looking Statements

This report contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as “forward-looking statements”). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as “expects”, “anticipates”, “projects”, “intends”, “plans”, “will”, “believes”, “seeks”, “estimates”, “should”, “may”, “could”, “work to”, “potential”, “focus”, “targets”, “goals” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on Management’s current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and Canfor assumes no obligation to update such information to reflect later events or developments, except as required by

law. These statements speak only as of the date of this report.

Forward-looking statements in this report include but are not limited to: statements relating to our sustainability strategy; short-term and long-term sustainability goals; strategic priorities and our goals, targets, commitments and plans and our expectations regarding those goals, targets, commitments and plans. The forward-looking statements in this report are based on a number of estimates, projections, beliefs and assumptions Management believed to be reasonable as of the date of this report, though inherently uncertain and difficult to predict, including but not limited to expectations and assumptions concerning: the development and performance of technology; our ability to attract and retain skilled employees; costs of closure; environmental compliance costs generally; and assumptions regarding the development of our business generally.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, experience or achievements of Canfor to be materially different from those expressed or implied by the forward-looking statements. Risks and uncertainties that could influence actual results include, but are not limited to: risks associated with the consequence of climate change; operational problems;

regulatory action; environmental compliance challenges; changes in laws and governmental regulations; costs of compliance with environmental and other laws and regulation; risks relating to the development and use of new technology or lack of appropriate technologies needed to advance our goals; natural disasters and adverse weather conditions; changes in commodity prices; global pandemics; business continuity events; general business and economic conditions; and the future operation and financial performance of the company generally. We caution that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. There can be no assurance that Canfor will achieve its goals and objectives. Further information regarding risk and uncertainties is also discussed under “Risk and Uncertainties” in Canfor and Canfor Pulp’s management’s discussion and analysis and other documents available at www.sedar.com. The forward-looking statements speak only as of the date of this report.

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Alignment with Reporting Frameworks

In 2021, we have prepared disclosures in alignment with the Global Reporting Initiative (GRI): Core Option, the Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate-related Financial

Disclosures (TCFD) recommendations. The following indices reference the location of where our response to these reporting requirements can be found.

Topic-Specific Data Boundaries

Impacts that make sustainability topics relevant to us may occur outside Canfor or Canfor Pulp, or they may only be material for some of our locations or operations. When our reporting on a sustainability disclosure only concerns specific operations, regions or other data collection boundaries, based on materiality, this is specified in connection with the respective disclosure.

Unless otherwise stated, the scope of this report covers Canfor Corporation and Canfor Pulp Products Inc. including all consolidated subsidiaries, excluding Canfor's 70% owned subsidiary Vida. Sustainability information for Vida is not included in this report and is separately disclosed in Vida's 2021 Sustainability Report. This report also excludes Canfor's 60% interest in Houston Pellet, Inc. See further discussion in Reporting Period, Organizational Boundaries and Methodology on [page 13](#).

Acronym Legend

SR	2021 Sustainability Report
AIF	2021 Annual Information Form ^a
AR	2021 Annual Report ^a
IC	2022 Information Circular (dated March 16, 2022)

^a References to Canfor's 2021 AR, AIF and 2022 IC include the consolidated results and management of Canfor Corporation, which includes Canfor's 70%-owned subsidiary Vida and Canfor's 60%-owned partnership HPLP; however, the 2021 Sustainability Report excludes Vida and HPLP, unless otherwise indicated within the information included in this report.

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GRI Content Index

This report has been prepared in accordance with GRI Standards: Core Option. This means that our reporting covers all the General Disclosures, as well as Topic-Specific Standards we deem material. In this GRI Content Index, we list our disclosures with reference to the GRI Standards and reference to the locations where disclosures are addressed in our annual reporting. The location references are complemented in the index with additional information, such as reasons for omissions as necessary.

GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 102: GENERAL DISCLOSURES 2016			
Organization Profile			
GRI 102-1	Name of the organization	Canfor Corporation (Canfor) Canfor Pulp Products Inc. (Canfor Pulp)	
GRI 102-2	Activities, brands, products and services	Canfor AR: Company Overview (Page 7) Canfor Pulp AR: Company Overview (Page 3)	
GRI 102-3	Location of headquarters	Vancouver, B.C., Canada Canfor AIF: Incorporation (Page 3) Canfor Pulp AIF: Incorporation (Page 3)	
GRI 102-4	Location of operations	SR: About Canfor (Page 8) Our operations Canfor AR: Company Overview (Page 7) Canfor AIF: Business Segments (Page 9) Canfor Pulp AR: Company Overview (Page 3) Canfor Pulp AIF: Business Segments (Page 5)	
GRI 102-5	Ownership and legal form	Canfor and Canfor Pulp are publicly traded companies on the Toronto Stock Exchange under the symbols "CFP" and "CFX", respectively. Canfor AIF: Incorporation (Page 3); Corporate Structure (Page 4); Business Segments (Page 9) Canfor Pulp AIF: Incorporation (Page 3); Corporate Structure (Page 3); Business Segments (Page 5)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 102-6	Markets served	SR: About Canfor (Page 11) Canfor AIF: Business Segments (Page 9); Lumber Markets and Distribution (Page 15) Canfor Pulp AIF: Business Segments (Page 5); CPPI Markets and Distribution (Page 9)	
GRI 102-7	Scale of the organization	Canfor AR: Company Overview (Page 7); Overview of Consolidated Financial Results (Page 19); Summary of Financial Position (Page 28) Canfor AIF: Human Resources (Page 16) Canfor Pulp AR: Company Overview (Page 3); Overview of Consolidated Financial Results (Page 10); Summary of Financial Position (Page 15) Canfor Pulp AIF: Incorporation (Page 3); Corporate Structure (Page 3); Business Segments (Page 5)	
GRI 102-8	Information on employees and other workers	SR: Inclusion and Diversity (Page 43)	
GRI 102-9	Supply chain	SR: Supply Chain Management (Page 144)	We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 102-10	Significant changes to the organization and its supply chain	Canfor AIF: Significant Events (Page 6) Canfor Pulp AIF: Significant Events (Page 4)	
GRI 102-11	Precautionary principle or approach	At Canfor, we endeavour to apply the precautionary approach to protect the environment. We are committed to responsible stewardship of the environment throughout our operations.	
GRI 102-12	External initiatives	SR: Membership of Associations (Page 20)	
GRI 102-13	Membership of associations	SR: Membership of Associations (Page 20)	
Strategy			
GRI 102-14	Statement from senior decision-maker	SR: Message from CEO (Page 3); Message from CFO and SVP, Sustainability (Page 4)	
Ethics and Integrity			
GRI 102-16	Values, principles, standard and norms of behaviour	SR: Our Approach to Sustainability (Page 21) Our values Canfor Governance Manual: Code of Conduct (Page 37) Canfor Board Mandate: Ethics and Integrity (Page 2) Canfor Pulp Governance Manual: Code of Conduct (Page 31) Canfor Pulp Board Mandate: Ethics and Integrity (Page 1)	
GRI 102-17	Mechanisms for advice and concerns about ethics	Canfor Governance Manual: Reporting of Concerns (Page 9) ; Reporting violations of the code (Page 45) Canfor Pulp Governance Manual: Reporting of concerns (Page 9) ; Reporting violations of the code (Page 44)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
Governance			
GRI 102-18	Governance structure	<p>Canfor Board Mandate: All</p> <p>Canfor Governance Manual: All</p> <p>Canfor AIF: Directors and Officers (Page 21)</p> <p>Canfor Pulp Board Mandate: All</p> <p>Canfor Pulp Governance Manual: All</p> <p>Canfor Pulp AIF: Directors and Officers (Page 12)</p>	
GRI 102-19	Delegating authority	<p>SR: Our Approach to Sustainability (Page 21)</p>	
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	<p>SR: Our Approach to Sustainability (Page 21)</p>	
GRI 102-22	Composition of the highest governance body and its committees	<p>Canfor AIF: Directors and Officers (Page 21)</p> <p>Canfor IC: Election of Directors (Page 7); The Board of Directors (Page 22)</p> <p>Canfor Pulp AIF: Directors and Officers (Page 12)</p> <p>Canfor Pulp IC: Election of Directors (Page 8); Board of Directors (Page 25)</p>	
GRI 102-23	Chair of the highest governance body	<p>Conrad Pinette was the Chairman of the Canfor and Canfor Pulp Boards from August 2017 until April 2021. Mr. Pinette is not an executive officer of Canfor or Canfor Pulp.</p> <p>As of April 2021, John Baird is the Chairman of the Canfor and Canfor Pulp Boards. Mr. Baird is not an executive officer of Canfor or Canfor Pulp.</p>	
GRI 102-24	Nominating and selecting the highest governance body	<p>Canfor Governance Manual: Joint Governance and Sustainability Committee (Page 20)</p> <p>Canfor IC: Nomination of Directors (Page 24); Board/Committee Assessments of Effectiveness and Renewal (Page 27)</p> <p>Canfor Pulp Governance Manual: Joint Corporate Governance Committee (Page 20)</p> <p>Canfor Pulp IC: Nomination of Directors (Page 27); Board/Committee Assessments of Effectiveness and Renewal (Page 30)</p>	
GRI 102-25	Conflicts of interest	<p>Canfor Governance Manual: Ethics and Conflicts of Concerns (Page 9)</p> <p>Canfor AIF: Directors and Officers (Page 21)</p> <p>Canfor IC: Board of Directors - Independence and Other Directorships (Page 22)</p> <p>Canfor Pulp Governance Manual: Ethics and Conflicts of Concerns (Page 9)</p> <p>Canfor Pulp AIF: Directors and Officers (Page 12)</p> <p>Canfor Pulp IC: Board of Directors - Independence and Other Directorships (Page 25)</p>	
GRI 102-26	Role of highest governing body in setting purpose, values and strategy	<p>Canfor Board Mandate: Leadership (Page 1); Strategy (Page 5)</p> <p>Canfor Pulp Board Mandate: Leadership (Page 1); Strategy (Page 5)</p>	



