



**Canfor Corporation**

**Annual Information Form**

**Information in this Annual Information Form  
as at February 28, 2023 unless otherwise indicated**

## TABLE OF CONTENTS

<b>FORWARD LOOKING INFORMATION .....</b>	<b>3</b>
<b>CURRENCY .....</b>	<b>3</b>
<b>INCORPORATION.....</b>	<b>3</b>
<b>CORPORATE STRUCTURE.....</b>	<b>4</b>
<b>BUSINESS OF CANFOR.....</b>	<b>4</b>
<b>WOOD SUPPLY .....</b>	<b>9</b>
<b>LUMBER.....</b>	<b>16</b>
<b>PULP AND PAPER .....</b>	<b>17</b>
<b>ENVIRONMENT .....</b>	<b>19</b>
<b>COMPETITIVE POSITION.....</b>	<b>21</b>
<b>RESEARCH AND DEVELOPMENT .....</b>	<b>19</b>
<b>DIRECTORS AND OFFICERS .....</b>	<b>19</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>30</b>
<b>CONFLICTS OF INTEREST .....</b>	<b>30</b>
<b>DESCRIPTION OF CAPITAL STRUCTURE .....</b>	<b>30</b>
<b>DIVIDENDS .....</b>	<b>30</b>
<b>SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS .....</b>	<b>30</b>
<b>MARKETS FOR SECURITIES.....</b>	<b>30</b>
<b>TRADING PRICE AND VOLUME.....</b>	<b>31</b>
<b>SECURITY .....</b>	<b>31</b>
<b>MATERIAL CONTRACTS .....</b>	<b>31</b>
<b>CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, SANCTIONS .....</b>	<b>32</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....</b>	<b>32</b>
<b>EXPERTS.....</b>	<b>32</b>
<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>33</b>
<b>AUDIT COMMITTEE INFORMATION .....</b>	<b>34</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>29</b>
<b>APPENDIX A – AUDIT COMMITTEE TERMS OF REFERENCE .....</b>	<b>36</b>
<b>1. Purpose.....</b>	<b>36</b>
<b>2. Audit Committee Composition and Meetings.....</b>	<b>36</b>
<b>3. Primary Duties and Responsibilities.....</b>	<b>37</b>
<b>4. Other Duties .....</b>	<b>40</b>

## **FORWARD LOOKING INFORMATION**

This Annual Information Form contains forward looking statements, which are statements that address circumstances, events or developments that the Company expects or anticipates may occur in the future. These forward-looking statements reflect management's current expectation and belief regarding such developments, circumstances or events and are based on assumptions, including assumptions with regard to economic and general business conditions in Canada, the United States and Europe and other factors management believes are appropriate in the circumstances. Such forward looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what their impact will be on the Company. Actual outcomes and results will depend on a number of factors which could cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements in this Annual Information Form, including the "Risks and Uncertainties" described in the Company's Management's Discussion and Analysis for the year ended December 31, 2022, which are incorporated by reference herein and can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Accordingly, readers should exercise caution in relying upon forward looking statements which reflect management's estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these statements to reflect subsequent events or changes in circumstances, except as required by applicable securities laws.

## **CURRENCY**

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

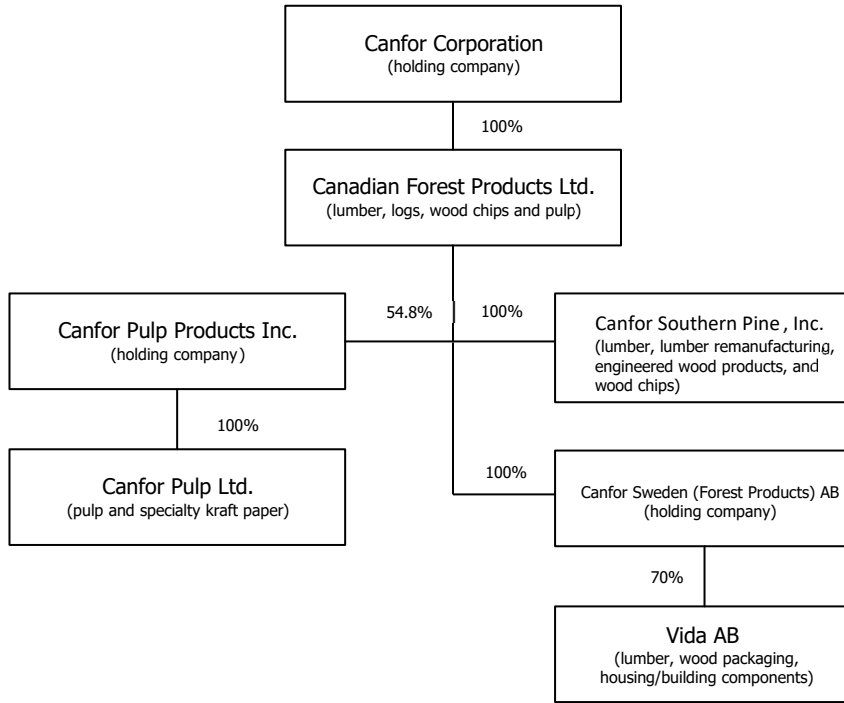
## **INCORPORATION**

Canfor Corporation (the "Company") was incorporated on May 17, 1966 under the *Company Act* (British Columbia) as part of a reorganization of predecessors of the Canfor group of companies, the first of which commenced operations in 1938. The Company is now governed by the *Business Corporations Act* (British Columbia). In July 1983, Canfor became a public company, and the Common Shares of the Company are listed and traded on the Toronto Stock Exchange ("TSX").

The registered and head office of the Company is located at 100 - 1700 West 75<sup>th</sup> Avenue, Vancouver, British Columbia. In this Annual Information Form, Canfor Corporation is referred to as the "Company" and, unless otherwise indicated by the context, "Canfor" refers to the Company and its subsidiaries as described under "Corporate Structure" below.

## CORPORATE STRUCTURE

The following chart shows, as at December 31, 2022, the Company's material subsidiaries and its interest in Canfor Pulp Products Inc. ("CPPI"), and their primary products or activities and the percentage of voting securities or ownership held. All of the companies listed below were incorporated or amalgamated under the laws of British Columbia ("BC") and are now governed by the British Columbia *Business Corporations Act*, except Canfor Pulp Ltd., which is constituted under the *Canada Business Corporations Act*, Canfor Southern Pine, Inc. (formerly New South Companies Inc.) ("CSP"), which is constituted under the laws of the State of South Carolina and Canfor Sweden (Forest Products) AB, and Vida AB ("Vida"), each of which is constituted under Swedish laws.



## BUSINESS OF CANFOR

Canfor is a leading Canadian integrated forest products company based in Vancouver, British Columbia, involved primarily in the lumber business, with production facilities as of December 31, 2022 in Canada (British Columbia and Alberta), the United States ("US") (Alabama, Arkansas, Georgia, Mississippi, North Carolina and South Carolina), as well as Sweden (Småland, Skåne, Västra Götaland, Dalarna, Södermanland, and Uppland). Canfor also has 54.8% interest in the pulp and paper business owned by CPPI. The capacity figures set out in this Annual Information Form are presented as at December 31, 2022, except as otherwise indicated to reflect temporary and/or permanent closures announced in 2023, as described herein.

As at December 31, 2022, Canfor employed approximately 7,908 people in its wholly owned and majority owned subsidiaries, of which approximately 1,196 are employees of CPPI. For a detailed breakdown of employees and related collective agreements, refer to the sections referenced "Lumber" and "Pulp and Paper", herein.

Canfor's softwood lumber production facilities located in Western Canada, the southern United States, and Sweden have a total annual production capacity at December 31, 2022 of approximately 7.1 billion board feet of lumber, including Chetwynd and Houston, as well as near-term capital investment, 100% of the capacity from Vida, and excluding Mackenzie as well as production capacity related to the Company's greenfield sawmill in DeRidder, Louisiana (with an annual production capacity of approximately 250 million board feet), the upgrade and expansion of the Urbana sawmill in Union County, Arkansas (with incremental annual production capacity of approximately 115 million board feet) and the investment in a new facility in Alabama (with incremental annual production capacity of approximately 130 million board feet).

When taking into consideration planned capital investments (including the aforementioned projects in Louisiana, Arkansas and Alabama, as well as capital investments in Sweden's Borgstena, Alvesta and Vislanda sawmills with combined incremental annual production capacity of approximately 115 million board feet) and the impact of the permanent closure

of the Chetwynd sawmill and temporary closure of the Houston sawmill (announced in January 2023), the Company's total operating capacity remains at approximately 7.1 billion board feet.

Canfor's products also include remanufactured and finger-jointed lumber, engineered wood products, wood chips, wood pellets, logs and custom specialty products, including strength-rated trusses, beams, and tongue-and-groove timber.

Canfor also holds a 54.8% interest in the pulp and paper business of CPPI with annual production capacity at December 31, 2022 of approximately 1.1 million tonnes of kraft pulp, 140,000 tonnes of kraft paper and 230,000 tonnes of Bleached Chemi-Thermo Mechanical Pulp ("BCTMP").

As at December 31, 2022 Canfor also holds approximately 10.3 million cubic metres (including Mackenzie) of annual harvesting rights under its forest tenures and pulpwood agreements in Canada.

Canfor maintains wood products sales offices in Canada, the US, Japan, Sweden, the United Kingdom, Denmark, the Netherlands, and Australia. While a significant proportion of Canfor's product is sold to markets in the United States, shipments into Europe have increased following the acquisitions of the Vida and Bergs Timber Production AB ("Bergs") sawmill assets in 2019 and 2020, respectively. CPPI has sales offices in Vancouver, Canada; Tokyo, Japan; Shanghai, China; and Seoul, South Korea and is represented by sales representatives serving various other markets around the world.

### **General Development**

Canfor's overall business strategy and purpose is to be a global leader in supplying sustainable and innovative, quality wood-based products to high-value customers, accomplished by:

- Attaining world-class safety performance;
- Achieving top-quartile margin performance while producing high-value products and maximizing the value from all available fibre source;
- Implementing a sustainability strategy aimed at helping to protect our planet, supporting our people and communities, and producing forest and pulp and paper products that are an important part of a low-carbon economy;
- Growing an enterprise-wide culture of innovation, inclusion, diversity and engagement by attracting, retaining and developing our employees;
- Expanding geographical markets, increasing market share of value-added products and building strong long-term partnership with valued customers;
- Attaining world-class supply chain performance and providing excellence in customer service; and
- Focusing on an efficient allocation of capital and deployment of resources to sustain top-quartile operational performance, capitalizing on attractive growth opportunities.

In support of these strategies for Canfor and CPPI during the past three financial years, Canfor (including CPPI) has made capital investments of approximately \$977.6 million at its lumber operations (excluding acquisitions) and \$264.6 million at its pulp and paper operations, for a total of \$1,227.9 million.

### **Significant Events**

Significant events for Canfor over the past three fiscal years have been the following:

#### *Significant Capital Investments in the US South*

On June 8, 2021, the Company announced its plans to build a new, state-of-the-art sawmill near DeRidder, Louisiana. The facility will have an annual production capacity of 250 million board feet with commencement of production anticipated in the first quarter of 2023.

On April 21, 2022, the Company announced it will invest approximately US\$130 million to significantly upgrade and expand its sawmill and planer facility located in Urbana in Union County, Arkansas. The investment will increase annual production at the facility by approximately 115 million board feet, with improvements commencing in the third quarter of 2022 and taking approximately 18 months to complete.

On July 28, 2022, the Company announced it will invest approximately US\$210 million to build a new, state-of-the-art sawmill complex in southern Alabama. The new sawmill will have an annual production capacity of approximately 250 million board feet with startup of the facility anticipated in the third quarter of 2024.

### *Acquisition of Millar Western Solid Wood Operations*

On December 16, 2021, the Company announced that it had entered into an agreement to purchase Millar Western's solid wood operations and associated forest tenure. Millar Western's solid wood operations, located in Alberta, Canada, consist of two sawmills and one high-value specialty facility and have an annual production capacity of 630 million board feet.

On March 1, 2022, the Company completed the purchase of Millar Western's solid wood operations and associated tenure for total consideration of \$434 million, including \$97.1 million in net working capital.

### *Asset Dispositions*

On March 9, 2020, the Company completed the sale of its forest tenure associated with the Vavenby sawmill to Interfor Corporation for net proceeds of \$56.5 million, including working capital and other adjustments. The sale of the remaining Vavenby sawmill assets and liabilities to a third party for proceeds of \$6 million, was completed on August 20, 2020.

On October 6, 2020, the Company completed the sale of its idled PolarBoard Oriented Strand Board ("OSB") plant and its permanently closed Tackama plywood plant to Peak Fort Nelson for proceeds of \$10 million, to be paid in instalments over multiple years.

