



2019 Sustainability Report

CANFOR AND CANFOR PULP

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Sustainable Forest Management
Environmental Performance
Our People
2020 Objectives and Targets
GRI Content Index

canfor.com

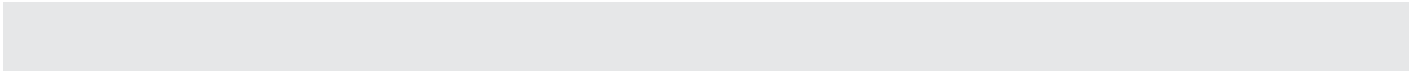


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Welcome to our 2019 Sustainability Report

Canfor Corporation and Canfor Pulp's 2019 Sustainability Report covers the companies' corporate, social, sustainability and environmental performance. It is Canfor's ninth report following the Global Reporting Initiative (GRI) guidelines for sustainability reporting, and our seventh combined with Canfor Pulp Products Inc. The joint reporting is from January 1 to December 31, 2019 and ensures stakeholders can easily access key indicators and information about our companies' operations and sustainability work.

OUR VISION

We are the most innovative and sustainable global resource company delivering the highest value to our customers.

A Message from the CEO, Don Kayne

Over the last few months as we've been putting together our 2019 Sustainability Report, the world has been forever changed by the COVID-19 pandemic. Canfor and Canfor Pulp have both been designated as essential services. The integration of the forest products industry has been demonstrated, as the chips from sawmills are needed to keep pulp mills operating, which in turn supports the production of critical materials like wet wipes for sanitizing, hygiene products, and medical papers and components that go into medical-grade masks.

We believe that being a truly sustainable company is not just about protecting the environment, although it's a very important component. It also includes providing good-paying jobs that help support the communities where we live and operate, working in partnership with Indigenous Nations while recognizing their rights and title, innovating to help redefine the future of forestry, building a diverse and inclusive workforce, ensuring the health and safety of our people, working to maintain a strong balance sheet to ensure the longevity of the company, and in times of crisis, like the COVID-19 pandemic, being able to contribute to the production of critically needed personal protective equipment and help in the economic recovery that is urgently needed.

As the best-in-class standards of sustainability goals and reporting continue to evolve, we are regularly revisiting our corporate strategy and reassessing our sustainability reporting processes. We currently follow the Global Reporting Initiative (GRI) Standards for sustainability reporting. In 2020 we are reviewing the United Nation's 17 sustainable development goals and considering incorporating them into our sustainability strategy and reporting. In addition, we are assessing the June 2017 recommendations of the Task Force on Climate-related Financial Disclosures and the standards put forward by the Sustainability Accounting Standards Board. In 2020 we also created the new position of Director, Sustainability and Environment to help take the company's sustainability strategy and culture to the next level.

As a company that uses a renewable resource to produce sustainable products, we are part of the climate change solution and the circular economy. In Canada we planted 64 million seedlings last year, which represents the potential to store about 64 million tonnes of carbon. In the last 20 years, Canfor has planted over 1 billion trees.

There is growing awareness around the world of the environmental benefits of wood construction as green building becomes more widely embraced. Mass timber construction uses one-third the energy of steel and one-fifth the energy of concrete. Canfor is proud to have participated in all of the major mass timber projects in North America to date.

Today, pulp products are helping to replace products manufactured from fossil fuels, such as plastics. Many fossil fuel producers are moving quickly to integrate new streams of renewable energy and fuels, which creates an untapped opportunity for us. In addition, over 45% of our pulp product offerings go into specialty end uses, everything from fibre cement to wet wipes and coffee pods.

We believe Canfor is well positioned to play a key role in the shift to a circular, sustainable global economy. We are committed to playing a leading role in this transition for the benefit of the environment, our communities, our partners and our people. I invite you to read this year's report to learn more.