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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 102-28	Evaluating the highest governance body's performance	Canfor Governance Manual: Self Evaluation (Page 8) Canfor IC: Board/Committee Assessments of Effectiveness and Renewal (Page 27) Canfor Pulp Governance Manual: Self Evaluation (Page 8) Canfor Pulp IC: Board/Committee Assessments of Effectiveness and Renewal (Page 30)	
GRI 102-29	Identifying and managing economic, environmental, and social impacts	Canfor IC: Joint Governance and Sustainability Committee (Page 25) Canfor Pulp IC: Joint Governance and Sustainability Committee (Page 28)	
GRI 102-32	Highest governance body's role in sustainability reporting	The executive management team and Canfor and Canfor Pulp Board of Directors reviewed the 2021 Sustainability Report	
GRI 102-33	Communicating critical concerns to highest governance body	Canfor Governance Manual: Reporting of Concerns (Page 9) Canfor Pulp Governance Manual: Reporting of Concerns (Page 9)	
GRI 102-35	Remuneration policies	Canfor IC: Compensation Discussion and Analysis (Page 10); Director Compensation (Page 19) Canfor Pulp IC: Compensation Discussion and Analysis (Page 13); Director Compensation (Page 22)	
GRI 102-36	Process for determining remuneration	Canfor IC: Compensation Discussion and Analysis (Page 10) Canfor Pulp IC: Compensation Discussion and Analysis (Page 13)	
GRI 102-37	Stakeholders' engagement in remuneration	Canfor IC: Compensation Discussion and Analysis (Page 10) Canfor Pulp IC: Compensation Discussion and Analysis (Page 13)	
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	SR: Engaging with Stakeholders and Partners (Page 18)	
GRI 102-41	Collective bargaining agreements	SR: Human Rights (Page 65) Canfor AIF: Human Resources (Page 16) Canfor Pulp AIF: Human Resources (Page 10)	
GRI 102-42	Identifying and selecting stakeholders	SR: Engaging with Stakeholders and Partners (Page 18)	
GRI 102-43	Approach to stakeholder engagement	SR: Engaging with Stakeholders and Partners (Page 18)	
GRI 102-44	Key topics and concerns	SR: Engaging with Stakeholders and Partners (Page 18)	
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	SR: About This Report (Page 12) Canfor AR: Reporting Entity (Page 76) Canfor Pulp AR: Reporting Entity (Page 46)	
GRI 102-46	Defining report content and topic boundaries	SR: Our Materiality Assessment (Page 27)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 102-47	List of material topics	SR: Our Materiality Assessment (Page 27)	
GRI 102-48	Restatements of information	SR: About This Report (Page 12)	
GRI 102-49	Changes in reporting	SR: About This Report (Page 12); Our Materiality Assessment (Page 27)	
GRI 102-50	Reporting period	SR: About This Report (Page 12)	
GRI 102-51	Date of most recent report	The date of the most recent previous report is October 2021	
GRI 102-52	Reporting cycle	Annual	
GRI 102-53	Contact point for questions regarding the report	Info@canfor.com	
GRI 102-54	Claims of reporting in accordance with the GRI standards	SR: About This Report (Page 12)	
GRI 102-55	GRI content index	GRI Content Index (this list)	
GRI 102-56	External assurance	External assurance has not been sought for this report	
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its Boundary	Approaches for GRI Standards Specific Topics as indicated below in this table are disclosed in each relevant section of the report and explains why they are significant.	
GRI 103-2	The management approach and its components	Each relevant section in the report discloses applicable strategies, policies, procedures and metrics.	
GRI 103-3	Evaluation of the management approach	Each relevant section in the report discloses how we evaluate the management of the topic, including results of evaluations and adjustments to the management approach.	
GRI 201: ECONOMIC PERFORMANCE 2016			
GRI 201-1	Direct economic value generated and distributed	Canfor AR: Consolidated Financial Statements (Page 64)	
GRI 201-3	Defined benefit plan obligations and other retirement plans	Canfor AR: Employee Future Benefits (Page 80) Canfor Pulp AR: Employee Future Benefits (Page 50)	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016			
GRI 203-1	Infrastructure investments and services supported	SR: Community Engagement (Page 71)	
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016			
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Canfor AR: Softwood Lumber Agreement (Page 60)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 301: MATERIALS 2016			
GRI 301-2	Recycled input materials used	Not applicable	Not applicable: Canfor is a primary forest products manufacturer. Canfor Pulp manufactures products from residuals generated in the manufacturing process, which are byproducts of the lumber manufacturing process. Neither company uses recycled input material that are not byproducts produced by the organization.
GRI 302: ENERGY 2016			
GRI 302-1	Energy consumption within the organization	SR: Energy Management (Page 150)	
GRI 302-5	Reductions in energy requirements of products and services	Not applicable	Not applicable: our sold products do not have energy requirements.
GRI 303: WATER AND EFFLUENTS 2018			
GRI 303-1	Interactions with water as a shared resource	SR: Water Management (Page 119)	
GRI 303-2	Management of water discharge-related impacts	SR: Water Management (Page 119)	
GRI 303-3	Water withdrawal	SR: Water Management (Page 119)	
GRI 304: BIODIVERSITY 2016			
GRI 304-2	Significant impacts of activities, products and services on biodiversity	SR: Sustainable Forestry (Page 79)	
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	SR: Sustainable Forestry (Page 79)	
GRI 305: EMISSIONS 2016			
GRI 305-1	Direct (scope 1) GHG emissions	SR: Climate Change (Page 98)	
GRI 305-2	Energy indirect (scope 2) GHG emissions	SR: Climate Change (Page 98)	
GRI 305-3	Other indirect (scope 3) GHG emissions	SR: Climate Change (Page 98)	
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Not applicable	Not applicable: ODS are not material to our operations.
GRI 305-7	Nitrous oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions	SR: Air Quality (Page 112)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 306: WASTE 2020			
GRI 306-1	Waste generation and significant waste-related impacts	SR: Waste Management (Page 126)	
GRI 306-2	Management of significant waste-related impacts	SR: Waste Management (Page 126)	
GRI 306-3	Waste generated	SR: Waste Management (Page 126)	
GRI 306-4	Waste diverted from disposal	SR: Waste Management (Page 126)	
GRI 306-5	Waste directed to disposal	SR: Waste Management (Page 126)	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
GRI 307-1	Non-compliance with environmental laws and regulations	SR: Sustainable Forestry (Page 79)	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016			
GRI 308-1	New suppliers that were screened using environmental criteria	Information unavailable	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Information unavailable	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 401: EMPLOYMENT 2016			
GRI 401-1	New employee hires and employee turnover	SR: Inclusion and Diversity (Page 43)	Information unavailable: We are currently reviewing employee turnover rate methodology such that it is comparable to industry peers. We will continue to expand this disclosure in future reports.
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR: Safety, Health and Wellness (Page 31)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 403: OCCUPATIONAL HEALTH & SAFETY 2018			
GRI 403-1	Occupational health and safety management system	SR: Safety, Health and Wellness (Page 31)	
GRI 403-2	Hazard identification, risk assessment, and incident investigation	SR: Safety, Health and Wellness (Page 31)	
GRI 403-3	Occupational health services	SR: Safety, Health and Wellness (Page 31)	
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	SR: Safety, Health and Wellness (Page 31)	
GRI 403-5	Worker training on occupational health and safety	SR: Safety, Health and Wellness (Page 31)	
GRI 403-6	Promotion of worker health	SR: Safety, Health and Wellness (Page 31)	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable	Not applicable: We do not have workers who are not employees and whose work and workplace are not controlled by Canfor, where our operations, products or services are directly linked to significant occupational health and safety impacts on those workers by our business relationships. See GRI 403-1 to 403-6 on scope of workers covered by our OHS management system.
GRI 403-8	Workers covered by an occupational health and safety management system	SR: Safety, Health and Wellness (Page 31)	
GRI 403-9	Work-related injuries	SR: Safety, Health and Wellness (Page 31)	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
GRI 405-1	Diversity of governance bodies and employees	SR: Inclusion and Diversity (Page 43)	
GRI 406: NON-DISCRIMINATION 2016			
GRI 406-1	Incidents of discrimination and corrective actions taken	SR: Human Rights (Page 65)	
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016			
GRI 411-1	Incidents of violations involving rights of indigenous peoples	SR: Indigenous Relations (Page 55)	