On November 16, 2021, the Company closed the sale of its Fort Nelson forest tenure to Peak Fort Nelson Properties Ltd. ("Peak Fort Nelson") for total proceeds of \$30 million, to be paid over multiple years.

On February 24, 2022, the Company entered into a Letter of Intent with McLeod Lake Indian Band and Tsay Keh Dene Nation to sell its forest tenure in the Mackenzie region of BC and a separate agreement with Peak Mackenzie Properties Ltd. ("Peak Mackenzie") to sell its Mackenzie site, plant and equipment for \$70 million.

### *Recovery Boiler Replacement*

In October 2020, CPPI extended its fall maintenance outage on one production line at CPPI's Northwood pulp mill to enable the replacement of the lower furnace on its recovery boiler number five ("RB5"). This lower furnace capital-rebuild was completed in January 2021, as planned, with a total capital cost of approximately \$27 million and total reduction in Northern Bleached Softwood Kraft ("NBSK") pulp production of 70,000 tonnes (60,000 tonnes in the fourth quarter of 2020 and a further 10,000 tonnes in January 2021). The RB5 lower furnace replacement, in conjunction with upper furnace upgrades completed in 2020, are projected to materially extend the useful life of RB5.

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

### *Arbios Biotech & Bio-Innovation*

On October 5, 2021, as part of the Arbios Biotech ("Arbios") joint venture, the Company announced its positive financial investment decision in support of the construction of the first phase of Arbios' innovative biomass to low carbon biofuel plant in Prince George, BC. The Company is also in the process of building a Bio-Innovation team to develop Arbios and other sustainable bio-product initiatives.

### *Coronavirus Outbreak*

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak a pandemic. COVID-19's impact on global markets has been significant and in response, the Company announced a series of significant measures. Due to negatively impacted global demand for forest products and disrupted supply chain networks and fibre supplies in 2020, Canfor announced curtailments discussed below in "Temporary Production Curtailments and Permanent Closure". Apart from the curtailments, as an essential service, the Company continued to operate, albeit with some minor disruptions, increased safety protocols and additional cleaning and sanitizing activities. During the years ended December 31, 2021 and 2022, there have been no significant adverse impacts of COVID-19 on the Company. However, management continues to closely monitor its effects on the Company's operating plan, liquidity, cash flows, and the valuation of its long-lived assets.

### *Temporary Production Curtailments and Permanent Closures – Lumber Segment*

In 2020, in response to the significant, disruptive effects of the COVID-19 pandemic, the Company announced extensive temporary capacity reductions across its lumber operations in April and May, reducing production by approximately 370 million board feet. In addition to temporary curtailments, the Company announced the permanent closure of its Isle Pierre sawmill on May 20, 2020, which was previously idled during 2019.

In 2021, in response to extreme wildfire conditions and the associated significant transportation backlog, the Company announced temporary curtailments across the majority of its Western Canadian operations in July and August. Combined, these factors reduced production by approximately 380 million board feet in the third and fourth quarters of 2021.

On February 15, 2022, the Company announced the permanent reduction of 150 million board feet of production capacity at its Plateau sawmill to resize the facility and align it with the available, sustainable timber supply in the region. This capacity reduction took effect in the second quarter of 2022 following the depletion of log inventory.

On March 30, 2022, the Company announced the implementation of reduced operating schedules at its Western Canadian sawmills effective April 4, 2022, due to the cumulative effects of the unprecedented global supply chain crisis. On May 26, 2022, the Company announced the continuation of reduced operating schedules and two-weeks of rotating downtime in July and August to help align production capacity with sustainable timber supply and available transportation. On September 19, 2022, the Company announced a two-week market-related curtailment beginning September 26, 2022 at the majority of its BC solid wood facilities followed by the resumption of reduced operating schedules until the end of 2022. On December 5, 2022, the Company announced further market-driven curtailments at its Western Canadian sawmills in December and January. Combined, these factors reduced Western SPF production by approximately 775 million board feet in 2022.

Subsequent to year end, on January 3, 2023, the Company announced an extension of BC sawmill curtailments in the month due to ongoing weak market conditions and lack of available economic fibre. These curtailments reduced Western SPF production by a further 121 million board feet.

In addition, on January 25, 2023, the Company announced the restructuring of its BC operations to better align manufacturing capacity in the region with available long-term fibre supply, resulting in the permanent closure of its Chetwynd sawmill and pellet plant and temporary closure of its Houston sawmill for an extended period to facilitate a major redevelopment on the site. The Company intends to build a new, modern, globally competitive manufacturing facility that employs state of the art technology to produce high value products from the sustainable timber supply in the region. Project planning, scoping, preliminary engineering, and budgeting are underway. The Company will undertake a comprehensive evaluation of the availability of economic fibre and a thorough project financial analysis, supporting a final investment decision by the end of the second quarter of 2023. The aforementioned facilities will be closed following an orderly wind-down, expected to be completed in the second quarter of 2023, and will remove approximately 750 million board feet of annual Western SPF production capacity.

### *Temporary Production Curtailments and Permanent Closures – Pulp and Paper Segment*

In 2020, in response to the substantial impacts of COVID-19 on global pulp markets and the effect on lumber sawmill operating rates in the British Columbia Interior, materially impacting residual fibre supply to CPPI's Prince George based operations, CPPI took phased curtailments at its Intercontinental NBSK pulp mill ("Intercon"), Northwood NBSK pulp mill ("Northwood"), and Prince George NBSK pulp mill in Prince George, British Columbia. Through the second and third quarters of 2020, the phased COVID-19 fibre-related curtailments reduced pulp production by approximately 73,000 tonnes of NBSK pulp.

In 2021, extreme weather in BC including wildfires, flooding and intense cold, led to significant rail and road disruptions as well as pulp mill operational upsets. These conditions were coupled with global port congestion and container shortages and ongoing COVID-19 absenteeism. CPPI responded decisively to these challenges by continuing to prioritize the safety of employees, and, in the fourth quarter of 2021, took production curtailments at Northwood and Taylor.

On February 16, 2022, CPPI announced temporary capacity reductions at its Taylor BCTMP mill ("Taylor") in response to significant transportation shortages due to the unprecedented global supply chain crisis. On March 29, 2022, the curtailment was extended by six weeks due to ongoing high pulp inventory levels. As a result, BCTMP production was reduced by approximately 210,000 tonnes in 2022. As a result of a reduction in the long-term

supply of fibre in the Peace region, CPPI does not see a path forward to restarting the Taylor mill at this time and is exploring alternative uses for the site.

On October 17, 2022, CPPI announced a two-week curtailment of NBSK production at its Intercon mill due to the lack of available economic fibre. On December 19, 2022, CPPI announced an additional four-week curtailment at Intercon. Together, these curtailments reduced NBSK production by approximately 40,000 tonnes in the fourth quarter of 2022.

Subsequent to year-end, on January 11, 2023, CPPI announced the right-sizing of its operating footprint to the long-term supply of economic residual fibre with the permanent closure of the pulp line at its Prince George pulp and paper mill, which will result in a reduction of approximately 280,000 tonnes of market kraft annually.

#### *Acquisition of Bergs Sawmill Assets*

On September 1, 2020, the Company's 70% owned subsidiary, Vida, completed the purchase of sawmill assets from Bergs for \$45.6 million (303 million Swedish Krona ("SEK")), plus working capital and other adjustments of \$13.1 million (87 million SEK). The sawmills (three operating and one idled) are located in southern Sweden and added 215 million board feet of spruce and pine products to Vida's annual production capacity.

#### *Phased Acquisition of Elliott Sawmilling Co., Inc. ("Elliott")*

On May 31, 2020, Canfor completed the second (51%) phase of a two-phase purchase of Elliott for \$50.4 million (US\$37.0 million, the second instalment), bringing its ownership interest in Elliott to 100%. On February 19, 2021, the Company paid the third and final instalment of \$38.2 million (US\$30.3 million), to settle the remaining consideration payable in connection with the purchase of Elliott. In aggregate, the purchase price for Elliott was US\$110.5 million (paid in three instalments), plus a net working capital adjustment of \$4.1 million (US\$3.1 million). The Elliott sawmill is located in Estill, South Carolina, US and adds an annual production capacity of 210 million board feet of high value Southern Yellow Pine ("SYP"), with the sawmill consisting of both large and small log lines.

#### *Normal Course Issuer Bids*

On March 6, 2020, the Company's then existing normal course issuer bid expired and was not renewed. In 2020, the Company did not purchase any common shares. No common shares were purchased under a separate normal course issuer bid for CPPI that also expired and was not renewed on March 6, 2020. As at December 31, 2020, the Company's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

During 2021, the Company re-instituted its normal course issuer bid and purchased 725,800 Common Shares under for \$19.2 million (at an average price of \$26.45 per common share). No common shares were purchased under a separate normal course issuer bid for CPPI that also expired in 2020 and was not renewed. As at December 31, 2021, the Company's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

On March 17, 2022, the Company announced that it had received regulatory approval for an early renewal of its normal course issuer bid whereby it can purchase for cancellation up to 6,224,680 common shares, or approximately 5% of its issued and outstanding common shares as at March 15, 2022. The renewed normal course issuer bid is set to expire on March 20, 2023. During 2022, the Company purchased 3,434,021 common shares under this normal course issuer bid for \$81.4 million (an average of \$23.70 per common share), of which \$78.9 million was paid during the year. As at December 31, 2022 and February 28, 2023, the Company's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

#### *Softwood Lumber Agreement*

See "Legal Proceedings and Regulatory Actions" for a description of developments relating to the Softwood Lumber Agreement in 2022.

#### *Union Agreements*

A new collective agreement with the United Steelworkers ("USW") was ratified in August of 2019. The new agreement will expire on June 30, 2023. This agreement covers the majority of Canfor's sawmills in British Columbia.

The contract with the Public and Private Workers of Canada ("PPWC"), which represents workers at Canfor's Mackenzie operation, expired on June 30, 2019. As the sawmill was indefinitely curtailed before the contract



expired, an agreement was reached with the PPWC to postpone negotiations until such time as any change in status of the facility would necessitate negotiation of a new contract.

Canfor has a contract with the UNIFOR for its Grande Prairie lumber operation in Alberta, which expired on October 1, 2022. A new agreement was ratified in January 2023 and will expire on October 1, 2028.

CPPI has collective agreements with the UNIFOR and the PPWC which expired on April 30, 2021. A new four-year agreement was ratified in February 2022 and will expire on April 30, 2025.

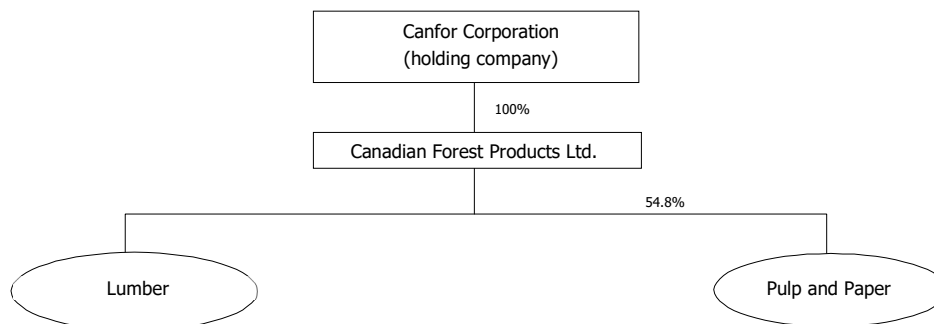
### **Trends, Events, Risks and Uncertainties**

For additional information regarding changes to Canfor's business expected in 2023 and known trends, commitments, events or uncertainties, see Canfor's "2022 Management's Discussion and Analysis", in particular, the "Outlook" and "Risks and Uncertainties" sections thereof, which are incorporated by reference herein and can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Business Segments

Canfor's business is in two reportable segments: "Lumber" and "Pulp and Paper". The Lumber segment includes Canfor's sawmilling and remanufacturing operations and the Pulp and Paper segment includes the kraft pulp, kraft paper, and BCTMP businesses of CPPI, in which Canfor has a 54.8% interest.

The following chart and notes outline Canfor's business segments and their respective principal operations as at December 31, 2022. Unless otherwise indicated in the diagram or descriptions below, Canfor has a 100% interest in the operations referred to in each segment.