DON KAYNE
PRESIDENT AND CEO, CANFOR

About Canfor



09. GLOBAL OPERATIONS

10. EXPANDING OUR GLOBAL REACH OF HIGHER-END PRODUCTS

13. BENEFITS OF OUR WOOD AND PULP PRODUCTS

16. COMMITTED TO SAFETY

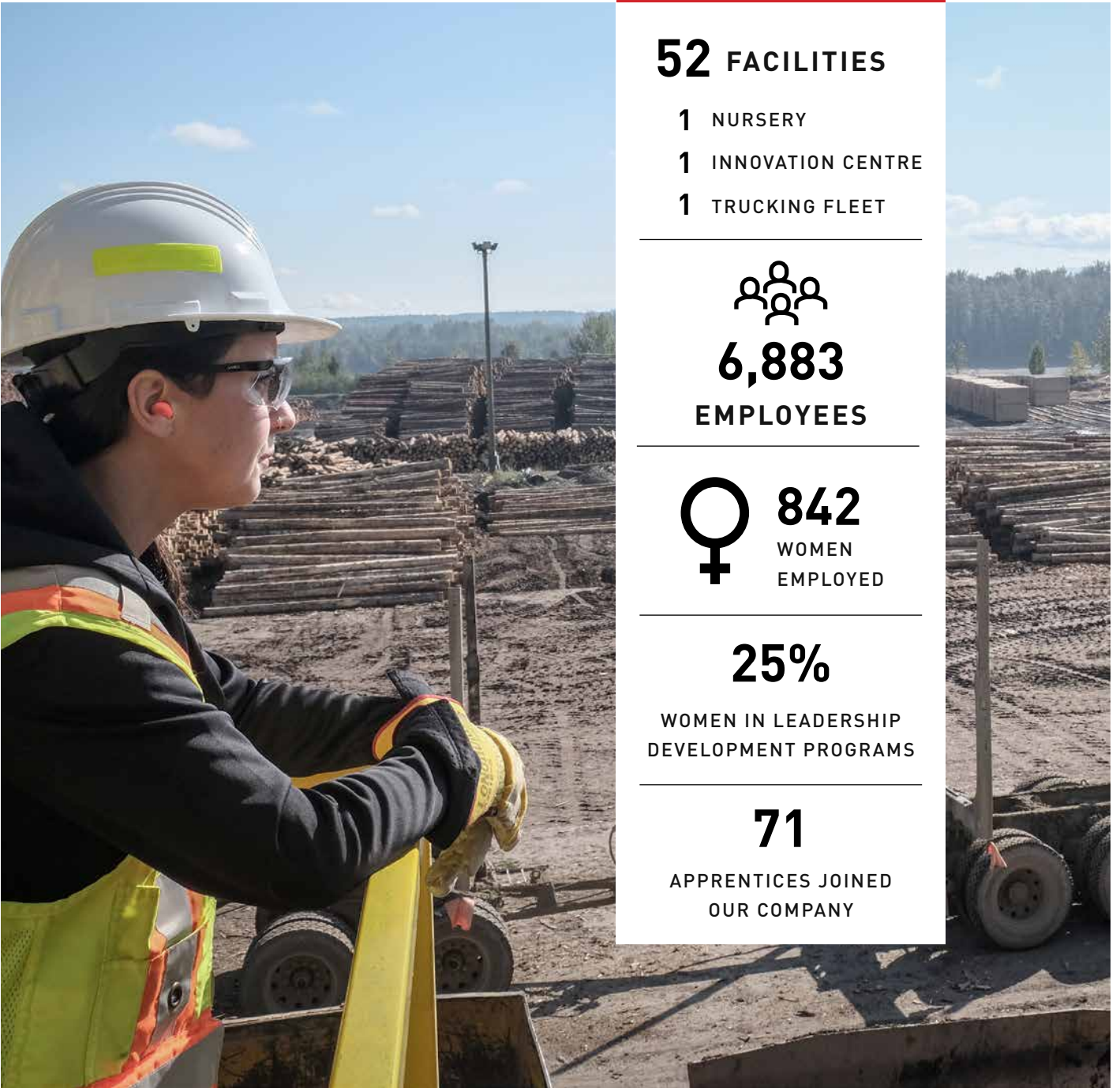
20. INVESTING IN OUR OPERATIONS

23. STAKEHOLDER ENGAGEMENT

28. COMMUNITY ENGAGEMENT

30. AWARDS & HONOURS

Canfor in 2019



52 FACILITIES

- 1 NURSERY
- 1 INNOVATION CENTRE
- 1 TRUCKING FLEET



6,883

EMPLOYEES



842

WOMEN
EMPLOYED

25%

WOMEN IN LEADERSHIP
DEVELOPMENT PROGRAMS

71

APPRENTICES JOINED
OUR COMPANY

1.50

OVERALL MEDICAL INCIDENT RATE

Canfor, Canfor Pulp and Vida are significantly below our safety target of 2.0

\$900,000

TOTAL COMMUNITY INVESTMENT

Includes donations, sponsorships, scholarships and bursaries.

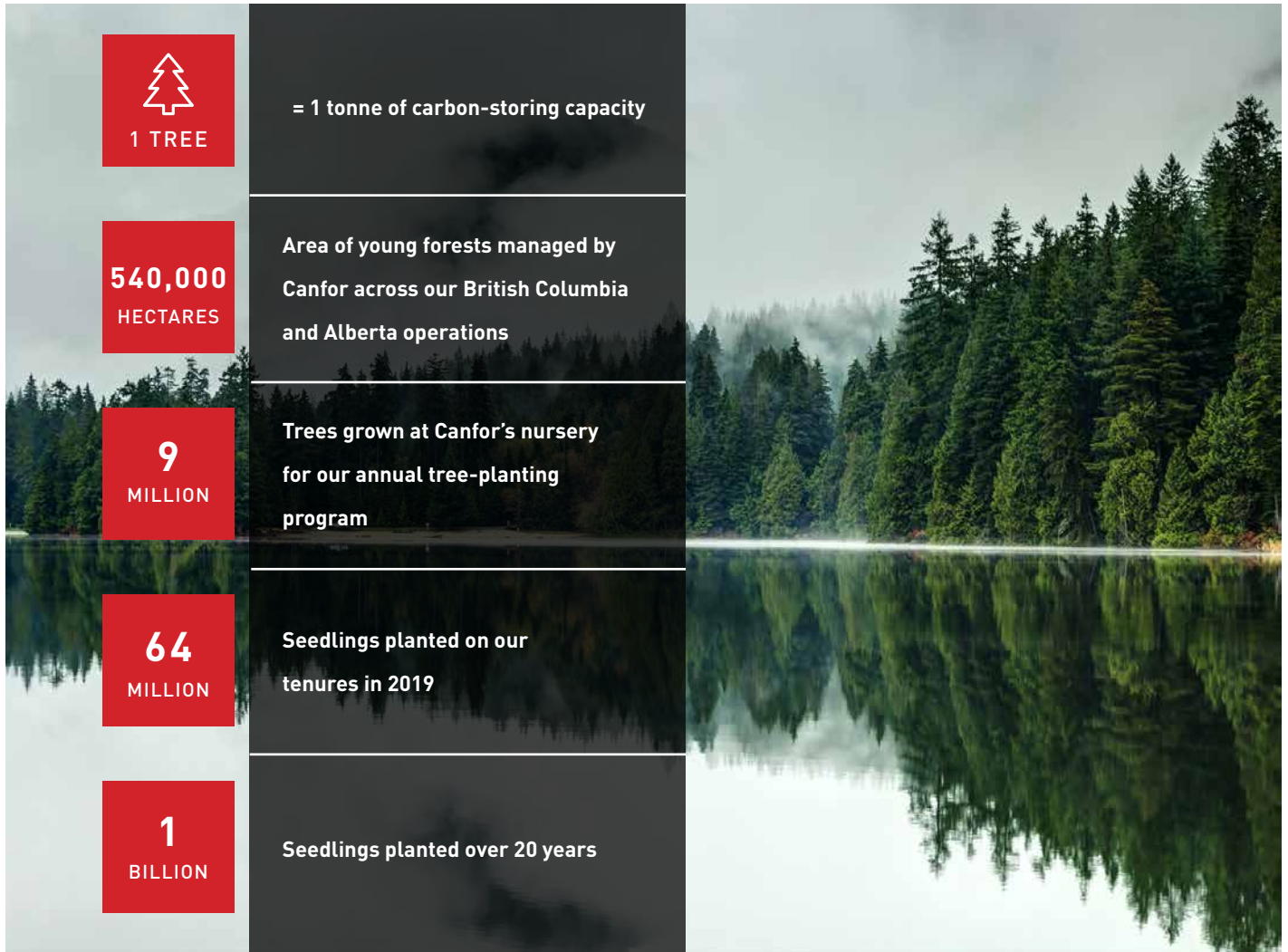
SUSTAINABLE FOREST MANAGEMENT

Virtually 100%

of Canfor-owned tenures are certified by either the Forest Stewardship Council® or Sustainable Forestry Initiative®.

85% of Canfor Pulp's fibre supply received chain of custody certification, making it a reliable source of pulp and paper from legally harvested and regenerated forests.

Canfor's **sustainable forest management** practices play a key role in helping to sequester carbon and reduce greenhouse gas emissions.



14,900 megawatt-hours
Total electricity saved in 2019 by Canfor's sawmills, enough energy to power 1,040 homes for a year.

926,698 megawatt-hours
Green energy generated from our three pulp mills in Prince George. The energy is used to power our operations, and excess is sold to the B.C. electricity grid.