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GRI Standard #	Indicator Name	Location/Commentary	Omissions
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016			
GRI 414-1	New suppliers that were screened using social criteria	Information unavailable	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 414-2	Negative social impacts in the supply chain and actions taken	Information unavailable	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.

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SASB Standards Index

Canfor reports Sustainability Accounting Standards Board (SASB) standards disclosure topics and metrics for "Forestry Management" and "Pulp and Paper Products" standards. The following disclosure for "Forestry Management" is only applicable to Canadian forest lands sustainably managed by Canfor. Canfor does not manage forest lands in the United States or Sweden. We strive to be further aligned to SASB standards and plan to address any omissions in future reporting years.

Forestry Management		
CODE	ACCOUNTING METRIC	OUR RESPONSE
Ecosystem Services & Impacts		
RR-FM-160a1	Area of forestland certified to a third-party forest management standard, percentage certified to each standard	<p>Canfor directly manages forest land in Canada only.</p> <p>The total forestland area under Canfor management in Canada is over 13 million hectares.</p> <p>100% of Canfor-managed forests are certified to third-party forest management standards. The proportion by certified to each standard based on area is:</p> <p>FSC - 8.7%</p> <p>SFI - 91.3%</p>
RR-FM-160a2	Area of forestland with protected conservation status	Canfor currently reports on our management approach for areas with protected conservation status. See our Sustainable Forestry section on page 79 . Canfor does not currently report area of forestland with protected conservation status. Canfor is evaluating if area by hectares for this topic or an alternate metric may be more representative and relevant for future reporting periods.
RR-FM-160a3	Area of forestland in endangered species habitat	Canfor currently reports on our management approach for endangered species habitats, see our Sustainable Forestry section on page 79 . Canfor does not currently report area of forestland in endangered species habitat. Canfor is evaluating if area by hectares for this topic or an alternate metric may be more representative and relevant for future reporting periods.
RR-FM-160a4	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	Canfor practices sustainable forest management and prepares forest stewardship management plans that include a range of considerations including biodiversity, wildlife habitat, water quality and recreation. See Forest Stewardship in Sustainable Forestry section on page 83 .