- Nine sawmills (excluding Mackenzie) in British Columbia and three in Alberta (including the two sawmills acquired from Millar Western), with annual production capacity of 3.5 billion board feet (excluding Mackenzie and before the announced permanent closure of Chetwynd and temporary closure of Houston which will remove approximately 750 million board feet of annual production capacity).
- Four sawmills in South Carolina, three in Alabama, two in Georgia, one in North Carolina, one in Mississippi and one in Arkansas, US, with annual production capacity of 2.0 billion board feet (excluding the Alabama and Louisiana greenfield facilities currently under construction).
- 70% interest in Vida, including fourteen sawmills in Sweden (including an idled sawmill and V-Timber) with annual production capacity of 1.6 billion board feet and nine value-add facilities which include the manufacture and sale of wood packaging, and housing and building components.
- Other operations include one finger-jointing facility in North Carolina, two laminating plants in Arkansas and Georgia, respectively, a trucking division in South Carolina, two pellet plants (before the announced closure of the Chetwynd pellet plant) and a whole log chipping plant in British Columbia and a specialty facility in Alberta (acquired from Millar Western).
- Woodlands operations in British Columbia and Alberta with an allowable annual cut of 10.3 million m<sup>3</sup> (including Mackenzie) of which 10.1 million m<sup>3</sup> directly supports lumber operations.
- 60% interest in Houston Pellet Inc. in Houston, British Columbia.
- Lumber sales and marketing.
- 54.8% interest in three kraft pulp mills, one kraft paper mill and one BCTMP mill with annual production capacity of approximately 1.1 million tonnes of kraft pulp, 140,000 tonnes of kraft paper and 230,000 tonnes of BCTMP.
- Pulp and paper marketing.

The following table sets out, by business segment, Canfor's total sales revenues for the last two years (including 100% of the revenues of its majority-owned subsidiaries). Further details can be found in the Company's annual financial statements:

	<b><u>Years ended</u></b> <b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(Millions of dollars)	
Lumber.....	\$6,341.3	\$6,540.5
Pulp and Paper.....	<u>1,085.4</u>	<u>1,144.4</u>
<b>Total sales .....</b>	<b><u>\$7,426.7</u></b>	<b><u>\$7,684.9</u></b>

The following table indicates the percentage composition of Canfor's consolidated sales revenues by market for the last two years (including 100% of the revenues of its majority owned subsidiaries). Further details can be found in the Company's annual financial statements:

	<b><u>Years ended</u></b> <b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
United States .....	55%	54%
Asia .....	15%	18%
Canada.....	11%	9%
Europe .....	17%	17%
Other .....	<u>2%</u>	<u>2%</u>
<b>Total .....</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

## WOOD SUPPLY

### Timber Resources

Canfor harvests timber under forest tenures held by it in British Columbia and west central Alberta, and has a total allowable annual cut ("AAC") of approximately 10.3 million cubic metres (including Mackenzie) at December 31, 2022. The forest tenures consist of both area-based and volume-based replaceable tenures and volume-based non-replaceable tenures. In addition, through various third-party business arrangements with other tenure holders including First Nations, Canfor also manages approximately 425,000 cubic metres of volume throughout its operating areas in British Columbia, the majority of which is directed to its various manufacturing facilities. Canfor's Canadian wood fibre requirements are also met by open market purchases and exchanges of logs on either a spot or contract basis. The wood fibre requirements in the US are met through open market purchases from private timberland owners, the US Forest Service, and Timber Investment Management Organizations. The wood fibre requirements at the European operations are met principally through open market purchases from private timberland owners.

The following table sets out Canfor's timber resources as at December 31, 2022:

	<b>Productive Area (Hectares)</b>	<b>Allowable Annual Cut (Cubic metres)</b>
<b>British Columbia</b>		
Tenures having regulated sustained yields <sup>(1)</sup>		
Area-based — Tree Farm Licenses <sup>(2)</sup> .....	985,849	1,227,134
Volume-based — Forest Licenses (replaceable) <sup>(3)</sup> .....	N/A	6,817,630
— Forest Licenses (non-replaceable) <sup>(4)</sup> .....	N/A	249,557
— Pulpwood Agreements (non-replaceable) <sup>(5)</sup>	N/A	170,000
<b>Alberta</b>		
Tenures having regulated sustained yields <sup>(1)</sup>		
Forest Management Agreement <sup>(6)</sup> .....	1,062,306	1,127,669
Timber Quotas <sup>(7)</sup> .....	N/A	695,672
<b>Total</b> .....	<b><u>2,048,155</u></b>	<b><u>10,287,662</u></b>

Notes:

- (1) For an explanation of "regulated sustained yields", see the section entitled "Forest Management" below.
- (2) Comprised of Tree Farm License ("TFL") 14 (Spillimacheen), TFL 30 (Sinclair), and TFL 48 (Chetwynd).
- (3) In July 2022, Replaceable Forest License ("RFL") A18157 had reductions of 53,309 m3, RFL A18165 had reductions of 100,130 m3, RFL A40873 had reductions of 144,800 m3, and RFL A93557 had reductions of 18,125 m3.
- (4) Includes 209,062 m3 held jointly with the West Moberly First Nation and 40,495 m3 held jointly with Saik'uz First Nation (subject to AAC reduction in July 2022, from 50,000 m3 to 40,495 m3).
- (5) Includes Pulpwood Agreement ("PA") 12. In January 2022, PA 7 expired, with no opportunity for renewal, as it was not actively utilized by the Company during its term.
- (6) Comprised of Forest Management Agreement ("FMA") 9900037 (Grande Prairie) and FMA 9700034 (Whitecourt), the latter which was acquired through the Company's purchase of Millar Western in March 2022.
- (7) Includes nine Timber Quotas, six of which were acquired through the acquisition of Millar Western.

Canfor does not hold timber resources in the form of forest tenure rights for its US or European based operations, but instead relies on open market purchase and supply contracts for these facilities, all of which are located in areas of high-quality sustainable fibre supply.

### **British Columbia**

The Province of British Columbia owns approximately 95% of all timberlands in the province. Pursuant to the provisions of the *Forest Act* (British Columbia) ("Forest Act"), the Minister of Forests is empowered to grant various forms of tenure and to regulate forestry operations.

A TFL requires a licensee undertake the management of an area of Crown forest land, often in combination with other forest land held by the licensee, to yield an annual cut on a regulated sustained yield basis. TFLs are granted for 25-year terms and, subject to satisfactory levels of performance, may be replaced every five to ten years with new TFLs with 25-year terms.

A Forest License is a volume-based tenure, which authorizes a right to harvest a specified volume of timber each year within a particular timber supply area ("TSA") and generally provides for up to 20-year terms. These licenses must be replaced every five to ten years for further 15-year terms, subject to satisfactory levels of performance. Canfor holds 15 replaceable Forest Licenses, under which it is continuing to harvest, all of which were replaced between 1998 and 2006 and some more recently in 2017. Canfor also holds two non-replaceable Forest Licenses under joint venture agreements with West Moberly First Nation, which expire in 2023, and one non-replaceable Forest License pursuant to an agreement with Saik'uz First Nation which expires in 2029.

In addition, Canfor has one Pulpwood Agreement ("PA") with the Province of British Columbia, which grants a holder the right to obtain licenses to harvest up to a specified volume of timber within a particular geographic area, subject to certain conditions. Canfor has the right, if necessary and subject to the terms of the PA, under PA No. 12 to 170,000 cubic metres of deciduous timber per year in the Fort St. John TSA in connection with its supply commitment to the Taylor pulp mill in Fort St. John.

For each Forest License and TFL, an AAC is determined. The actual cut in any one year may vary from year to year provided that the actual cut over a five-year period does not exceed 110% of the aggregate AAC for that period. As required by the *Forest Act*, the provincial Chief Forester determines the AAC for each TFL and the total AAC in each TSA (which affects the

AAC of Forest Licenses in that TSA). The Chief Forester is required to repeat such determination every five years but has the option of postponing a redetermination for a period of up to ten years after the last determination if they conclude that the AAC will not change significantly from the previous determination. The AAC reflects harvesting practices since the last AAC determination, timber conditions, regional and local economic and social interests and environmental considerations for these licenses and areas.

For additional information regarding the Company's timber resources in British Columbia, see the Company's "2022 Management's Discussion and Analysis", in particular, the section titled "Risks and Uncertainties – Fibre Cost and Availability", which is incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Alberta**

In west central Alberta, Canfor holds two FMAs under which it undertakes to manage designated areas of Crown forestland.

The Province of Alberta also grants Timber Quotas having terms of 20 years and containing provisions for renewal. These quotas are intended to provide a continuous supply of timber in perpetuity. As a result of the amalgamation of Timber Quotas by the Province of Alberta in 2010, Timber Quota CTQP190001 was established and assigned to Canfor. In addition, Canfor holds Timber Quota CTQP520003. Both quotas became effective May 1, 2012 and are set to expire for renewal on April 30, 2024. Canfor also acquired Timber Quota CTQB100001 in 2018, which was renamed to CTQB120006 in 2019, and renewed on May 1, 2021 for 20 years, and six other Timber Quotas in 2022 as a result of the acquisition of Millar Western.

Canfor's regulated sustained yield tenures in Alberta specify an AAC and an aggregate allowable cut over a five-year period. If a tenure holder fails to harvest the authorized five-year period volume, they become subject to suspension, cancellation, or reduction of the tenure. Canfor would be subject to significant levies if its harvest were to exceed 110% of the aggregate allowable cut for that period.

Canfor is in substantial compliance with the harvesting terms of all of its tenure agreements in both British Columbia and Alberta.

## **Forest Health**

The epidemic infestation of the Mountain Pine Beetle has run its course in every TSA throughout the interior of British Columbia and most of western Alberta, including many of Canfor's operating areas. The impact of this outbreak has started to affect the mid-term and long-term timber supply in the interior of British Columbia and, to a lesser degree, Alberta. Given the nature and extent of the infestation, the mid-term and long-term operational and financial impacts on Canfor may be significant. In response, the Company has taken various steps to mitigate its exposure to these impacts, by modifying manufacturing and harvesting operations as follows: repurposing manufacturing facilities (e.g. the Prince George, Fort St. John, Plateau and Polar sawmills) to optimize harvest of greener, non-pine leading stands and to better align with existing timber supply; and by closing certain other manufacturing facilities permanently (Mackenzie, Isle Pierre and Vavenby sawmills and, subsequent to year end, Chetwynd sawmill). In addition, the Company has taken steps to fully utilize as much of the residual, non-sawlog fibre it harvests by redirecting this to its whole log chipping plants located throughout Northern BC.

The outbreak of spruce beetle in the Mackenzie TSA, the northeastern portion of the Prince George TSA, and TFL 48 has also caused Canfor to shift its harvesting in that region into stands under imminent threat or of high susceptibility to spruce beetle infestation. Canfor is working collaboratively with other forest companies and local and Provincial Government agencies to develop planning and harvesting tactics and strategies to arrest the spread and limit the damage caused by this outbreak. At this time Canfor has sufficient capacity to handle the current and expected short term scope of the outbreak within its operating areas.

For additional information regarding the Mountain Pine Beetle and spruce beetle infestations and their impact on Canfor and its operations, see the Company's "2022 Management's Discussion and Analysis", in particular, the "Risks and Uncertainties – Forest Health" section thereof, which is incorporated by reference herein.

## **Indigenous Relations**

Canfor aspires 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. Canfor's 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. Canfor prioritizes 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.

The issues relating to Indigenous rights and title and consultation continue to be heard, developed, and resolved by Canadian courts at all levels. Canfor continues to cooperate, communicate, and exchange information and views with Indigenous groups in order to foster good relationships and minimize risks to its tenures, operations, and operational plans, and will continue to participate with provincial and federal governments in its consultations with Indigenous groups. Due to their complexity, it is not anticipated that the issues regarding Indigenous rights and title or consultation will be resolved in the short term and their impact, if any, on the timber supply from Canadian Crown lands and Canfor's tenures and operations continue to evolve and may be significant.

For additional information regarding the impact of Indigenous developments on Canfor and its operations, see the Company's "2022 Management's Discussion and Analysis", in particular, the "Risks and Uncertainties – Indigenous Relations" section thereof, which is incorporated by reference herein.

## **Forest Management**

Canfor is responsible for all aspects of forest management on the lands within its TFLs in British Columbia. In Alberta, Canfor is responsible for all aspects of forest management on the lands covered by its FMAs except forest fire protection, which is a responsibility of the Province of Alberta under terms of an agreement with the Company. The lands held under TFLs, FMAs, Forest Licenses and Timber Quotas are managed on a "sustained yield" basis, whereby the volume of timber harvested is regulated according to the productive capacity of the land and the inventory of mature timber available for harvest. In British Columbia and Alberta, Canfor is responsible for reforestation of areas logged on all of its sustained yield tenures. The overall management of forestlands held under Forest Licenses and Timber Quotas is the responsibility of the respective Forest ministries of British Columbia and Alberta.

Canfor carries out its forest management responsibilities through a full complement of registered professional foresters, biologists, engineers, and technologists; as well as additional professional staff hired on a part-time and contract basis. This forestry staff is engaged in supervising all aspects of forest development including planning, road development, harvesting methods, and forest protection, and in research and development programs to increase the yield of its forestlands and improve the quality of its timber resources. Canfor currently operates, directly or under contract, seed orchards for the genetic improvement of forest seed at Vernon, British Columbia, and at Grande Prairie, Alberta.