Global Operations

Canfor is a global leader in the manufacturing of sustainable forest products. We've built our reputation on the quality of our products, the reliability of our service, our dedicated employees, our embrace of innovative environmental practices, and our commitment to the communities where we operate.

We turn the fibre that enters our mills into lumber, pulp and green energy. Our lumber and pulp products are used every day around the world in surprising ways, and we continue to look for new opportunities to be a leader in the supply of environmentally friendly solutions. Canfor markets lumber products throughout North America and overseas through our sales offices in Canada, the United States, Japan, China, South Korea, Sweden, England, Denmark, the Netherlands and Australia. We market our pulp products across North America, Asia and Europe with sales offices in Canada, China, Japan and South Korea.



CANADA

As of December 2019, our Canadian operations include 17 manufacturing facilities in British Columbia and two in Alberta. In Western Canada, we also have a pulp innovation centre, nursery and corporate head office.

UNITED STATES

In the U.S. South we operate as Canfor Southern Pine (CSP). We have 15 manufacturing facilities and one trucking fleet with 140 trucks, New South Express, as well as a corporate office in Mobile, Alabama.

SWEDEN

Canfor has 70% ownership of the Vida Group, a global supplier of manufactured products, including packaging, animal bedding, pellet, biofuel and modular housing that come from sustainable Swedish forests. The operations are strategically located close to forest landowners in the Swedish province of Småland and the counties of Skåne and Västra Götaland. Production is mainly focused on structural timber for a variety of global markets. Seventy-five percent of Vida's sawn wood products are exported to Europe, the U.S., Australia, Africa and Asia.

As of December 2019, Vida has nine primary sawmills and nine value-added facilities.

Expanding Our Global Reach of Higher-End Products

Here are a few ways we are expanding our global footprint of high value, high quality products and solutions to customers worldwide.



SWEDEN ACQUISITION EXPANDS CANFOR'S GLOBAL BUSINESS



In February 2019, Canfor completed the purchase of 70% of the Vida Group of Sweden. We have been working with Vida to develop our business on a global scale and to focus on the quality of the wood products they produce, their strong customer relationships, and the value of their brand worldwide. The partnership has helped Canfor support its customers in the U.S. and Japan and expand into countries like Australia to leverage the two companies' collective supply and to build a significant competitive advantage in the renovation, remodelling and home construction markets.

SOUTH CAROLINA MILLS ADD CAPACITY FOR SOUTHERN YELLOW PINE

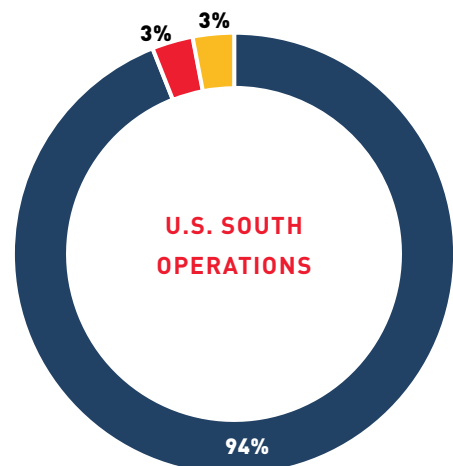
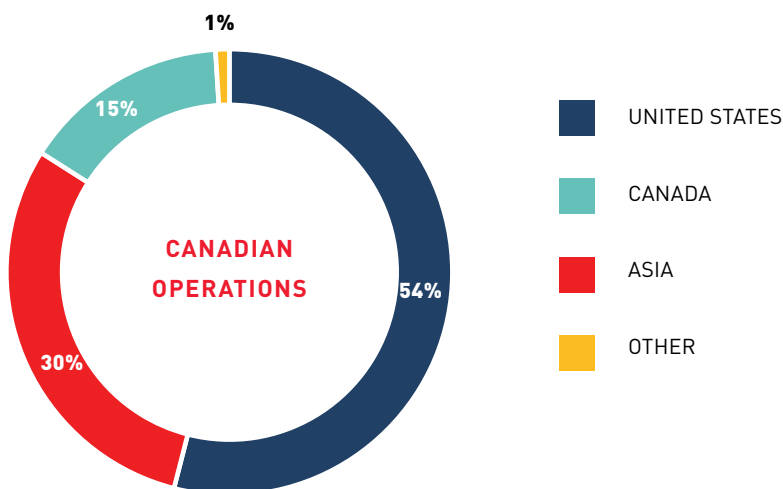


In May 2019, Canfor completed the first-phase purchase of 49% of Elliott Sawmilling Co. Inc. with the balance being acquired in May 2020. The Elliott acquisition includes two sawmills at one location in Estill, South Carolina, and supports the company's strategy to expand our capacity of high-value southern yellow pine and to meet our growing global customer demand.

The new partnership integrates well into Canfor's high-value product mix.

2019 LUMBER SALES VOLUME BY MARKET

Our largest market for lumber continues to be the United States, though our international markets continue to be very important as there is growing demand for North American wood products for construction.





STEADY GROWTH FOR OUR PREMIUM PULP PRODUCTS

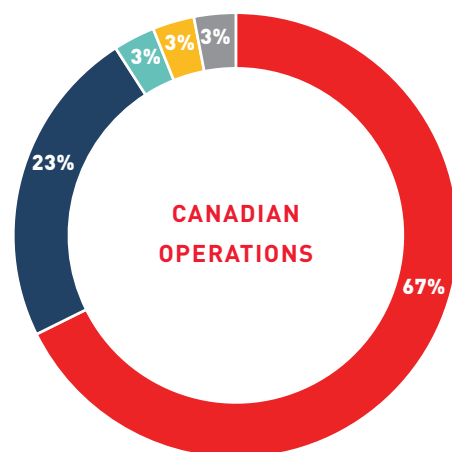
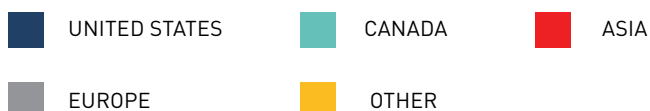
Canfor Pulp owns and operates four pulp mills in British Columbia. Three of the pulp mills are in Prince George and produce premium reinforcing northern softwood kraft (NSK) pulp, which is known for its unique properties for specialty applications from tea bags to fibre cement to wall coverings. Canfor is proud to be the world’s largest producer of fully bleached, high-performance kraft paper and North America’s largest producer of market NSK pulp.

The fourth pulp mill in Taylor, B.C., converts raw logs into chips from the company’s sister sawmills and receives additional chips from third-party contractors in the region. These raw materials are processed using the Bleached Chemi-Thermo Mechanical Pulp (BCTMP) process, then dried, baled and shipped to global customers. The pulp from the Taylor mill serves markets in China, India and Mexico to make items such as printing and writing materials, packaging board and premium tissue.