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Forest Management		
CODE	ACCOUNTING METRIC	OUR RESPONSE
Rights of Indigenous Peoples		
RR-FM-210a1	Area of forestland in indigenous land	We have existing agreements with several of the Indigenous Nations on whose traditional territories we operate and continue discussions with many other Indigenous Nations to enter into additional agreements. See our Indigenous Relations section on page 55 .
RR-FM-210a2	Description of engagement processes and the due diligence practices with respect to human rights, indigenous rights and the local community	Our Indigenous Engagement Strategy is detailed on page 55 , see also Treaty Rights in our Indigenous Relations section on page 57 and Human Rights section on page 65 .
Climate Change Adaptation		
RR-FM-450a1	Description of strategy to manage opportunities for and risks to forest management and timber production presented by Climate Change	See both the Sustainable Forestry and Climate Change sections on pages 79 and 98 .
CODE	ACTIVITY METRIC	OUR RESPONSE
RR-FM-000A	Area of forestland owned, leased, and/or managed by the entity	Total area of forestland managed by Canfor is over 13 million hectares.
RR-FM-000B	Aggregate standing timber inventory	In Canada, we source wood primarily through long-term tenure agreements on publicly owned land. Inventory information is held by government.
RR-FM-000C	Timber harvest volume	Total wood fibre supply from Canfor tenures was 8.2 million cubic metres for year ended December 31, 2021. (Page 14, Canfor Annual Information Form)

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The following disclosure for "Pulp and Paper Products" is applicable to our subsidiary Canfor Pulp Products Inc (Canfor Pulp), unless otherwise stated. We strive to be further aligned to SASB standards and plan to address any omissions in future reporting years.

Pulp and Paper Products		
CODE	ACCOUNTING METRIC	OUR RESPONSE
Greenhouse Gas Emissions		
RR-PP-110a1	Gross global scope 1 emissions	See our "Climate Change" section on page 98 .
RR-PP-110a2	Discussion of long-term and short-term strategy or plan to manage scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	See our "Climate Change" section on page 98 .
Air Quality		
RR-PP-120a1	NO _x (excluding N ₂ O)	See our "Air Quality" section on page 112 .
	SO ₂	See our "Air Quality" section on page 112 .
	Volatile Organic Compounds (VOCs)	The amount of VOCs/HAPs are not currently reported as part of our sustainability report, but certain VOCs and HAPs are disclosed annually in our report to Canada's National Pollutant Release Inventory for our Canadian operations. We are seeking to refine the calculation methodology and will consider its applicability to Canfor and report in future years.
	Particulate matter	See our "Air Quality" section on page 112 .
	Hazardous Air Pollutants (HAPs)	The amount of VOCs/HAPs are not currently reported as part of our sustainability report, but certain VOCs and HAPs are disclosed annually in our report to Canada's National Pollutant Release Inventory for our Canadian operations. We are seeking to refine the calculation methodology and will consider its applicability to Canfor and report in future years.
Energy Management		
RR-PP-130a1	Total energy consumed	See our "Energy Management" section on page 150 .
	Percentage grid electricity	See our "Energy Management" section on page 150 .
	Percentage from biomass	See our "Energy Management" section on page 150 .
	Percentage from other renewable energy	See our "Energy Management" section on page 150 .
	Total self-generated energy	See our "Energy Management" section on page 150 .

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Pulp and Paper Products		
CODE	ACCOUNTING METRIC	OUR RESPONSE
Water Management		
RR-PP-140a1	(1) Total water withdrawn	See our "Water Management" section on page 119 .
	(2) Total water consumed	See our "Water Management" section on page 119 .
	(3) Percentage of each in regions with High or Extremely High Baseline Water Stress	See our "Water Management" section on page 119 .
RR-PP-140a2	Description of water management risks and discussion of strategies and practices to mitigate those risks	See our "Water Management" section on page 119 .
Supply Chain Management		
RR-PP-430a1	Percentage of wood fibre sourced from:	See our "Sustainable Forestry" section on page 79 .
	(1) Third-party certified forestlands and percentage to each standard and (2) Meeting other fibre sourcing standards and percentage to each standard	
RR-PP-430a2	Amount of recycled and recovered fibre procured	Canfor is a primary producer of high-quality wood products. Canfor Pulp manufactures products from residuals generated in the manufacturing process, which are byproducts of the lumber manufacturing process. Neither company uses recycled input material that are not byproducts produced by the organization. See our "Residuals Management" section on page 135 .
CODE	ACTIVITY METRIC	OUR RESPONSE
RR-PP-000A	Pulp production	Canfor Pulp produced 1,018,309 tonnes of bleached and unbleached kraft pulp as well as Bleached Chemi-Thermo Mechanical Pulp (BCTMP). (See page 8 of our AIF for breakdown by production type)
RR-PP-000B	Paper production	Canfor Pulp produced 125,784 tonnes of bleached and unbleached kraft paper in 2021. (See page 8 of our AIF for breakdown by production type).
RR-PP-000C	Total wood fibre sourced	For our pulp operations, when running at full capacity, ongoing annual fibre requirements are approximately 2.5 million oven-dried metric tonnes (ODTs) of wood chips and 400,000 ODTs of hog fuel. (Page 6, Canfor Pulp AIF)