Consumers of forest products increasingly require assurances that the products purchased from forest companies are derived from well-managed forests. Canfor has responded by implementing a comprehensive third-party sustainable forest management ("SFM") certification strategy to verify the effectiveness of its forest management practices.

In June 2019, Canfor received certification for both sustainable forest management and fibre sourcing encompassing its FMA area at Grande Prairie, Alberta, its TFLs at Chetwynd and Prince George, British Columbia, its Forest Licenses at Fort St. John, Houston, Prince George, Fort Nelson, Vanderhoof, Creston, and Mackenzie, British Columbia and its Pulpwood Agreements at Fort St. John and Fort Nelson, British Columbia, to the Sustainable Forestry Initiative ("SFI") standard. In November 2020, Canfor successfully passed a surveillance audit of its SFI sustainable forest management at its Canadian operations. The tenures acquired through the purchase of Millar Western Forest Products in March 2022 were certified to the SFI Forest Management Standard in 2009, with a revised certificate issued in June 2022 for those tenures under Canfor's name. At present, 100% of Canfor's tenures are certified to either the SFI or Forest Stewardship Council ("FSC") sustainable forest management standards.

Canfor has seen an increased interest from consumers of forest products worldwide in understanding the origin of the products they purchase. Canfor continues to make significant progress in implementing a certified Program for Endorsement of Forest Certification ("PEFC") Chain of Custody system to provide this information. PEFC is a global, independent non-government organization for the assessment and mutual recognition of forest certification schemes. "Chain of Custody" is the process of tracking forest products from their place of origin (forest) through all stages of transfer and production to the final consumer as an end product. The PEFC Chain of Custody system that Canfor has put in place is able to track all of the Company's raw wood material and its certification status both from the Company's own managed forest tenures as well as those from outside suppliers.

In June 2017, Canfor received a new Chain of Custody Certificate (PEFC-certified) based on audits by the accounting firm KPMG Performance Registrar Inc., which covers the production of raw wood material including: logs, residual chips, and whole log chips to the point of sale and the production of lumber to the point of sale from the following facilities: Chetwynd sawmill, Fort St. John sawmill, Grande Prairie sawmill, Houston sawmill, Polar sawmill, Prince George chip plant, Prince George sawmill, Plateau sawmill, Radium sawmill, and Mackenzie sawmill. The third surveillance audit was conducted in 2021, adding Canfor's WynnWood sawmill and excluding Isle Pierre sawmill, which closed permanently in late 2020. On December 3, 2022, a revised Chain of Custody certificate was issued, including the Spruceland sawmill which was acquired

through the purchase of Millar Western in March 2022. The Chain of Custody Certificate was renewed on June 16, 2022.

Canfor has Timber Quota operations within an FMA held by Mercer International Inc. in North Western Alberta. The Alberta timber quota areas have been amalgamated into the Canfor SFI multisite certificates.

In October 2019, Canfor was recertified under the FSC British Columbia standard for forests in areas of the East Kootenay Defined Forest Area, including TFL 14 and replaceable Forest Licences in the Invermere, Cranbrook, and Kootenay Lake TSAs. The current certificate to the FSC British Columbia standard was issued October 2020 and will expire in October 2024. A new certificate to the FSC Canada standard is expected to be issued following the technical review of Canfor’s audit file, with the same October 2024 expiry.

**Wood Fibre Supply**

The wood fibre supply for Canfor's lumber and pulp operations in Canada is primarily obtained from logging of Canfor's forest tenures and purchasing logs and chips. Logs are also purchased from other tenure holders and from farmers, Indigenous groups and other private landholders. Chips and waste materials are purchased from sawmills and other wood products producers.

As part of the spin-out of its kraft pulp and paper business in 2006 to a predecessor of CPPI, including its three pulp mills in the Prince George area, Canfor entered into perpetual residual wood chip, whole log chipping and hog fuel agreements with CPPI.

Canfor does not hold timber resources in the form of forest tenure rights for its US and Sweden based operations, but instead relies on open market purchase and supply contracts for these facilities, all of which are located in areas of high-quality sustainable fibre supply.

The following table sets out the volume of wood fibre produced and purchased in Canfor's operations (including 100% of majority-owned subsidiaries) for the last two financial years:

	<b><u>Years ended</u></b>	
	<b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(000 cubic metres)	
Wood Fibre Supply		
Log Production – Canfor Tenures.....	8,151	8,207
Log Purchases – Lumber Operations .....	14,771	15,387

The reduction in log production from Canfor’s tenures and log purchases in 2022 compared to 2021 largely reflected reduced operating hours at the Company’s BC sawmills.

During 2022, CPPI purchased 64% of its chip demand from Canfor pursuant to the fibre supply agreements between both entities, which are not included in the above table. See “Pulp and Paper” below.

Canfor has one whole log chipping facility in the Prince George area of BC, with available annual capacity of 500,000 oven-dried tonnes of chips, that supplements its supply of sawmill residual chips.

## LUMBER

### Lumber Production Facilities

As at December 31, 2022, Canfor fully or partially owned nine sawmills in the interior region of British Columbia (excluding Mackenzie), three in Alberta (including the two sawmill acquired from Millar Western), twelve in the US South (excluding the Alabama and Louisiana, US, greenfield facilities under construction), including four in South Carolina, three in Alabama, two in Georgia, one in North Carolina, one in Mississippi, and one in Arkansas, as well as fourteen in Sweden (including V-Timber and one idled sawmill). Canfor's sawmills, adjusted for near-term capital investment, have an annual production capacity of approximately 7.1 billion board feet of lumber, including 100% of capacity from the Vida sawmills.

The majority of lumber produced by Canfor from its existing facilities is construction and specialty grade dimension lumber that ranges in size from one by three inches to two by twelve inches and in lengths from six to twenty-six feet. A significant and increasing proportion of Canfor's lumber production is comprised of specialty products that command premium prices, and high-value products including Square Edge lumber for the North American market, J-grade lumber for the Japanese market, and machine stress rated ("MSR") lumber used in engineered applications such as roof trusses and floor joists. As a result of its acquisitions, Canfor has expanded its product offering to include high-value engineered wood products, higher-grade MSR lumber, premium one-inch boards, as well as an array of custom specialty products stemming the Company's European operations, including strength-rated trusses, beams, and tongue-and-groove timber.

As a by-product of Canfor's lumber production facilities, wood chips are produced from the portion of each log not converted into lumber. These wood chips are sold to pulp mills for use as their raw material, including CPPI pursuant to Fibre Supply Agreements entered into between Canfor and CPPI in connection with Canfor's spin-out of its pulp and paper business in 2006. Prices paid by CPPI for residual wood chips are based on a pricing formula that results in CPPI paying market prices for wood chips, subject to adjustments to the formula to reflect market conditions and other factors such as wood chip quality. The Fibre Supply Agreements exist in perpetuity and pricing mechanisms are renewed and amended every three years to reflect new circumstances. Accordingly, in 2018, the chip pricing for CPPI's NBSK pulp mills was renewed for another three-year period and the chip pricing for CPPI's BCTMP mill was extended to harmonize the BCTMP and NBSK renewal periods. The current market-based pricing under one of the Company's Fibre Supply Agreements with CPPI expired on June 30, 2021. The Company and CPPI agreed to extend the pricing agreement with terms currently under review and expected to be finalized in 2023 (see "Pulp and Paper" for more information). In addition, Canfor extracts pulpwood from its northern forestry operations and converts this wood to chips for CPPI's pulp and paper operations.

Canfor's other operations include a whole log chipping plant and two pellet plants in British Columbia, a specialty facility in Alberta (acquired from Millar Western), two glulam plants in Arkansas and Georgia, respectively, a finger-joint plant in South Carolina, a trucking division in South Carolina and Georgia, and nine value-add facilities in Sweden. The Lumber segment also includes Canfor's wood products sales and marketing division, located in Vancouver, Canfor's 60% interest in Houston Pellet Inc., a joint venture with Pinnacle Pellet Inc. and the Moricetown Indian Band.

The following table sets out Canfor's lumber production and sales for the last two years (including 100% of the lumber production from its majority-owned subsidiaries):

	<b>Years ended</b>	
	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
	(MMfbm) <sup>(1)</sup>	
British Columbia .....	1,760.5	2,214.7
Alberta.....	560.5	298.5
Europe.....	1,362.6	1,397.1
United States.....	1,617.9	1,641.1
<b>Total Production</b> .....	<b><u>5,301.5</u></b>	<b><u>5,551.4</u></b>
<b>Sales</b> <sup>(2)</sup> .....	<b><u>5,485.1</u></b>	<b><u>5,623.6</u></b>

Notes:

(1) MMfbm denotes million foot board measure. Volumes exclude trim blocks.

(2) Excludes lumber not produced by Canfor but sold under contract for third parties (83 MMfbm in 2022 and 55 MMfbm in 2021).



## **Lumber Markets and Distribution**

Canfor's lumber segment markets lumber products primarily throughout North America, Europe and Asia, and also overseas. In addition to its own production, Canfor markets lumber produced from independent mills and offshore countries to complement its product line. Canfor's European operations have established customers and markets in Europe, Australia, the Middle East, and North Africa.

During the year, approximately 61% of Canfor's lumber sales volumes were sold to or within United States markets (2021 – 59%), 18% to European markets (2021 – 19%), and 9% to Canadian markets (2021 – 8%). The remaining 12% (2021 – 14%) was sold to offshore markets, predominantly to China and Japan. Other offshore markets consist of Korea, Taiwan, Southeast Asia, the Middle East, and Australia. Substantially all lumber shipped domestically (in the US, Canada and Sweden) was shipped by truck or rail. Substantially all product transported offshore was sent by container ship. Transportation methods were largely consistent domestically and offshore between Canfor's North American and European lumber operations.

For a detailed discussion of the markets for Canfor's lumber products see the Company's "2022 Management's Discussion and Analysis," in particular, the "Lumber – Markets" and "Outlook – Lumber Markets" sections, which is incorporated by reference herein.

## **Human Resources**

As at December 31, 2022, Canfor employed 2,278 persons in its lumber operations in British Columbia (including head office), 693 persons in Alberta, 2,267 persons in the United States, and 3 persons in Japan. Of these employees, approximately 30% are covered by collective agreements with the USW, the PPWC and the UNIFOR. None of Canfor's operations in the United States are unionized. As at December 31, 2022, Vida employed 1,471 persons in Europe (predominantly in Sweden). Of Vida's employees, approximately 44% are unionized, represented by GS and Unionen, with the current agreements effective until March 31, 2023.

A new collective agreement with the USW (which represents the majority of the workers in the British Columbia operations, except as noted below) was ratified in August 2019. The new agreement will expire on June 30, 2023.

Canfor has a contract with UNIFOR for its Grand Prairie lumber operation in Alberta, which expires on October 1, 2028.

The contract with the PPWC, which represents workers at Canfor's Mackenzie operation, expired on June 30, 2019. As the mill was indefinitely curtailed before the contract expired, an agreement was reached with the PPWC to postpone negotiations until such time as any change in status of the facility would necessitate negotiation of a new contract.

## **PULP AND PAPER**

As of December 31, 2022, Canfor owned 54.8% of the shares of CPPI.

### **CPPI Production Facilities**

CPPI is a leading global supplier of pulp and paper products with operations based in Prince George and Taylor, British Columbia. At December 31, 2022, CPPI owned and operated four pulp mills and a kraft paper mill with an annual capacity to produce for sale to the market approximately 1.1 million tonnes of northern softwood market kraft pulp (the significant majority of which is bleached to become NBSK pulp), 230,000 tonnes of BCTMP, and 140,000 tonnes of bleached and unbleached kraft paper. In addition, CPPI generates power at all of its NBSK pulp mills and has long-term agreements with a BC energy company for electrical load displacement and the sale of power.

Canfor has two fibre supply agreements (the "Fibre Supply Agreements") with CPPI, under which Canfor has agreed to supply CPPI with annual quantities of residual wood chips and hog fuel produced from specified sawmills. Prices paid by CPPI for residual wood chips are based on a pricing formula that results in CPPI paying market prices for wood chips, subject to adjustments to the formula to reflect market conditions and other factors such as wood chip quality. The Fibre Supply Agreements exist in perpetuity and pricing mechanisms are renewed and amended every three years to reflect new circumstances. As part of the sale by the Company of the BCTMP Taylor pulp mill to CPPI in 2015, the Company entered into a long-term fibre supply agreement under which Canfor supplies fibre to the Taylor pulp mill at prices that approximate fair market value. In 2018, the chip pricing for CPPI's NBSK pulp mills was renewed for another three-year period and the chip pricing for CPPI's BCTMP mill was extended in 2020 to harmonize the BCTMP and NBSK pulp renewal periods in 2021. On June 30, 2021, however, the chip pricing agreement for CPPI's NBSK pulp mills expired. The current market-based pricing under one of the CPPI's Fibre Supply Agreements with Canfor expired on June 30, 2021. CPPI and Canfor agreed to extend the pricing agreement with terms currently under review and expected to be finalized in 2023.