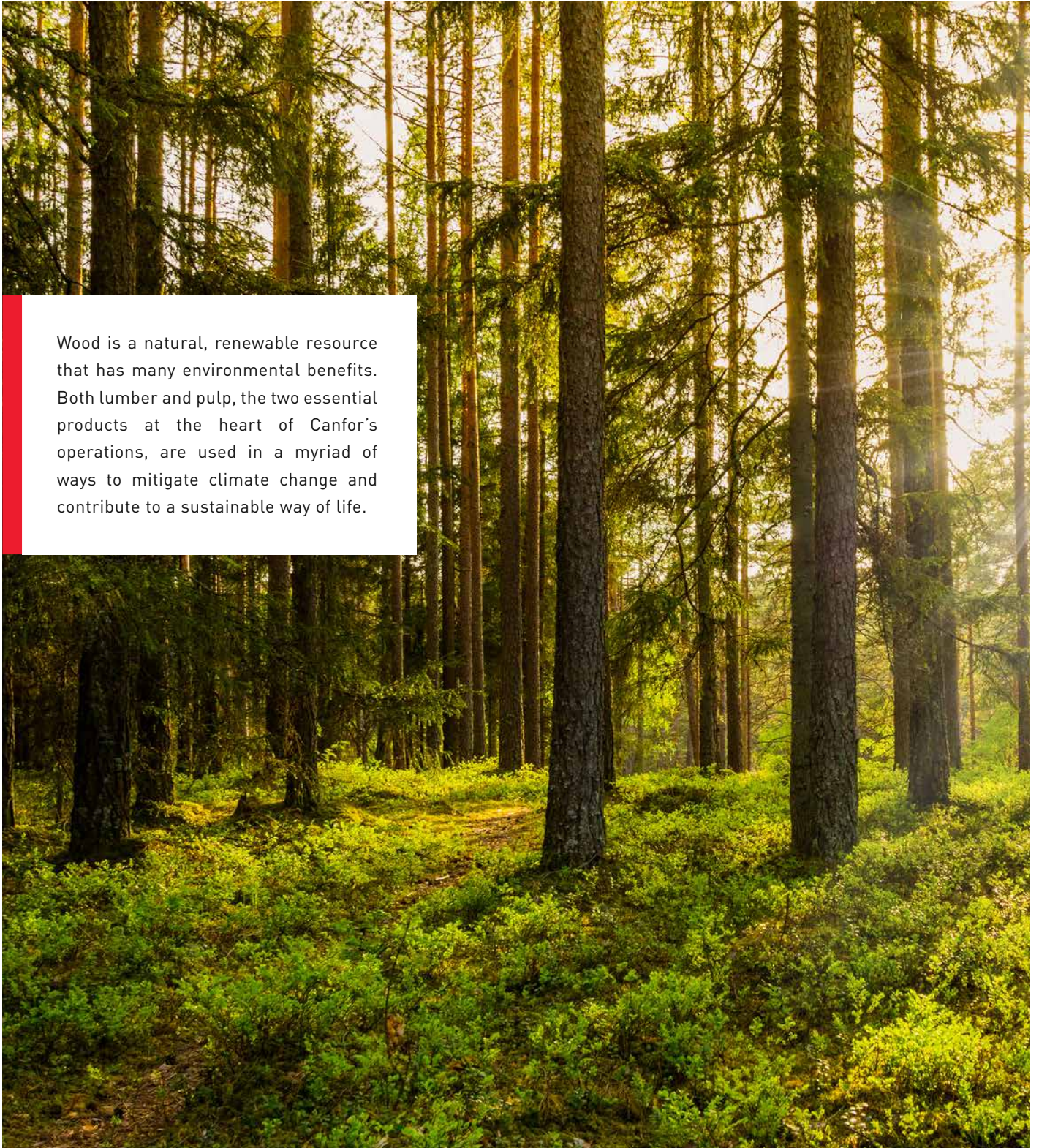
Canfor Pulp continues to see growth in Asia. This region leads the company’s kraft pulp shipments with almost 70% of sales to China and other Asia Pacific countries. Our tissue and specialty customers rely on our pulp’s high tensile strength, resulting from the long-length fibre of our B.C. product to manufacture quality goods.

2019 KRAFT PULP SALES VOLUME BY MARKET

Canfor Pulp’s dedicated global customer base relies on our premium pulp, which offers the high tensile strength and dimensional stability needed to manufacture quality products.



Benefits of Our Wood and Pulp Products



Wood is a natural, renewable resource that has many environmental benefits. Both lumber and pulp, the two essential products at the heart of Canfor's operations, are used in a myriad of ways to mitigate climate change and contribute to a sustainable way of life.

The background of the page is a vertical strip of wood grain, showing various shades of brown and tan with distinct wood grain patterns. The text is overlaid on a dark grey background that is part of this wood grain strip.

WOOD IS RENEWABLE

Wood is considered a renewable resource. It grows with energy from the sun, and continues to replenish itself after being harvested. It's not a synthetic material that requires intensive energy to manufacture from scratch.

WOOD HELPS COMBAT CLIMATE CHANGE

Trees absorb carbon dioxide from the atmosphere, which is a major contributor to climate change, and stores it safely as carbon. Buildings that use wood as a major structural component have been found to have a lower carbon footprint and less climate impact than those that use steel or concrete. Sustainable forest management, practiced by Canfor, helps reinforce and strengthen these environmental benefits.

WOOD IS USEFUL FOR BUILDING

Wood is an effective structural building material and its strength properties make it ideal for use in building systems such as mass timber. Combined with the ability to store carbon, this makes it appealing as an environmentally friendly building material. Advances and innovations in the use of timber as a structural element have enabled architects and engineers to design bigger, taller and more impressive buildings out of wood in recent years.

WOOD AND PULP ARE STRONG

Wood is an effective structural material in building systems, and in many instances it can replace steel and concrete. During the paper-making process, our kraft pulp increases the overall strength of papers when blended with other pulp. This allows for increased integration with lower quality market pulps and reduces fibre costs.

PULP IS A SURPRISINGLY ADAPTABLE MATERIAL

Wood pulp is used in many products across a range of industries, including food wrappings and containers, laundry tags, audio speakers, facial tissues, wallpaper, and much more. Products that use pulp instead of non-natural, energy-intensive raw materials like plastic can offer significant environmental benefits.

WOOD AND PULP ARE EASIER TO RECYCLE

When plastic products reach the end of their useful life, they linger in landfills, whereas a significantly higher proportion of paper, wood and pulp products can be recycled or reused.