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The Task Force on Climate-related Financial Disclosures (TCFD) created by the Financial Stability Board are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. In addition to Our Response to Climate

Change on [page 5](#) and our [Climate Change](#) section of the report, we have included a summary of our responses to each recommendation and links to where detailed information can be found in our Annual Reports and Sustainability Report.

Task Force on Climate-related Financial Disclosures Index

THEMATIC AREA: GOVERNANCE

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
a) Board's oversight of climate-related risks and opportunities	<p>Canfor's Board Committees, Executive Management, and supporting teams provide oversight and accountability for identifying, assessing and managing climate-related risks and opportunities.</p> <ul style="list-style-type: none"> Canfor's Board Committees (the Joint Governance & Sustainability Committee; the Joint Audit Committee; and the Joint Environmental, Health & Safety Committee) provide oversight of climate-related issues, and strategic guidance to our sustainability program and approach to ensure these topics are appropriately considered within the Company's strategy, business planning and risk management approach. Canfor's Board Committees meet on a quarterly basis and are informed on sustainability- and climate-related topics and key activities through regular updates from management as well as through a Sustainability Scorecard that tracks progress towards goals and targets for key material sustainability topics. We will continue to define the role of the Board in providing oversight of climate-related issues to ensure continued monitoring of evolving risks and requirements. 	<p>Canfor and Canfor Pulp Governance Manual Sustainability Report (SR): <u>Our Sustainability Governance</u></p>
b) Management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> There are several management-level positions with associated climate-related responsibilities, as well as Energy & Environmental Leads within each business unit, who are responsible for monitoring climate-related issues and providing regular updates to Executive Management and quarterly updates to the Board's Joint Governance & Sustainability Committee. Our President and CEO holds ultimate accountability for successful sustainability performance. Our Chief Financial Officer (CFO) & Senior Vice President, Sustainability oversees the development and execution of the sustainability strategy and disclosure across the business. Reporting to the CFO & Senior Vice President, Sustainability, the Director, Environment & Sustainability is responsible for Canfor's sustainability- and climate-related efforts and works closely with other sustainability-related positions such as the Manager, Climate Change & Carbon, and internal committees such as the Corporate Environmental Management Committee (CEMC) and the Sustainability Working Group (SWG). Collectively, they monitor and disclose on climate-related issues, implement Canfor's climate strategy, engage as needed with the Executive Management team, update the quarterly Sustainability Scorecard, and deliver quarterly updates to the Board and relevant Committees. Canfor's CEMC has additional oversight over climate-related topics such as sustainable forestry, air quality, water management and waste management. Canfor's SWG represents key stakeholders across business units and is responsible for cross-functional engagement and information sharing on sustainability topics. We will continue to develop and strengthen standard procedures to support upward reporting of climate-related issues. 	<p>SR: Our Sustainability Governance SR: Climate Change section – Governance & Accountability</p>

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THEMATIC AREA: STRATEGY

Recommended disclosure

Disclosure summary & commentary

Links to more information in our Sustainability Report and Annual Report

a) Climate-related risks and opportunities identified over the short, medium and long term

Canfor recognizes the significant impact climate change will continue to have on our forests, the communities we operate in and our business, and we are committed to playing a leading role in reducing our emissions. We have defined our decarbonization road map for our scope 1 and 2 emissions and are in the process of developing our strategies towards scope 3.

Annual Report (AR): [Management Discussion & Analysis](#)

SR: [Climate Change section – Our Approach](#)

SR: [Climate Change section – Climate Change Vulnerability Assessment](#)

SR: [Residuals Management section](#)

- Climate-related risks and opportunities include, but are not limited to:
 - Chronic and acute physical risks such as the increasing frequency and severity of weather conditions, forest fires, hurricanes, earthquakes, and timber diseases and insect infestations.
 - Transition risks including changes in laws, regulations, and industry standards associated with climate change.
 - Reputational risks due to rising prominence of environment, social and governance concerns among Canfor’s stakeholders and Indigenous Partners.
 - The opportunity to play a key role in the shift to a circular, sustainable, low-carbon global economy. This includes the displacement of carbon-intensive building materials (e.g., cement, steel, plastic) with sustainable forest products; identification of beneficial uses for forest residuals and manufacturing residuals such as wood chips, shavings and sawdust; development of innovative bioproducts (e.g., biofuels, biochemicals, biomaterials); and the pursuit of other innovative and strategic partnerships to drive sustainable economic business diversification.
 - The opportunities identified in the development of our decarbonization road map to improve efficiency and realize operational savings over the medium and long term.
- As part of our continued journey towards a low-carbon future, we are working to bolster the processes and time horizons used to assess climate-related issues and their potential impact on the business.