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

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

Under arrangements entered into with the Company in connection with its spin-out in 2006, CPPI also purchases, at cost, a number of administrative, accounting, legal, and management services from Canfor under a services agreement, which can be terminated, in whole or in part, on twelve months' notice by either party (see "Material Contracts" herein for more information).

The following table sets out pulp production and sales volumes for the CPPI pulp mills for the last two years:

	<b><u>Years ended</u></b> <b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(000 tonnes)	
Pulp production .....	718	1,018
Pulp sales.....	750	1,007

The following table sets out the kraft paper production and sales volumes for CPPI for the last two years:

	<b><u>Years ended</u></b> <b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(000 tonnes)	
Kraft paper production .....	132	126
Kraft paper sales .....	129	127

### **CPPI Markets and Distribution**

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

In prior years, CPPI's kraft paper products were represented through Premium 1 Papers, a sales and marketing partnership between CPPI and Canadian Kraft Paper Industries Limited ("CKP"). In 2021, CPPI and CKP made a joint decision to end this partnership, effective April 2022, to enable each company's strategic directions. For CPPI, this means conducting its own direct marketing to its bleached and unbleached kraft paper customers, serviced primarily through its Vancouver office.

In 2022, the approximate geographic distribution of CPPI's mills' pulp sales by volume was 76% to Asia, 20% to the Americas and 4% to the European market (2021 – 80%, 17%, and 3%, respectively).

The approximate geographic distribution of kraft paper sales by volume in 2022 was 87% to the Americas, 4% to Asia, and 9% to Europe/Middle East (2021 – 84%, 8% and 8%, respectively).

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

For a detailed discussion of the markets for CPPI's pulp and paper products, see the Company's "2022 Management's Discussion and Analysis", in particular, the "Pulp and Paper – Markets" and "Outlook – Pulp and Paper Markets" sections thereof, which are incorporated by reference herein. Further information can be obtained from CPPI's 2022 annual information form, which can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CPPI Human Resources**

As at December 31, 2022, CPPI employed 1,196 people throughout the organization. Approximately 71% of these employees are hourly employees covered by collective agreements with the UNIFOR and the PPWC. Labour agreements with the UNIFOR and the PPWC covering the pulp and paper operations were successfully concluded and ratified in 2017 for a term of four years expiring on April 30, 2021. A new four-year agreement was ratified in February 2022 and will expire on April 30, 2025.

## **ENVIRONMENT**

### **General**

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

Canfor is committed to the responsible stewardship of the environment throughout its operations. Canfor meets this commitment by: practicing forest management that recognizes ecological processes and diversity and the integrated use of the forest; designing and operating its facilities to comply with legal requirements; setting goals and targets to improve environmental performance as part of the Company's overall sustainability; and identifying significant environmental risks and promoting environmental awareness throughout Canfor's operations.

### **Programs and Standards**

Canfor has a long-standing environment program with regular audits of its Environmental Management System ("EMS") at all operations and also audits compliance with regulatory requirements, principles of due diligence and good industry practices at all manufacturing facilities. Canfor's management believes it has sound environmental management programs established in all operations. These programs are regularly being reviewed to help ensure that Canfor is fulfilling its environmental commitments, responsibilities and supporting its overall sustainability strategy.

CPPI's kraft pulp mills' EMS are certified under International Organization for Standardization ("ISO") 14001:2015.

All of Canfor's forest tenures in Canada are certified to the Sustainable Forestry Initiative ("SFI") or Forest Stewardship Council ("FSC") standards. All sourced wood in the United States is certified to the SFI Fiber Sourcing Standard.

During 2022, CPPI obtained 91% of its fibre supply from forests that were certified to the SFI certification for sustainable forest management. All of the pulp CPPI produced in 2022 was eligible for sale under the Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody or FSC Controlled Wood Chain of Custody certification standards.

Canfor's European operations, through its majority ownership of Vida (including the assets of Bergs and V-Timber), are subject to laws and regulations of the Swedish Parliament and more broadly, the European Union, with its forest operations governed by the *Swedish Forestry Act*, the *Land Acquisition Act* and more broadly the *Swedish Environmental Code*. Under these legal regimes, Vida's operations will be subject to various requirements regarding unknown environmental issues, contamination and conditions relating to historical or present operations, which may require site or other remediation or result in governmental or private claims for damage to person, property or the environment. Vida seeks to manage these risks relating to the European operations through its environmental policies and preventative work in the form of its own EMS, the certification of raw materials through the FSC and PEFC and remediation projects.

Canfor's US operations are subject to laws and regulations of the *Federal Clean Air Act* ("CAA"), which is the comprehensive federal law that regulates air emissions from stationary and mobile sources. Among other things, this law authorizes the Environmental Protection Agency ("EPA") to establish National Ambient Air Quality Standards ("NAAQS") to protect public health and public welfare and to regulate emissions of hazardous air pollutants. Additionally, the *Federal Clean Water Act* ("CWA") establishes the basic structure for regulating discharges of pollutants into United States waters and regulating quality standards for surface waters. Under the CWA, the EPA has implemented pollution control programs such as setting wastewater standards for industry and developed national water quality criteria recommendations for pollutants in surface waters, which are applicable to Canfor's US operations.

### **Regulations and Policies related to Carbon and Greenhouse Gas Emissions**

Canfor's Canadian facilities are subject to regulation at the Canadian federal and provincial levels regarding the reporting and management of carbon dioxide ("CO<sub>2</sub>") and other greenhouse gas ("GHG") emissions.

### *GHG Emissions Reporting - Canada*

Federally, the Canadian *Environmental Protection Act* establishes Canada's Greenhouse Gas Reporting Program (the "GGRP") which collects information from individual facilities relating to their annual greenhouse gas emissions. Environment and Climate Change Canada ("ECCC") expanded these GHG reporting requirements in 2017, including the lowering of the federal reporting threshold from 50,000 tonnes to 10,000 tonnes of carbon dioxide equivalents per year ("CO<sub>2</sub>e"). CO<sub>2</sub> emissions from biomass materials are not included in this threshold calculation.

Provincially, in British Columbia, under the *Greenhouse Gas Industrial Reporting and Control Act* (the "GGIRCA"), facilities that emit 10,000 tonnes or more of CO<sub>2</sub>e in a particular year, and facilities that emit less than 10,000 tonnes of CO<sub>2</sub>e in a particular year but have emitted 10,000 tonnes or more of CO<sub>2</sub>e in any of the immediately preceding three years, must report their GHG emissions for such year, which must be verified by a third party if over 25,000 CO<sub>2</sub>e. For 2022, all of CPPI's pulp mills and one of the Company's British Columbia sawmills are expected to report GHG emissions. All our pulp mills require third party verification.

As part of the *Emissions Management and Climate Resilience Act* ("EMCRA"), the *Specified Gas Reporting Regulation* outlines the Alberta government's GHG reporting threshold is 10,000 tonnes of CO<sub>2</sub>e. Canfor's cogeneration facility in Grande Prairie, AB and one of the Company's sawmills in Whitecourt, AB are expected to report GHG emissions. The majority of Canfor's Canadian facilities are below this threshold for reporting.

### *GHG Pricing - Canada*

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

Under the GGPPA, so long as provincial carbon pricing standards meet or exceed federal carbon pricing standards outlined in the *Canadian Greenhouse Gas Offset Credit System Regulations*, the federal carbon pricing standards outlined in Part 1 and the Output-Based Pricing System in Part 2 of the GGPPA do not apply. British Columbia has developed its own provincial model for carbon pricing and therefore neither the federal fuel charge nor output-based pricing system applies. From April 1, 2019 to March 31, 2021, British Columbia's carbon tax remained at \$40 per tonne. On April 1, 2021, British Columbia's carbon tax was \$45 per tonne. On April 1, 2022, British Columbia's carbon tax was \$50 per tonne, adding a cost of 11.05 cents per litre of gasoline, 13.01 cents per litre of diesel, and 9.79 cents per cubic metre of natural gas. The British Columbia carbon tax is scheduled to increase to \$65 per tonne in April 2023. All of Canfor's British Columbia operations are subject to the British Columbia carbon tax. Canfor is a participant in the carbon offset market in British Columbia, selling offset credits from several biomass heat energy system projects completed in British Columbia. All British Columbia facilities meeting the GHG reporting threshold participate in the CleanBC Industrial Incentive program, where a portion of the facilities' carbon tax can be refunded based on emission performance.

On January 1, 2020, Alberta implemented its Technology Innovation and Emissions Reduction ("TIER") Regulation under the EMCRA, which is its own provincial model for carbon pricing for large industries. Facilities that fall under the TIER regulation can receive an exemption to the federal fuel charge under the GGPPA but non-regulated business fall under the federal fuel charge. This federal fuel charge is applied at \$50 per tonne in 2022, and will increase to \$65 per tonne in 2023. Three of Canfor's Alberta sawmills were registered under the TIER program for the 2022 reporting year and will comply with the TIER Program True-Up to determine if they will owe or generate carbon credits. Canfor's biomass cogeneration facility in Alberta is approved to generate carbon offsets for the 2022 calendar year. The project's registration was last renewed on January 1, 2018 and expired on December 31, 2022. This facility has opted into the province's TIER program in conjunction with the Grande Prairie Sawmill for the 2023 reporting year. In 2023, all of Canfor's Alberta facilities will opt-in to the TIER program and these facilities are all Registered Emitters with Canada Revenue Agency and are not subject to the federal carbon levy.

### *GHG Emissions Management – US and Global*

In the United States, Canfor's sawmills utilize Work Practice Standards with respect to Kiln Maximum Achievable Control Technology. The US federal government welcomed industry suggestions on work practices for kilns that would allow mills to come up with Kiln Emissions Management Plans to minimize over-drying and control a rolling average for lumber moisture content specific to their operations. For kilns this can be accomplished through moisture and temperature control, as well as with charge management and consideration of kiln integrity and regular maintenance plans.

## **Compliance**

Through 2022, Canfor's global operations were in substantial compliance with all material environmental requirements, except for minor incidents, which have not had, nor are they expected to have, a material effect on Canfor or its operations.

On a voluntary basis, Canfor calculates its consolidated manufacturing and corporate Scope 1 and 2 GHG emissions annually for all of its facilities in Canada, the US and Sweden in accordance with Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and World Resource Institute.

For additional information regarding Canfor's climate and environmental initiatives and environmental, social, and governance disclosures, including voluntary Scope 1 and 2 GHG emissions reporting and disclosures on the Task Force on Climate-Related Financial Disclosures recommendations, see the latest Sustainability Report available for download at <https://sustainability.canfor.com> and the Company's "2022 Management's Discussion and Analysis". In particular, the sections entitled "Risk and Uncertainties - Environmental Issues", "Risks and Uncertainties - Climate Change" and "Environmental, Social, and Governance ("ESG") Strategy, Reporting and Related Risks", which is incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **COMPETITIVE POSITION**

Each market in which the Company sells lumber, pulp, and paper products is highly competitive with many major companies in each market. The Company's competitive position is influenced by the price, availability, quality and cost of its raw materials, energy and labour, and its plant efficiencies and productivity in relation to its competitors. Like the rest of the Canadian forest products industry, Canfor (including CPPI) competes in an international market and is therefore subject to the impact of currency fluctuations and global business conditions. Many of the Company's lumber-products also compete with substitutes for wooden building materials of various kinds.

For additional information regarding the Company's competitive position, see the Company's "2022 Management's Discussion and Analysis", in particular, the section entitled "Risks and Uncertainties – Competitive Markets", which is incorporated by reference herein and can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RESEARCH AND DEVELOPMENT**

The Company conducts and is committed to research and development in the areas of fibre analysis, manufacturing processes, quality control and product and building systems development. The Company is an active member and participant in key industry research and development organizations. The Company maintains its connection to developments in industry research and technical information through its relationships with various associations, universities, research institutes, suppliers and customers.