PULP KRAFT MILLS PRODUCE ENERGY TOO

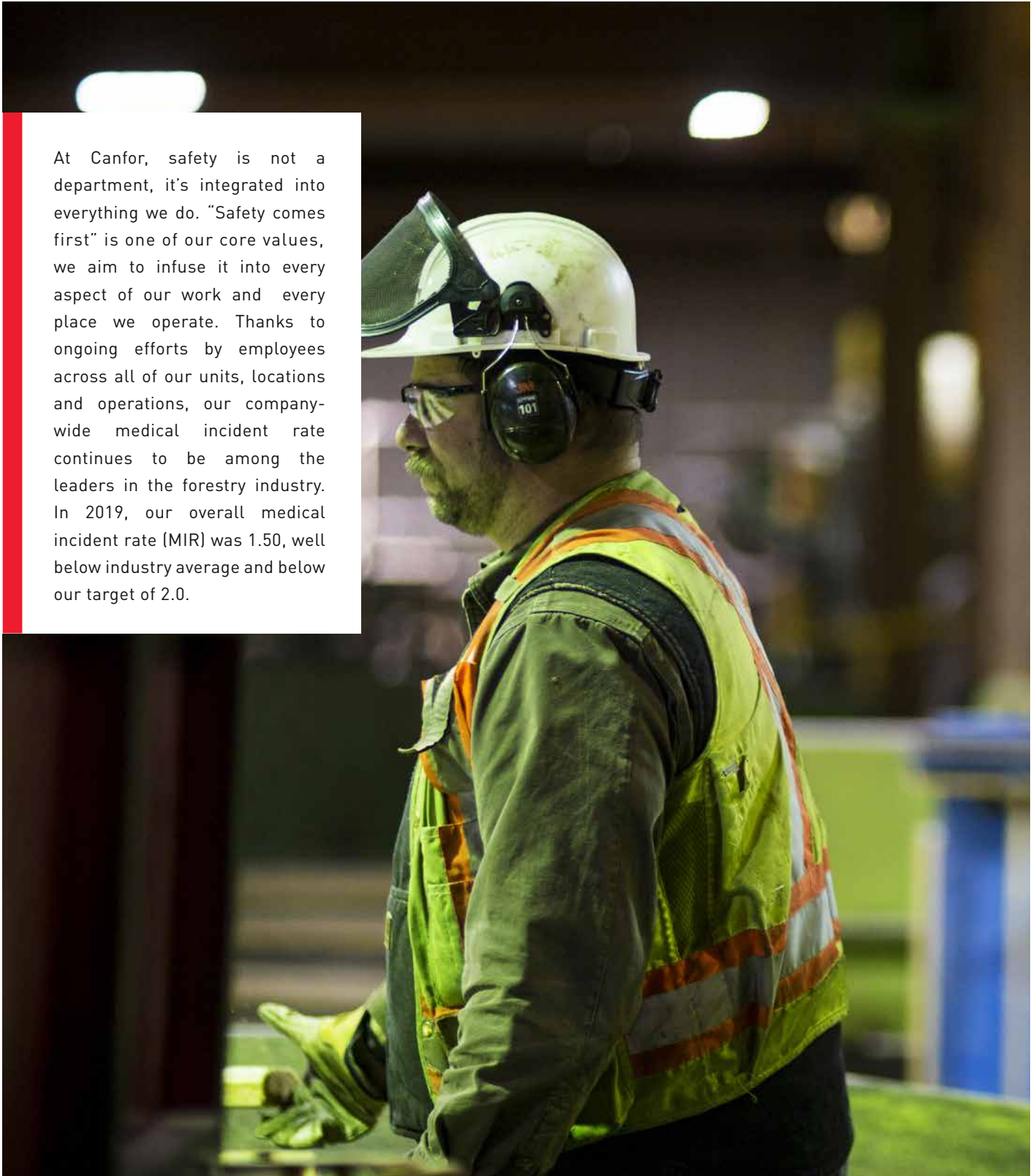
Canfor Pulp's modern kraft mills operate as large-scale biorefineries, making premium pulp products while producing clean energy. We use the energy to power and heat our operations, and we sell surplus electricity to British Columbia's electricity network. We continue to make capital investments that improve the environmental and economic performance of our mills, reducing greenhouse gas emissions and increasing electrical energy generation from biomass.

WOOD PRODUCTS AND PROCESSES CONTINUE TO GET BETTER

Canfor's joint venture with Licella Holdings continues to work towards the development of a unique technology to produce a biocrude oil that can be refined into next-generation biofuels and biochemicals. In 2019, our work focused on completing a feasibility study, continued de-risking through process trials on a small pilot plant, and discussions with potential offtake partners.

Committed to Safety

At Canfor, safety is not a department, it's integrated into everything we do. "Safety comes first" is one of our core values, we aim to infuse it into every aspect of our work and every place we operate. Thanks to ongoing efforts by employees across all of our units, locations and operations, our company-wide medical incident rate continues to be among the leaders in the forestry industry. In 2019, our overall medical incident rate (MIR) was 1.50, well below industry average and below our target of 2.0.





WOOD PRODUCTS CANADA

Canfor's Wood Products Canada division had a strong year from a safety perspective, which is evidence of our employees' ongoing commitment to making safety a priority. In 2019, our medical incident rate was 1.56, our fifth consecutive year of exceeding our goal of 2.0. Prince George Sawmill, Elko Sawmill, Chetwynd pellet plant, Fort St. John pellet plant and Shookumchuck mobile chipper achieved safety milestones in 2019, celebrating one year with no medical incidents.

In 2018, our Wood Products Canada division began a partnership with DuPont Sustainable Solutions to conduct an assessment of our safety culture. In 2019 we completed a survey with exceptional participation of 84%. Based on the results of the survey, our safety committees developed detailed safety plans to emphasize and implement additional safety measures. We also advanced our efforts to modernize our Environmental, Health and Safety, and Learning Management Systems to better align and standardize safety processes, training and share best practices among teams and between operations.



CANFOR SOUTHERN PINE

In 2019, Canfor Southern Pine had a medical incident rate of 1.39, its lowest ever. Several sawmill operations experienced zero incidents, including our Graham plant in North Carolina and our Marion plant in South Carolina. The Graham plant recently surpassed five years without a recordable injury, while the Marion operation celebrated two years injury-free. El Dorado, our laminate facility in Arkansas, celebrated one year without a recordable accident.

Canfor Southern Pine introduced the Safe Hands Initiative in 2019, an effort to reinforce safety across our operations, especially related to hand injuries. Team members signed Employee Personal Commitment to Work Safely pledge statements and we continue to unify our safety programs across U.S. operations to deliver on our commitment of zero incidents. As part of our safety strategy, we investigate all near-miss incidents, identify root causes and take corrective actions. Notifications of serious near-misses and accidents are sent to all locations using formal Safety Alerts, to share knowledge, deliver consistent safety practices and reduce the likelihood of similar incidents occurring.