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THEMATIC AREA: STRATEGY (CONTINUED)

Recommended disclosure

Disclosure summary & commentary

Links to more information in our Sustainability Report and Annual Report

b) Impact of climate-related risks and opportunities on the businesses, strategy and financial planning

- Climate-related risks and opportunities are incorporated in Canfor's overall Sustainability Strategy and processes for reviewing and aligning our overall Corporate and Sustainability strategies. This includes looking at current risks as well as emerging and forecasted risks across all material sustainability topics, including climate change, and assessing them for materiality and potential impacts on Canfor's business.
- Climate-related physical risks may adversely affect Canfor's timber supply, resulting in reduced transportation availability, and/or have similar effects on our suppliers and customers. Any of the damage caused by these events could increase costs and decrease Canfor's production capacity, which may have an adverse effect on Canfor's financial results.
- Transition risks such as changes in laws, regulations and industry standards associated with climate change. Canfor monitors all regulatory changes to assess their impact on operations and considers adaptation and mitigation strategies to manage and reduce greenhouse gas emissions and established a decarbonization road map. However, there is no guarantee that these efforts will be effective and these risks may lead to increased capital expenditures or payment of carbon taxes or could adversely affect our operations or financial condition.
- Reputational risks may impact public opinions about Canfor and our industry and could adversely affect our reputation, business, strategy and operations.
- The opportunity to play a key role in the shift to a circular, sustainable, low-carbon global economy may result in innovative and strategic partnerships that may lead to sustainable economic business diversification.
- The opportunities identified in the development of our decarbonization road map to improve efficiency and realize operational savings over the medium and long term.
- Canfor considers adaptation and mitigation strategies to manage and reduce carbon emissions and has established a high-level decarbonization road map. This road map will form the basis for further integration of climate-related issues into Canfor's corporate strategy, operations and financial planning processes, and establishment of potential supporting programs such as an internal carbon price in the future. See [Strategy section C](#) for details on Canfor's plans to enable the transition to a low-carbon economy.

AR: [Management Discussion & Analysis](#)

SR: [Our Sustainability Governance – Risk Management](#)

SR: [Climate Change section – Climate Change Vulnerability Assessment](#)

SR: [Climate Change section – Road Map to Decarbonization & GHG Inventory](#)

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THEMATIC AREA: STRATEGY (CONTINUED)

Recommended disclosure

Disclosure summary & commentary

Links to more information in our Sustainability Report and Annual Report

c) Resilience of the strategy to different climate scenarios, including a 2°C or lower scenario

Our approach to scope 1 and 2 decarbonization focuses on several key decarbonization levers, including potential abatement strategies such as:

- Energy and process efficiency: Implementing strategies and technologies to improve energy and fuel efficiency in existing infrastructure and vehicles.
- Fuel switching: Switching from higher-emission fuels to lower-emission fuels such as renewable biofuels, biodiesel, renewable natural gas, hydrogen and biomass.
- Electrification: Electrification of vehicles and stationary mobile equipment.
- Investing in renewables: Producing or procuring electricity from renewable sources.
- Other innovative technologies: Continuing to investigate and invest in emerging technologies and solutions that will help us reduce emissions in the long term, such as carbon capture, utilization and storage; hydrogen fuel; and direct air capture.
- We are beginning our journey in conducting climate scenario analyses across our woodlands operations. We are conducting an assessment in three areas: Fort St. John, B.C., Chetwynd, B.C. and Grande Prairie, Alberta. This work will inform our assessment of impacts on our forest ecosystem, land, water, and socio-economic and cultural conditions. This work explores the implications of Representative Concentration Pathways (RCP) 8.5 warming scenario to assist with preparing for severe outcomes. The time horizons reviewed will include present day to the year 2046, 2047 to 2072, and 2073 to 2100. This assessment will inform our development of adaptation and mitigation processes to reduce anticipated impacts.
- As we invest in our approach to managing climate-related risks going forward, we will continue to explore additional tools to identify and measure potential impacts and expand our analysis.