## DIRECTORS AND OFFICERS

### Directors

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

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
<p>John Baird Toronto, ON Canada</p>	<p>Current Chairman of the board of Directors of the Company (the "Board") and former Canadian Minister of Foreign Affairs. Currently Senior Advisor to various enterprises and a former Senior Cabinet Minister in the Government of Canada.</p> <p>Background: Mr. Baird is also a Director and Chairman of the Board of CPPI. Mr. Baird spent three terms as a Member of Parliament in the House of Commons, most recently as Minister of Foreign Affairs (2011-2015). Previously, Mr. Baird held a variety of government posts including President of the Treasury Board (2006-2007), Minister of the Environment (2007-2008 and 2010-2011), Minister of Transport and Infrastructure (2008-2010), and Leader of the Government in the House of Commons (2010-2011). Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature, where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader (1995-2005).</p> <p>Currently, Mr. Baird serves as a Senior Business Advisor with Bennett Jones LLP, a premier Canadian law firm. In addition, Mr. Baird sits on the advisory board of Barrick Gold Corp., the corporate boards of Canadian Pacific Railway Company, Canadian Pacific Railway Limited, CPPI, the FWD Group, PineBridge Investments, and Osisko Gold Royalties Ltd., and is a Senior Advisor at Eurasia Group, a global political risk consultancy.</p> <p>Mr. Baird also volunteers his time with Community Living Ontario, an organization that supports individuals with developmental disabilities, the Prince's Trust Canada, the charitable office of His Majesty King Charles III, and is a board member of the Friends of Israel Initiative.</p>	<p>2016</p>
<p>Ryan Barrington-Foote, FCPA, FCA <sup>(1)(2)</sup> Vancouver, BC Canada</p>	<p>President at The Jim Pattison Group, a diversified holding company.</p> <p>Background: Mr. Barrington-Foote is currently the President at The Jim Pattison Group where he has worked since 2001 with oversight responsibility for accounting and tax related functions. Mr. Barrington-Foote was associated with KPMG LLP from 1996-2001 where he earned his CPA (CA) designation in 2001. Mr. Barrington-Foote obtained an Honours degree in Business Administration from Simon Fraser University. Mr. Barrington-Foote is a former member of the Board of Directors of Just Energy Group Inc. from 2015-2017, was a Director and treasurer of the Rick Hansen Institute from 2010-2016 and received an award as one of Vancouver's Top 40 Under 40 in 2009. He was elected a Fellow of the Chartered Professional Accountants of British Columbia in 2021.</p>	<p>2017</p>

<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
Glen Clark <sup>(3)(5)</sup> Vancouver, BC Canada	<p>Former President and Chief Operating Officer of The Jim Pattison Group, a diversified holding company.</p> <p>Background: Mr. Clark is the former President and Chief Operating Officer of The Jim Pattison Group. He is currently a member of the Board of Directors of Westshore Terminals Investment Corporation. Prior to 2001, Mr. Clark served as Premier of British Columbia from February 1996 to August 1999. He was Minister of Finance and Corporate Relations from November 1991 to September 1993 and Minister of Employment and Investment from September 1993 until February 1996. Mr. Clark was first elected to the Legislative Assembly of British Columbia in 1986 to represent the constituency of Vancouver-East. In the 1991 and 1996 general elections, he was re-elected to represent the constituency of Vancouver-Kingsway. Mr. Clark holds a Bachelor of Arts degree from Simon Fraser University and a Master's Degree in Community and Regional Planning from the University of British Columbia.</p>	2009
Dieter Jentsch <sup>(1)(5)</sup> King City, ON Canada	<p>Senior executive and career banker with experience in Canadian, US and International markets.</p> <p>Background: Mr. Jentsch is also a Director of CPPI. Mr. Jentsch had a 35-year career at Scotiabank holding numerous senior roles. In addition to being part of Scotiabank's Operating Committee, he was Group Head of Global Banking and Markets (2016-2018) and Group Head of International Banking (2012-2016). Other prior roles included Executive Vice President Latin America and Executive Vice President Canadian Commercial Banking. Mr. Jentsch presently serves as a Corporate Director on various boards for public (Mineros S.A.), private and Not-for-Profit entities.</p> <p>Mr. Jentsch holds a Bachelor of Science degree in Agriculture and a Master of Business Administration degree. He holds a diploma from the Advanced Management Programme from the European Institute of Business (INSEAD) as well as a diploma from the University of Toronto Rotman-ICD Directors Education Program.</p>	2020

<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
Donald Kayne Delta, BC Canada	<p>Current, President and Chief Executive Officer (“CEO”) of the Company.</p> <p>Background: Mr. Kayne was appointed President and CEO of Canfor Corporation on May 5, 2011. He also served as CEO of CPPI from September 2012 to April 2022.</p> <p>Mr. Kayne has spent his entire career at Canfor, starting out as a regional sales representative in 1979. Prior to being appointed CEO, Mr. Kayne spent 10 years as Canfor’s Vice President of Sales and Marketing and is one of the lead architects of Asian market development for British Columbia lumber.</p> <p>In addition to both the Company and CPPI, Mr. Kayne is a Director and past Chairman of the Forest Products Association of Canada and Chairman of the Council of Forest Industries, a past Director of the Alberta Forest Products Association, a Director of the BC Lumber Trade Council, and a Director of Vida AB. In 2014, Mr. Kayne was appointed to the bi-national Softwood Lumber Board and is past Vice Chairman and Chairman of the Programs Committee. He is also a Director of Cameco Corporation and Chairman of its Human Resources and Compensation Committee, Director of Sustainable Forest Initiative, International Fellow of the Royal Swedish Academy of Engineering Sciences, and Co-Chair of the charitable organization, Educating Girls of Rural China Foundation, which works to transform the lives of women and communities in rural areas of western China by providing access to education.</p>	2017
Anders Ohlner <sup>(4)</sup> Malmö, Skåne Sweden	<p>Former Executive Vice President of Handelsbanken, a Swedish financial institution.</p> <p>Background: Mr. Ohlner had a 30-year career at Handelsbanken in Sweden holding various senior roles including Executive Vice President, Head of the Regional Bank Eastern Sweden (2003-2008), Executive Vice President Head of the Regional Bank Southern Sweden (2008-2014) and Executive Vice President Central Head Office in Stockholm.</p> <p>In addition, he served as Chair of the Forest and Agriculture Advisory Board of the bank and is a member of their Life Insurance Company and Handelsbanken Regional Southern Sweden Advisory Board and was a Director of Vida. Mr. Ohlner studied Political Science and Information Technology as well as a Legal Overview Course at the Växjö University in Sweden.</p>	2020



<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
Conrad Pinette <sup>(1)(5)</sup> Vancouver, BC Canada	<p>Former owner and President, Pinette &amp; Therrien Mills Ltd., a corporation in the lumber business.</p> <p>Background: Mr. Pinette is also a director of CPPI and, from August 4, 2017 until April 29, 2021, was Chair of the Board and Chair of CPPI's board of directors. Mr. Pinette's work in the Canadian forest industry began 58 years ago as an owner and President of a family lumber business, Pinette &amp; Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. Mr. Pinette is the former Chairman of Finning International Inc. and a former director of Gold Canyon Resources Inc., TimberWest Forest Corp, Northgate Minerals Corporation, A&amp;W Revenue Royalties Income Fund, Finning International Inc. and the British Columbia Business Council. Mr. Pinette is currently a member and Chairman of the Vancouver General Hospital and University of British Columbia Prostate Advisory Board.</p>	2008
Dallas Ross <sup>(1)(2)(5)</sup> Vancouver, BC Canada	<p>Founder and general partner of Kinetic Capital Partners, a private investment group with large ownership percentages in a few high growth US private companies.</p> <p>Background: Mr. Ross is also Chair of the board and Chair of the Strategic Initiatives Committee of Rogers Sugar Inc. and Lantic Inc., a Director of Westshore Terminals Investment Corporation and Westshore Terminals Ltd., and is CFO of Westshore Terminals Investment Corporation.</p> <p>Previously, Mr. Ross was on the board of Just Energy Group and was Chair of the Special Committee that oversaw its consensual CBCA restructuring in 2020 and remained on the board until it exited its subsequent CCAA restructuring in 2022. Mr. Ross was also on the board and was Chair of the Strategic Alternatives Committee of Catalyst Paper Corporation to assist with its debt restructuring from 2010 to 2012. Mr. Ross was on the board of FutureShop.com from 1999 to 2004 and was on the board and Chair of the Campus Task Force, on the Executive Committee and on the Finance Committee of Crofton House School in Vancouver from 2006 to 2013 as a key member of the leadership team that rebuilt the campus facilities, significantly improved the school's economic scale and raised significant donations from its community</p> <p>Prior to founding Kinetic Capital Partners, Mr. Ross was Managing Director, Investment Banking at Scotia Capital and, prior to that, Managing Director, Mergers and Acquisitions with ScotiaMcLeod.</p>	2018

<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
Ross Smith, FCPA, FCA <sup>(1)(2)</sup> West Vancouver, BC Canada	<p>Member of the Board of Directors of Rotherham Holdings Ltd., a holding corporation.</p> <p>Background: Mr. Smith had a 35-year career at KPMG LLP where he held various roles, including Managing Partner for British Columbia region, and served for 13 years on the National Management Committee prior to his retirement in 1998. While in public practice, Mr. Smith served major public and private companies, many of which were in the forest industry, from an audit and securities perspective. Mr. Smith has served on many charitable and community boards in past years and is a past member of the Board of Governors of the University of British Columbia. Mr. Smith is a former member of the Board of Directors of HSBC Bank Canada, K-Bro Linen Inc., Kal Tire Holdings Ltd, N&amp;T Properties Ltd and the Advisory Board of Marsh Canada Ltd. Mr. Smith qualified as a Chartered Accountant in 1962 and was elected a Fellow of the Institute of Chartered Accountants of British Columbia ("ICABC") in 1990 and in 2010 was awarded a lifetime achievement award by the ICABC.</p>	2009
Frederick Stimpson III <sup>(4)</sup> Mobile, AL United States	<p>Former President of CSP and is currently a consultant for the Company.</p> <p>Background: Mr. Stimpson is the third generation of a family with a long history in the forest products business. After graduating from the University of Alabama in Business and from University of Georgia in Forestry, Mr. Stimpson worked with Gulf Lumber Company in various roles and was President from 1988 to 2009 and CEO of Scotch &amp; Gulf Lumber until 2013.</p> <p>After the acquisition of Scotch &amp; Gulf Lumber by Canfor, Mr. Stimpson was appointed President of CSP in 2015 and held the role until his retirement in 2020. Leading the Company's US South business, Mr. Stimpson helped the Company expand from four mills to 15 operations including a transportation company that specializes in hauling lumber and wood residuals across the southeast to customers.</p>	2021

<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
William Stinson <sup>(3)</sup> Vancouver, BC Canada	<p>Current Chairman, CEO and director of Westshore Terminals Investment Corporation, a corporation in the coal terminal business.</p> <p>Background: Mr. Stinson is also a Director of CPPI. Mr. Stinson spent the majority of his business career with Canadian Pacific Ltd., retiring as Chairman and CEO in 1996 after 11 years in that position. He has served on a wide variety of boards and has held the positions of Chairman of Sun Life Financial, Chairman of the Executive Committee of United Dominion Industries and Lead Director of CHC Helicopter Corporation.</p>	2011
Sandra Stuart <sup>(4)</sup> Vancouver, BC Canada	<p>Former CEO of HSBC Canada, a Canadian chartered bank and a Director of the Supervisory Board for HSBC Germany, Director of Telus International Inc. and Belcorp Private Investment Management Co., and is a Trustee and the Audit Chair for DRI Healthcare Trust.</p> <p>Background: Ms. Stuart is also a Director of CPPI. Ms. Stuart is the former Executive Director, Group General Manager and President and CEO of HSBC Bank of Canada. She has also served on the boards of HSBC Bank of Canada and as a Chair of the board for HSBC Global Asset Management (Canada Limited).</p> <p>Ms. Stuart has been recognized by the Association of Women in Finance for Excellence in the Private Sector, received the Women's Executive Network Deloitte Inclusion Vanguard Award (2016), was named one of Women's Executive Network's Top 100 Most Powerful Women in Canada (2014) and British Columbia's Most Influential Women by BC Business (2015/2019). Most recently, she was selected as a Catalyst Canada Honours Champion.</p> <p>Ms. Stuart has a Bachelor of Arts with a double minor in Economics and business from Simon Fraser University.</p>	

<b><u>Name and Municipality, Province and Country of Residence</u></b>	<b><u>Principal Occupation and Background</u></b>	<b><u>Director Since</u></b>
Dianne Watts <sup>(3)(4)</sup> Surrey, BC Canada	<p>Member of the Board of Directors of Westshore Terminals Investment Corporation, a coal export terminal company.</p> <p>Background: Ms. Watts is a former Member of Parliament in the House of Commons representing Surrey, BC, and White Rock, BC, from 2015 to 2017. Prior to entering federal politics, Ms. Watts served as Mayor of Surrey, BC, from 2005 to 2014 and as a Surrey, BC, City Councillor from 1996 to 2005.</p> <p>During her time as a Member of Parliament, Ms. Watts was a member of the National Security and Public Safety Committee, National Infrastructure and Transportation Committee, Economic Development Caucus and Speaker of the House of Commons and All Party Parliamentary Tour – South Korea and Mongolia.</p> <p>Ms. Watts was awarded with an Honorary Doctors of Law Degree from the Justice Institute of British Columbia (Contribution to Community and Public Safety) in 2013, and in 2014 KPU University awarded her with an Honorary Doctors of Law Degree (Leadership – Progressive Governance – Community Engagement and Public Safety). Ms. Watts was awarded the “Iconic Leader of the Decade” award in 2018 from the All Ladies League and Woman’s Economic Forum, the Queen Elizabeth II Diamond Jubilee Medal in 2012, and in 2010 was selected as “4<sup>th</sup> Best Mayor in the World” by the City Mayor’s Foundation United Kingdom and as “Woman of the Year” Business Excellence by Consumer Choice Awards. In 2009, Ms. Watts was named a Paul Harris Fellow by the Rotary Foundation of Rotary International. Ms. Watts is also a political contributor to Global and CBC media services.</p>	2018

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Joint Management Resources and Compensation Committee.
- (3) Member of the Joint Governance and Sustainability Committee (formerly the Joint Governance Committee).
- (4) Member of the Joint Environmental, Health and Safety Committee.
- (5) Member of the Joint Capital Expenditure Committee.
- (6) All committees of the Company, other than Audit Committee, have as members one or more directors of CPPI and are joint committees with CPPI. For more information on the power, responsibilities and composition of the joint committees, see the Company’s Information Circular dated March 16, 2022, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The term of office of each Director expires on the date of the next Annual General Meeting of the Company to be held on May 3, 2023.