CANFOR PULP

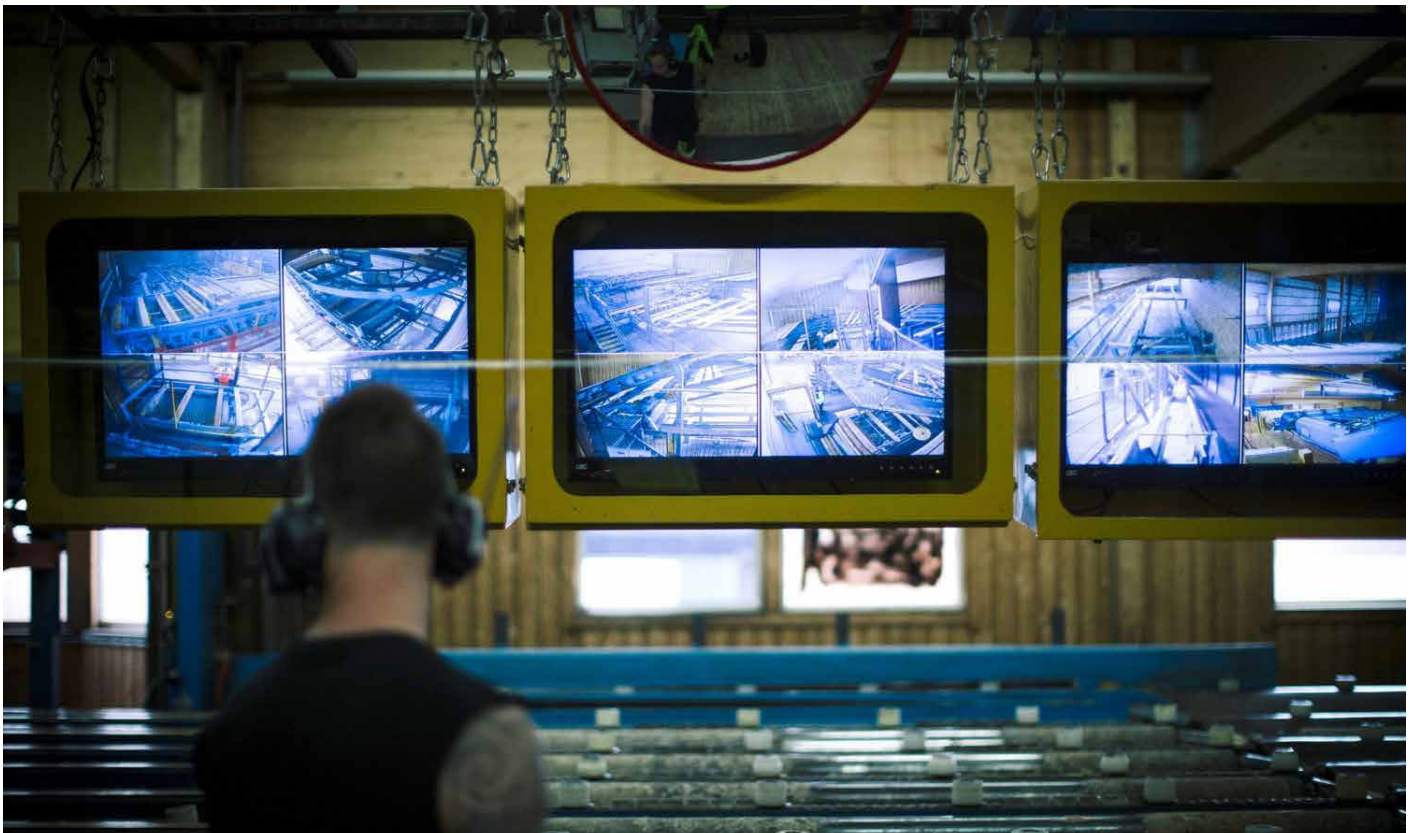
Canfor Pulp had a medical incident rate of 1.59 in 2019, well below our target of 2.0. Our ongoing reduction in medical incident rates can be attributed in part to the use of thorough field-level risk assessments completed by employees and safety audits conducted by supervisors. These tools demonstrate our effective use of leading indicators to mitigate potential incidents and actions that could lead to injury.



VIDA GROUP

Following Canfor's acquisition of Sweden's Vida Group in 2018, we continue to ensure consistent high safety standards and integration of safety protocols and practices. Vida's code of conduct sets a strong foundation, recognizing the importance of the health and safety of employees and proactively working to prevent workplace accidents and work-related illnesses. Vida complies with Swedish workplace environment laws and collective agreements, and accidents and incidents are reported, acted on and followed up on.

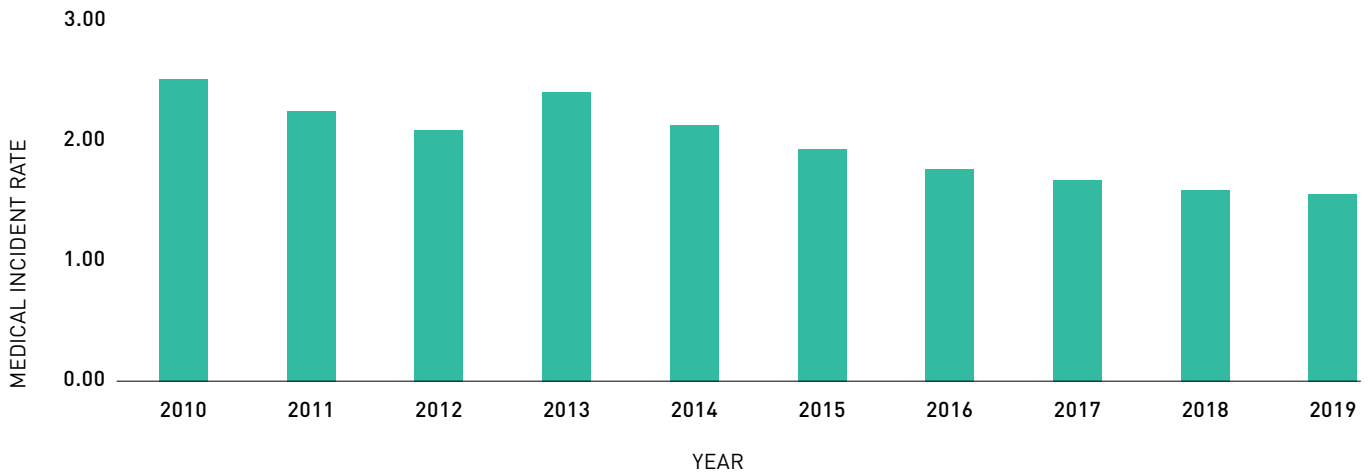
In 2019, Vida created the position of Safety Manager to support the improvement of Vida's safety programs. Vida recently implemented a new safety system, Sågverk Industri Arbetsgivarna (SIA), or Sawmill Industrial Employers program, which will go into full operation in 2020 to enhance tracking and reporting of incidents and near misses. Vida also joined a network created by [Standards Solutions Group](#) that brings together sawmill businesses in Sweden and Norway to set safety standards and benchmarks and share experiences among the industry.