SR: [Climate Change section – Road Map to Decarbonization](#)

SR: [Climate Change section – Climate Change Vulnerability Assessment](#)

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THEMATIC AREA: RISK MANAGEMENT

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
a) Processes for identifying and assessing climate-related risks	<p>Canfor leverages its Enterprise Risk Management (ERM) processes to identify, assess and manage enterprise risks, including climate change.</p> <ul style="list-style-type: none"> Sustainability- and climate-related risks are typically identified through Canfor's Executive and/or Sustainability team, Environmental Managers, and through our engagement with broader stakeholder groups such as Indigenous communities, industry associations, customers and certification bodies; and are escalated to the relevant business unit, Executive Management, and/or relevant Board Committee as needed. Risks integrated into Canfor's ERM processes are assessed based on their potential risk and impact, and climate risk has been identified as one of Canfor's Top 10 enterprise-level risks. Canfor actively monitors regulatory changes to assess their impact on operations, including any climate-related regulations, through a number of channels: <ul style="list-style-type: none"> Business Unit Environmental Managers become aware of upcoming regulatory shifts and bring them to the attention of Sustainability leaders or the CEMC. Sustainability leaders and/or Executive Management then elevate issues as needed to the Joint Sustainability & Governance, Audit, and/or Environmental, Health & Safety Committees of the Board. As part of Canfor's ongoing work to strengthen our approach to risk management, we will continue to integrate additional climate-related risks within our enterprise risk identification and assessment processes. 	<p>AR: Management Discussion & Analysis SR: Our Sustainability Governance – Risk Management</p>
b) Processes for managing climate-related risks	<ul style="list-style-type: none"> Canfor monitors and evaluates its Top 10 enterprise level risks on a quarterly basis, including climate-related risks. As part of this process, each risk is assessed and monitored for its potential size and scope of impact and then assigned to an Executive Risk Champion who is accountable for the implementation of mitigating actions and controls. The status of these actions and controls is reviewed quarterly by the Board's Joint Audit Committee to ensure risks are being appropriately managed and controlled. As part of Canfor's ongoing work to strengthen our approach to risk management, we will continue to integrate additional climate-related risks within our risk management and prioritization processes. 	<p>SR: Our Sustainability Governance – Risk Management</p>
c) Integration of climate-related risks into overall risk management	<ul style="list-style-type: none"> Climate risk at a high level has been identified as one of Canfor's Top 10 enterprise level risks based on potential risk and impact and has been integrated into ERM processes. See above for details on Canfor's processes for managing climate-related risks. Risks identified as Top 10 have Executive Risk Champions, key mitigating actions and controls, assigned owners and timelines for completion of the mitigating actions and controls. 	<p>SR: Our Sustainability Governance – Risk Management</p>

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THEMATIC AREA: METRICS & TARGETS

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
<p>a) Metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process</p>	<p>Canfor uses key metrics to measure climate-related impacts, incentivize strong performance and disclose progress over time.</p> <ul style="list-style-type: none"> We measure and disclose performance metrics related to water, energy, sustainable forestry, greenhouse gas emissions, and waste across our operations. See relevant section and/or metrics table for historical and current performance metrics. We consider the impact of the evolving policy and regulatory landscape, including regulated carbon prices, in select strategy and planning processes (e.g., Canada's current and projected carbon pricing and the impact on energy costs). We are continually working to leverage key metrics to measure, drive and disclose our performance. To do so, we will continue to explore opportunities to establish metrics to integrate climate-related issues into our remuneration policies and incentives supporting the transition to a low-carbon economy (such as an internal carbon price), as well as develop industry-specific metrics to provide additional insight into our performance. Our salaried employees are eligible for a short-term incentive plan that provides rewards based on Canfor's organizational performance. There are two components to this plan: financial and business results. Business results consider sustainability performance by reporting on metrics related to diversity and inclusion, health and safety and the environment. Under the executive short-term incentive plan, sustainability-specific objectives fall under the Safety and the Strategy Execution components. These components cover workplace safety, employee health and wellness, inclusion and diversity, employee experience and engagement, training and development, and the environment. 	<p>SR: Water Management section SR: Energy Management section SR: Sustainable Forestry section SR: Waste Management section SR: Climate Change section – GHG inventory SR: Performance at a Glance</p>
<p>b) Scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks</p>	<ul style="list-style-type: none"> Canfor developed a baseline inventory of its scope 1 and 2 GHG emissions in 2020 and reported on our scope 1 and 2 emissions for 2021. Canfor estimated our 2020 scope 3 emissions. We are investigating opportunities to collaborate across our supply chain and meaningfully track our scope 3 emissions. Canfor measures and reports GHG emissions in line with the GHG protocol. 	<p>SR: Climate Change section – Road Map to Decarbonization and GHG inventory SR: Performance at a Glance</p>
<p>c) Targets used to manage climate-related risks and opportunities and performance against targets</p>	<ul style="list-style-type: none"> Canfor's long-term goal is to become a net-zero carbon company by 2050 through practicing climate-positive forest management, producing sustainable forest products and developing impactful partnerships. We are committed to the Science Based Targets initiative (SBTi) and we plan to undergo the SBTi validation process within the next two years. Our targets are to reduce our absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year, and to measure our scope 3 emissions and set a science-based reduction target by 2024. We expect the scope 3 target to evolve through the SBTi validation process. Canfor has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the Science Based Targets initiative (SBTi). Canfor has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign. We will undergo validation with the Science Based Targets initiative within the next two years. We have set additional targets against several climate-related topics. For details on medium- and long-term targets, refer to the relevant sections of the report. 	<p>SR: Performance at a Glance SR: Water Management section SR: Energy Management section SR: Sustainable Forestry section SR: Waste Management section SR: Climate Change section</p>