## Officers

The names and municipality, province and country of residence of the executive officers of the Company and the offices held by them as at February 28, 2023 are as follows:

<u>Name<sup>(1)</sup></u>	<u>Municipality of Residence</u>	<u>Office</u>
John Baird	Toronto, ON, Canada	Chairman
Donald Kayne	Delta, BC, Canada	President and CEO
Patrick Elliott	Vancouver, BC, Canada	CFO & Senior Vice President, Sustainability
Stephen Mackie	Kelowna, BC, Canada	Executive Vice President, North American Operations
David Calabrigo, K.C.	Vancouver, BC, Canada	Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary
Kevin Horsnell	Prince George, BC, Canada	Senior Vice President, Canadian Operations
Kevin Pankratz	North Vancouver, BC, Canada	Senior Vice President, Sales and Marketing
Katy Player	North Vancouver, BC, Canada	Senior Vice President, People
David Trent	West Vancouver, BC, Canada	Senior Vice President, Global Supply Chain & Digital
Susan Yurkovich	Vancouver, BC, Canada	Senior Vice President, Global Business Development
Måns Johansson	Växjö, Kronobergs län, Sweden	Chief Executive Officer, Vida Group
Jim Bogle	Surrey, BC, Canada	Vice President, Technology & Digital
Bob Hayes	Delta, BC, Canada	Vice President, Global Supply Chain
Andreas Kammenos	Abbotsford, BC, Canada	Vice President, Residual Fibre and Business Analytics
Ross Lennox	Prince George, BC, Canada	Vice President, Woodlands Canada
Bob Smith	Surrey, BC, Canada	Vice President, North American Sales
Sharon Michelle Ward	Vancouver, BC, Canada	Vice President, Corporate Communications
Katrina Wilson	Surrey, BC, Canada	Vice President, Controller

Notes:

- (1) The principal occupation of all of the officers listed above is with the Company or CPPI, other than Mr. Johansson, whose principal occupation is with Vida, as described above. For further information on the occupations of the Directors of CPPI, see the Company's Information Circular dated March 16, 2022, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

All of the above Directors and officers have had the same or similar principal occupations with the organizations indicated for the last five years except that: prior to November 2022, Mr. Horsnell was Vice President, Operations Canada, prior to September 2019, Mr. Horsnell was Vice President, Woodlands Canada, and prior to January 2018, Mr. Horsnell was General Manager, Forest Management Group Canada; prior to August 2022, Ms. Ward was Senior Director, Communications and Government Relations, and prior to June 2018, Ms. Ward was Senior Vice President at National Public Relations; prior to October 2022, Ms. Yurkovich was President and CEO of the BC Council of Forest Industries and President of the BC Lumber Trade Council; prior to April 2022, Mr. Trent was Chief Digital Officer & Vice President Operations Technology at CN and prior to July 2019, Mr. Trent was Senior Director, IT at Canfor; prior to October 2021, Mr. Elliott was Senior Vice President, Corporate Finance and Sustainability, prior to August 2020, Mr. Elliott was Vice President, Corporate Finance and Strategy and prior to April 2018, Mr. Elliott was Vice President and Treasurer; prior to October, 2021, Ms. Wilson was Corporate Controller; prior to April 2021, Mr. Baird was a Director of the Company; prior to March, 2021, Mr. Bogle was Vice President, Business Services at Tervita Corporation, prior to October 2017, Mr. Bogle was Vice President, Human Resources and Information Technology at Tervita Corporation and prior to March 2017 Mr. Bogle was Vice President, Information Technology at Tervita Corporation; prior to February 2021, Ms. Player was Vice President, People and Communications, prior to March 2018, Ms. Player was Senior Director, Human Resources at Bentall Kennedy, and prior to January 2017, Ms. Player was Director, People and Culture at Canfor; prior to September 2020, Mr. Kammenos was General Manager, Business Analytics; prior to September 2020, Mr. Smith was Group General Manager, SPF Sales; prior to February 2020, Mr. Mackie was Senior Vice President, Operations Canada; prior to April 2019 Mr. Johansson was Managing Director of Vida Wood; prior to April 2018, Mr. Hayes was Vice President, Transportation and Corporate Sourcing; prior to January 2019, Mr. Pankratz was Senior Vice President, Sales and Marketing, Canfor Wood Products Marketing and prior to January 2018, Mr.

Pankratz was Vice President, Canfor Wood Products Sales and Marketing; prior to September 2019, Mr. Lennox was Plant Manager, Plateau Sawmill and prior to July 2017, Mr. Lennox was Plant Manager, Prince George Sawmill.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

### **CONFLICTS OF INTEREST**

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

### **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized share capital of the Company consists of 1,000,000,000 common shares without par value and 10,000,000 preferred shares with a par value of \$25 each. At December 31, 2022 and February 28, 2023, there were 121,059,579 common shares issued and outstanding and no preferred shares issued and outstanding.

The holders of common shares are entitled to vote at all meetings of shareholders of the Company, except meetings at which only holders of preferred shares would be entitled to vote. The common shareholders are entitled to receive dividends as and when declared on the common shares.

The holders of preferred shares are not generally entitled to receive notice of, or to attend or vote at, general meetings of shareholders of the Company. Preferred shareholders are entitled to preference over the common shares with respect to payment of dividends and upon any distribution of assets in the event of liquidation, dissolution and winding-up of the Company.

### **DIVIDENDS**

The declaration and payment of dividends is at the discretion of the Company's Board of Directors. There were no dividends paid on its common shares from 2009 to 2022.

Provisions contained in the Company's long-term borrowing agreements limit the amount of dividends it may pay on the Company's common shares. The amount of dividends the Company is permitted to pay under its term loan agreements is determined by reference to consolidated net earnings less certain restricted payments. The agreements do not restrict dividends paid in common shares of the Company.

### **SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS**

At February 28, 2023, the Directors and Executive Officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over: (i) 126,937 common shares representing approximately 0.1% of the outstanding common shares; and (ii) 219,832 common shares of CPPI representing approximately 0.3% of the outstanding common shares of CPPI.

At February 28, 2023, James A. Pattison beneficially owned 63,728,722 common shares, which are held by companies wholly owned by Mr. Pattison, and represent approximately 52.6% of the outstanding common shares of the Company. This amount is not included in the calculation of the Directors and Executive Officers holdings above.

### **MARKETS FOR SECURITIES**

The Common Shares are listed and traded on the TSX under the symbol CFP.

## TRADING PRICE AND VOLUME

The following table presents the high and low prices for the Company's Common Shares and the average daily trading volume of those shares, on a monthly basis, on the TSX for 2022.

<b>Month (2022)</b>	<b>High</b>	<b>Low</b>	<b>Average Daily Trading Volume</b>
	\$	\$	(Shares)
January	33.89	27.03	300,290
February	30.50	26.34	272,984
March	30.37	25.66	391,683
April	26.42	22.16	365,255
May	27.14	22.89	345,486
June	27.19	21.01	322,723
July	27.31	21.45	277,120
August	28.08	25.63	149,227
September	25.51	18.97	248,986
October	21.13	18.42	232,815
November	24.90	19.84	224,823
December	24.78	20.39	210,555

## SECURITY

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

## MATERIAL CONTRACTS

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

1. The Company is party to a Note Purchase and Private Shelf Agreement dated October 2, 2015, as amended by amendments thereto dated as of December 14, 2018 and September 30, 2019, each made among the Company, Prudential Investment Management, Inc. and the note purchasers party thereto (the "Note Purchase Agreement"), for the private placement of 4.40% Series A senior unsecured notes (the "Notes") of the Company. The initial series of Notes are for an aggregate principal amount of US\$100,000,000 with a 10-year term, repayable in three equal tranches on October 2, 2023, 2024 and 2025, and are guaranteed by certain of the subsidiaries of the Company. The Note Purchase Agreement provides for a US\$50,000,000 uncommitted shelf facility to allow for future issuances of Notes.
2. The Company and CSP are borrowers under an amended and restated credit agreement dated for reference October 31, 2022, made with, among others, Royal Bank of Canada, as Canadian administrative agent, CoBank, ACB, as U.S. administrative agent, Bank of Montreal, as co-syndication agent, Canadian Imperial Bank of Commerce, as co-syndication agent, and the financial institutions from time to time party thereto as lenders.

This amended and restated credit agreement, as so amended, provides for a CDN\$775,000,000 unsecured revolving term credit facility (the "Operating Loan") in favour of the Company and CSP, and a US\$200,000,000 committed revolving credit facility (the "Revolving Credit Facility") in favour of CSP. Each of the Operating Loan and the Revolving Credit Facility provide for floating rates of interest. The Operating Loan also provides for the issuance of letters of credit. The Operating Loan matures on October 31, 2027 and the Revolving Credit Facility matures on June 28, 2031. On June 28, 2023, any amounts drawn on the Revolving Credit Facility will be converted to a US-dollar denominated unsecured non-revolving term loan in the principal amount equal to the lesser of US\$200,000,000 and the principal amount outstanding under such Revolving Credit Facility on such date, with a maturity date of June 28, 2031.

3. The Company and a predecessor to CPPI each entered into a number of material contracts in connection with the spin-out of the NBSK pulp and paper business by the Company on July 1, 2006, which is now carried on by CPPI. For a description of these contracts see "Pulp and Paper" and the section entitled "The Spin-out – Transfer of the Pulp Business and Related Agreements" of the Company's Information Circular dated April 28, 2006, which is incorporated by reference herein and also the Canfor Pulp Income Fund Information Circular dated March 16, 2010, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, SANCTIONS**

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

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

To the knowledge of the Company, no Director or Executive Officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company is at the date hereof, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of a company that, while acting in that capacity, or within a year of ceasing to act in such capacity became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets, other than Mr. Ross. Mr. Ross was asked to join the Board of Directors of Catalyst Paper Corporation ("Catalyst") in May 2010 to assist in the possible restructuring of the company. Catalyst filed for protection under the CCAA in January 2012, reorganized its financial affairs and successfully emerged from CCAA protection in September 2012. Mr. Ross was asked to join the Board of Directors of Just Energy Group Inc. ("Just Energy") in June 2017. Mr. Ross was on the Board of Directors of Just Energy to execute a Plan of Arrangement under the CBCA in mid-2020 and then to subsequently execute a CCAA filing amidst significant issues in the Texas regulated market in early 2021.

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

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no material legal or regulatory proceedings to which the Company or any of its subsidiaries is or was a party, or to which any of the property of any of them is or was the subject of, during the Company's financial year ended December 31, 2022, and there are no such material legal or regulatory proceedings which the Company knows to be contemplated. In addition, there are no penalties or sanctions imposed against the Company or any of its subsidiaries by a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2022 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2022.

On October 12, 2015, the Softwood Lumber Agreement between the governments of Canada and the US expired which resulted in a twelve-month period in which no trade actions could be imposed for the importation of softwood lumber from Canada to the US (commonly referred to as a "stand-still period"). On October 12, 2016, the stand-still period expired, and on November 25, 2016, a petition was filed by the US Lumber Coalition to the US Department of Commerce and the US International Trade Commission alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers, including Canfor. On January 6, 2017, the US International Trade Commission ruled that there is a reasonable indication that US lumber producers are materially injured by reason of imports of softwood lumber products from Canada that are allegedly subsidized and sold in the United States at less than fair value. Canfor was



selected by the US Department of Commerce as a “mandatory respondent” to the countervailing and antidumping investigations and is subject to company specific countervailing and antidumping duties.