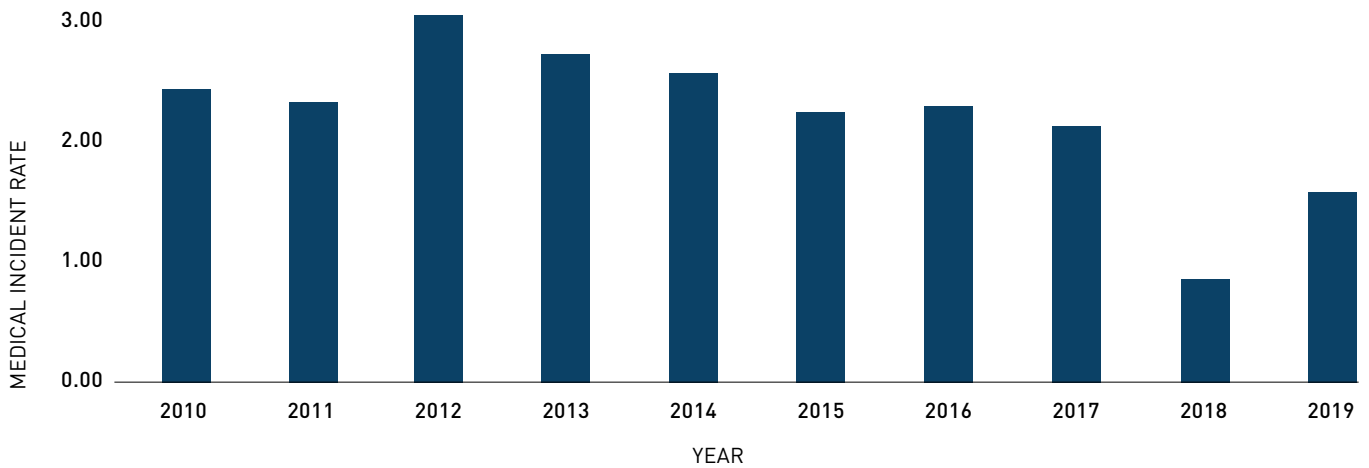
WOOD PRODUCTS CANADA 10-YEAR MEDICAL INCIDENT RATES

In 2019, Wood Products Canada had an MIR of 1.56, its fifth consecutive year meeting the 2.0 target.

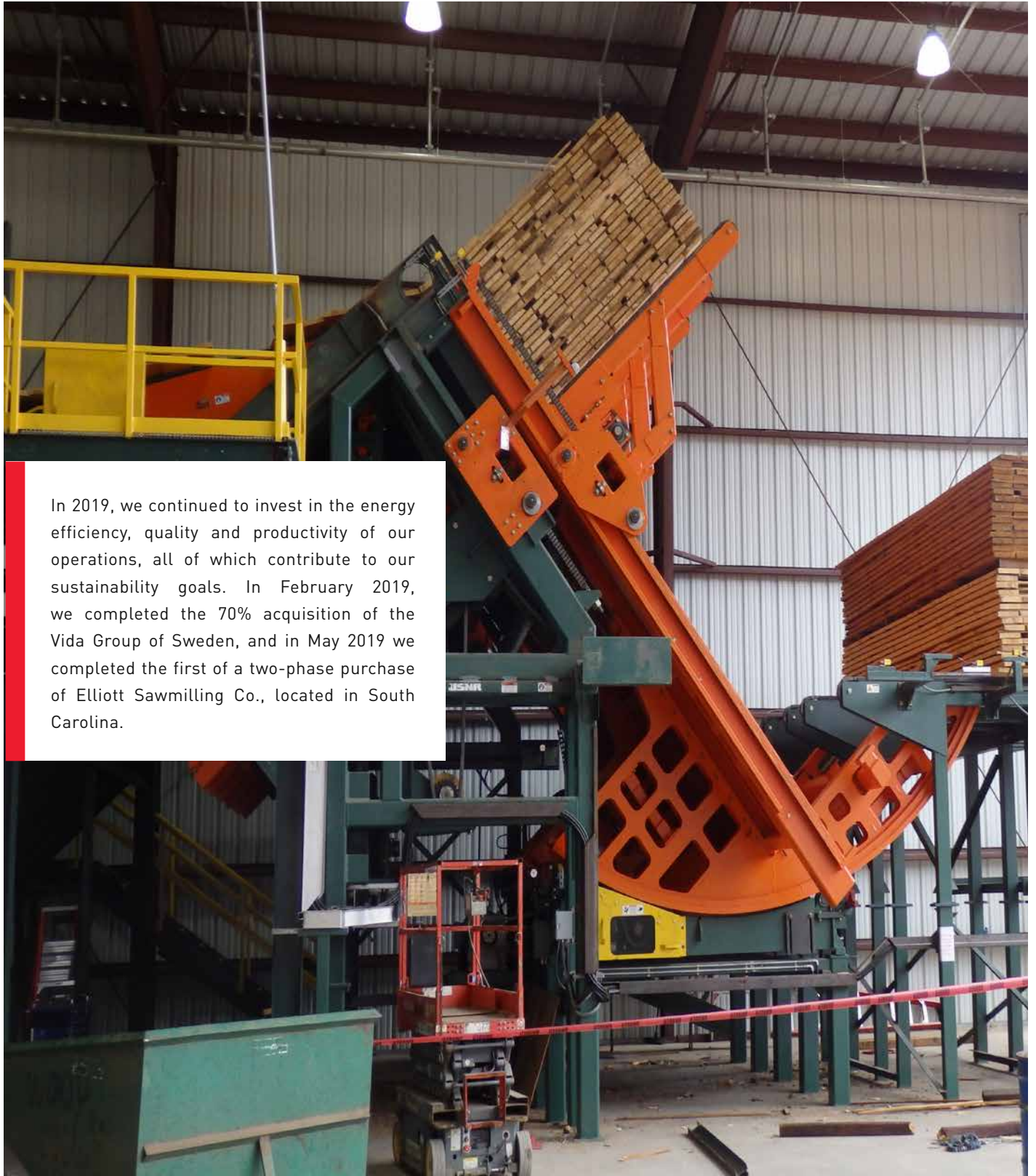


CANFOR PULP 10-YEAR MEDICAL INCIDENT RATES

In 2019, Canfor Pulp had a medical incident rate of 1.59, well below the 2.0 target. Its ongoing improvement can partly be attributed to thorough field-level risk assessments and safety audits.