On April 24, 2017, the US Department of Commerce announced a preliminary countervailing duty of 20.26% to be imposed on the Company’s lumber exports to the United States from April 28, 2017 to August 25, 2017. On June 23, 2017, the US Department of Commerce announced a preliminary anti-dumping duty of 7.72% effective on US-bound shipments beginning June 30, 2017. On November 2, 2017, the US Department of Commerce announced a final countervailing duty rate of 13.24% effective December 28, 2017, and a final anti-dumping duty rate of 8.89% effective November 8, 2017. The anti-dumping duty rate was further amended to 7.28%, effective January 3, 2018, following a Ministerial Error Challenge, which was accepted by the US Department of Commerce.

Despite cash deposits being made at rates determined by the US Department of Commerce in 2017 (20.52%), the final liability associated with duties is not determined until the completion of administrative reviews performed by the US Department of Commerce. For the countervailing duty rate, the first period of review was based on sales and cost data through 2017 and 2018, while the anti-dumping duty rate was based off data from July 2017 to December 2018.

In early 2020, the US Department of Commerce announced the preliminary results for the first period of review and on November 24, 2020, finalized the rates. Accordingly, the Company’s final countervailing duty cash deposit rate was determined to be 2.94% for 2017 and 2.63% for 2018 (versus a cash deposit rate of 13.24%), while the final anti-dumping duty cash deposit rate was 1.99% for the entire first period of review (versus a cash deposit rate of 7.28%). The US Department of Commerce’s final combined duty and cash deposit rate of 4.62% applied to the Company’s Canadian lumber shipments destined to the United States from December 1, 2020 until completion of the administrative review for the second period of review in November 2021.

At the end of November 2021, the US Department of Commerce finalized the company’s countervailing duty rate at 2.42% for the second period of review (versus a cash deposit rate of 13.24%), while the final anti-dumping duty rate was 17.12% (versus a deposit rate of 7.28%). This final combined duty rate of 19.54% applied to the Company’s Canadian lumber shipments destined to the United States from December 2, 2021 until completion of the administrative review for the third period of review in August 2022.

In early August 2022, the US Department of Commerce finalized the company’s countervailing duty rate at 0.95% for the third period of review (versus a cash deposit rate of 2.42%), while the final anti-dumping duty rate was 4.92% (versus a deposit rate of 17.12%). This final combined duty rate of 5.87% became the new duty cash deposit rate and was applied to the Company’s Canadian lumber shipments destined to the United States from August 9, 2022 until completion of the administrative review for the fourth period of review (anticipated in mid-2023).

Subsequent to year-end, in January 2023, the US Department of Commerce announced the preliminary results for the fourth period of review, which indicated that the Company’s preliminary countervailing duty rate and anti-dumping duty rate for 2021 was 2.04% and 5.25%, respectively.

Canfor and other Canadian forest product companies, the Federal Government of Canada and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the US Department of Commerce. Canada has proceeded with legal challenges under the United States-Mexico-Canada Agreement and through the WTO, where Canadian litigation has proven successful in the past.

## **EXPERTS**

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

The Company will propose KPMG LLP for reappointment as the auditors of the Corporation on the expiry of its term of office at the Annual Meeting of Shareholders of the Corporation on May 3, 2023. No auditor’s report prepared by the auditor in respect of the Corporation’s financial statements relating to the relevant period contained any modified opinion and there have been no reportable events involving the Corporation and the auditor.

## **TRANSFER AGENT AND REGISTRAR**

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

## AUDIT COMMITTEE INFORMATION

### Audit Committee Terms of Reference – See APPENDIX A

#### Composition of Audit Committee

The Audit Committee is composed entirely of Directors who are financially literate and a majority of whom are independent, in each case as contemplated by National Instrument 52-110 – *Audit Committees* (“NI 52-110”). Mr. Smith, the Chairman of the Committee, is a Fellow Chartered Professional Accountant (FCPA, FCA) and was a partner in a national accounting firm for over 20 years. Mr. Barrington-Foote is a Fellow Chartered Professional Accountant (FCPA, FCA) and President at The Jim Pattison Group. Mr. Ross is a general partner and founder of Kinetic Capital Partners, was previously Managing Director, Investment Banking at Scotia Capital and, prior to that, Managing Director, Mergers and Acquisitions with ScotiaMcLeod, has previously served on numerous Audit Committees and currently serves on a number of other boards. Mr. Jentsch was a former Senior Executive at Scotiabank, where he had a 35-year career holding numerous senior roles.

Of the Audit Committee members, Messrs. Smith, Jentsch and Ross are independent Directors, and Mr. Barrington-Foote is treated as a non-independent because he is an employee, director, or officer of one or more companies wholly owned by James Pattison, the largest shareholder of the Company.

In its assessment of the composition of the Audit Committee, the Board determined that Mr. Barrington-Foote is an appropriate member for this committee on the basis that: except for his positions with Mr. Pattison’s companies, he is not considered to otherwise have any material relationships which could reasonably be expected to interfere with the exercise of his independent judgement as a Director; and, given his financial literacy and his active day-to-day involvement in relevant financial matters and issues, his role on the Audit Committee is required in the best interests of the Company. The Company is therefore relying on the exemption in subsection 3.3(2) (Controlled Companies) of NI 52-110 in including Mr. Barrington-Foote on the Company’s Audit Committee.

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

#### External Auditor Service Fees (By Category)

The aggregate fees billed by KPMG LLP, the auditor of the Company, for the last two years, was an aggregate \$4.1 million. Fees listed below were for audit, tax, financial and other verification audit services.

<b>External Auditor Service Fees</b> (000s)	<b><u>2022</u></b>	<b><u>2021</u></b>
Audit Fees <sup>(1)</sup>	\$1,555	\$1,201
Audit-Related Fees <sup>(2)</sup>	96	98
Other Assurance Fees <sup>(3)</sup>	<u>322</u>	<u>130</u>
<b>Total Assurance Fees</b>	<b><u>\$1,973</u></b>	<b><u>\$1,429</u></b>
Tax Fees <sup>(4)</sup>	<u>341</u>	<u>405</u>
<b>Total Fees</b> <sup>(5)</sup>	<b><u>\$2,314</u></b>	<b><u>\$1,834</u></b>

Notes:

- (1) For the audit of the Company’s annual financial statements and services normally provided by the principal auditor in connection with the Company’s statutory and regulatory filings.
- (2) For assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported in (2), including accounting consultations and various agreed upon procedures.
- (3) Other assurance fees primarily related to forest certification services.
- (4) For tax compliance, tax consulting services, and tax planning.
- (5) Included in the fees above is \$0.5 million which was billed to the Company’s subsidiary, CPPI (in 2021, \$0.4 million was billed to CPPI).

## ADDITIONAL INFORMATION

Additional financial information regarding the Company is provided in the Company’s “2022 Management’s Discussion and Analysis” and “Consolidated Financial Statements” for the year ended December 31, 2022. Additional information, including Directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, options to purchase securities and interests of insiders in material transactions, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Information Circular for the Annual General Meeting of the Company held on May 3, 2022 and in the Information Circular for the Annual General Meeting of the Company to be held

on May 3, 2023.

The Company will provide upon request to the Corporate Secretary of the Company, 100 - 1700 West 75<sup>th</sup> Avenue, Vancouver, British Columbia, V6P 6G2, copies of the above documents. These documents and additional information about the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, all documents identified in this Annual Information Form as being incorporated by reference herein are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPENDIX A – AUDIT COMMITTEE TERMS OF REFERENCE**

### **1. Purpose**

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

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

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

### **2. Audit Committee Composition and Meetings**

All members of the Audit Committee must be Independent Directors or otherwise determined by the Board to be eligible to serve as members of the Audit Committee in accordance with applicable securities laws.

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

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

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

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

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

### **3. Primary Duties and Responsibilities**

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

#### **(a) Review and Reporting Procedures**

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

#### **(b) Internal Controls and Risk Management Processes**

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

(c) **Financial Reporting**

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

(i) General

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

(ii) Interim Financial Statements

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

(iii) Annual Financial Statements and Other Financial Information

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

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

(iv) Prospectus and Information Circulars

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

(d) **External Audit**

The external auditors are accountable to the Audit Committee and the Board as representatives of the shareholders.

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

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

(e) **Internal Audit**

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

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

(f) **Finance**

The Audit Committee is authorized to review and approve for recommendation to the Board:

- (i) the Company's annual financing plan and any amendments thereto from time to time;
- (ii) any proposed financings;
- (iii) the method by which the Company measures financial results or performance.

**4. Other Duties**

(a) **Legal and Regulatory Compliance**

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

- (i) In areas in which it has oversight responsibility, monitor the Company's compliance and obtain management's assurance of compliance with applicable laws, regulations and internal policies in all jurisdictions where the Company does business. The Audit Committee will consider the financial statement implications of applicable laws and regulations, including the laws and regulations overseen by other Committees of the Board.
- (ii) Receive and review copies of legal letters provided to the external auditors by in-house and outside counsel regarding claims and possible claims against the Company.
- (iii) Make inquiries of management, the external auditors and the Internal Auditor, to ensure that



all material legal matters have been brought to the attention of the Audit Committee.

- (iv) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements or risk profile, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
- (v) Ensure that all annual and interim financial statement filings are personally certified by the Chief Executive Officer and the Chief Financial Officer if and as required by applicable law.
- (vi) Review the Company's procedures and establish procedures for the Audit Committee for the:
  - receipt, retention and resolution of complaints regarding accounting, internal accounting controls, financial disclosure or auditing matters; and
  - confidential, anonymous submission by employees regarding questionable accounting, auditing, or financial reporting and disclosure matters.

(b) **Pension Funds**

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

- (i) establishing the Management Pension Committee, which has the responsibility for assisting the Audit Committee in overseeing and managing the Company's pension plans, and will be comprised of three or four Management representatives, and will report to the Audit Committee;
- (ii) establishing and reviewing on an annual basis the terms of reference of the Management Pension Committee;
- (iii) approving the benefit design and provisions, any material plan amendments and the designation of deemed earnings of the Company's pension plans, on the advice and recommendation of the Management Pension Committee;
- (iv) reviewing the Company's expense and accruals in the Company's financial statements for pension plans in which the Company's employees participate;
- (v) receiving, at least annually, a report from the Management Pension Committee detailing the performance of the plans' money managers and the investment policies and practices in respect of the funds contributed to the Company's pension plans and compliance with applicable legislation and regulatory guidelines;
- (vi) approving any material changes to the Company's pension funds' statement of investment policies and procedures;
- (vii) receiving a report from the Management Pension Committee immediately upon the identification or disclosure of any issue or circumstance that may materially impact the Company's obligations, liabilities, or responsibilities with respect to such pension plans;

The Audit Committee may at their discretion delegate aspects of their responsibilities to the Management Pension Committee, including:

- (viii) approving the appointment of or changes to pension service providers such as actuaries, auditors and legal advisors, including related fees, as well as any mandates, contracts or policies and benefit compliance matters relating to the management of the Company's pension plans;
- (ix) approving valuation reports and the structure, selection and review of plan asset management, including oversight of investment managers and asset monitoring rebalancing;
- (x) reviewing and approving the audited annual financial statements, annual plan reports and budgets for each pension plan as well as the appointment of signing officers of the fund;

- (xi) reviewing on an annual basis the unfunded liability for retiree non-pension benefits and future liability thereof, or;
- (xii) reviewing the funding of the Company's pension plans, including actuarial reports in respect of the Company's pension obligations so as to determine the level of unfunded liabilities, if any.

The Management Pension Committee will present to the Audit Committee at least quarterly a summary of the funding positions of the Company's pension plans and summaries of any other delegated responsibilities, such that the Audit Committee can fulfil its oversight responsibilities to the Board and shareholders.

(c) **Officer Expenses**

Review policies and procedures with respect to the Chairman of the Board and President and Chief Executive Officer's expense accounts and perquisites, including the use of corporate assets.

Periodically review major expenses incurred by the office of the Chairman of the Board and President and Chief Executive Officer.

(d) **Other Duties**

- (i) The Audit Committee will perform such other functions as assigned by law or regulation or as required by the Board.
- (ii) The Audit Committee of the Company will receive reports from the Canfor Pulp Audit Committee at such times that the Chairman of the Audit Committee considers appropriate, detailing such matters, issues and circumstances of a financial nature that may impact the Company or be of interest to its Audit Committee.