Investing in Our Operations



In 2019, we continued to invest in the energy efficiency, quality and productivity of our operations, all of which contribute to our sustainability goals. In February 2019, we completed the 70% acquisition of the Vida Group of Sweden, and in May 2019 we completed the first of a two-phase purchase of Elliott Sawmilling Co., located in South Carolina.



CAPITAL PROJECTS

Canfor and Canfor Pulp have made several targeted strategic capital investments at our sawmills since 2010. In 2019, we invested \$198 million in our lumber segment, including major upgrades at our sawmills in Alabama and South Carolina, reflecting the continuation of our \$125 million (USD) organic growth program in the Southern U.S. We also invested in smaller, high-return projects aimed at increasing drying capacity and productivity.

In 2019, Canfor Pulp invested \$103 million in capital projects, including commercialization of the 32-megawatt condensing turbo-generator at our Northwood Pulp Mill in Prince George, B.C.; construction of a new raw water treatment plant at our Intercontinental Pulp Mill, also in Prince George, with anticipated completion by the end of 2020; and implementation of a new enterprise resource planning software system, which went live in May 2019.

The company is investing \$11 million to consolidate our employee time capture, payroll and benefits systems. Referred to as Canfor's Human Resource Integrated Payroll Systems, the project was launched in the U.S. South in fall 2019 and will gradually be introduced to our Canadian operations by 2021. The new system provides enhanced functionality, streamlines our administrative processes and modernizes our time and attendance resources.

RAPID WRAPPER TECHNOLOGY AT GRANDE PRAIRIE

Grande Prairie is the third Canfor operation to adopt automatic lumber packaging technology, following the introduction of automatic wrapping stations at Plateau and Houston. As technology has improved, the system has been able to increase throughput of rapid wrappers to twice the rate of earlier models. This is due, in part, to the use of four automated robotic arms (compared to two-arm setups), as well as rotary staple heads and an integrated transfer to feed packages from both lines into one wrap station to ensure product is constantly available for wrapping.



This Grande Prairie auto wrapper supports the company's strategy of investing in quality assets to provide consistent high quality wrapped packages to our valued customers.

Stakeholder Engagement

Canfor and Canfor Pulp work with a wide range of individuals and organizations who have an interest in our operations. We rely on the knowledge of our people, public advisory groups, open houses and presentations to local governments, associations and interest groups to create a comprehensive list of stakeholders.



OUTREACH AND ENGAGEMENT

There has been significant public involvement in the development of our Sustainable Forest Management Plans under the Canadian Standards Association (CSA), and Canfor will continue with public outreach opportunities as we transition and are certified to the Sustainable Forestry Initiative (SFI) standard. Under our SFI certification, our commitment is to provide the public a forum for discussion of local forest management topics and issues, as well as provision of educational opportunities in an effort to promote sustainable forest management. Staff in all locations meet with local and regional representatives and other forest users to ensure all needs and concerns are considered when developing management plans. Our proprietary database, Creating Opportunities for Public Involvement (COPI), tracks communications, actions and issues with stakeholders and other interested parties. It provides both a record of stakeholder contact information and a repository for communications. The database includes spatial information that identifies areas of geographic interest and links to overlapping tenure holders such as guide outfitters, trappers and mineral tenure holders.

Canfor Pulp participates in the Environmental Paper Company Index, a World Wildlife Fund tool to promote transparency and continual improvement by tracking a company's ecological footprint. Over time, our total scores for responsible fibre sourcing, clean manufacturing and reporting have steadily improved.

MAJOR STAKEHOLDERS AND GROUPS



EMPLOYEES AND UNIONS



INDIGENOUS COMMUNITIES



COMMUNITIES



CUSTOMERS



SHAREHOLDERS



GOVERNMENT
(PROVINCIAL, STATE AND FEDERAL)



ENVIRONMENTAL GROUPS AND
RECREATIONALISTS



CERTIFICATION ORGANIZATIONS AND
PUBLIC ADVISORY GROUPS



POST-SECONDARY
INSTITUTIONS

Indigenous Peoples are not stakeholders—they are rights-holders and title-holders. Indigenous communities have been included in this section so that we can highlight the shared interests of our engagement with this important community. The table below also includes our major stakeholders and groups. We selected the topics and indicators for this report by examining what is important to these key communities, organizations and individuals.

STAKEHOLDERS & GROUPS **INTERESTS**

EMPLOYEES AND UNIONS	<ul style="list-style-type: none"> • Safe working conditions • Competitive wages and benefits • Workforce diversity 	<ul style="list-style-type: none"> • Employee engagement • Advancement opportunities • Training and development
INDIGENOUS COMMUNITIES	<ul style="list-style-type: none"> • Cultural heritage, traditional use, treaty rights, Indigenous rights and title • Procurement • Business to business opportunities 	<ul style="list-style-type: none"> • Community investment • Environmental stewardship • Cross-cultural understanding opportunities • Employment/training opportunities
COMMUNITIES	<ul style="list-style-type: none"> • Community enhancement • Environment • Safety on community roads • Economic stability 	<ul style="list-style-type: none"> • Responsible forest management • Water and air quality (community watersheds, local airsheds)
CUSTOMERS	<ul style="list-style-type: none"> • Stable supply of quality products • Competitive prices 	<ul style="list-style-type: none"> • Responsible forest management • Efficient delivery • Sustainable manufacturing
SHAREHOLDERS	<ul style="list-style-type: none"> • Economic stability • Market development, expanding use of wood 	<ul style="list-style-type: none"> • Return on investment • Product development • Responsible operations
GOVERNMENT (PROVINCIAL, STATE AND FEDERAL)	<ul style="list-style-type: none"> • Responsible forest management • Timely regeneration • Research and development 	<ul style="list-style-type: none"> • Compliance with laws • Forest health • Market development
ENVIRONMENTAL GROUPS AND RECREATIONALISTS	<ul style="list-style-type: none"> • Responsible forest management • Protection of species at risk and habitat 	<ul style="list-style-type: none"> • Maintenance of biodiversity • Safe forest roads and access
CERTIFICATION ORGANIZATIONS AND LOCAL PUBLIC ADVISORY GROUPS	<ul style="list-style-type: none"> • Certification requirements • Impact on forest management 	<ul style="list-style-type: none"> • Management of local issues • Responsible procurement
POST-SECONDARY INSTITUTIONS	<ul style="list-style-type: none"> • Research and development • Career opportunities 	<ul style="list-style-type: none"> • Recruitment



WORKING WITH INDIGENOUS COMMUNITIES

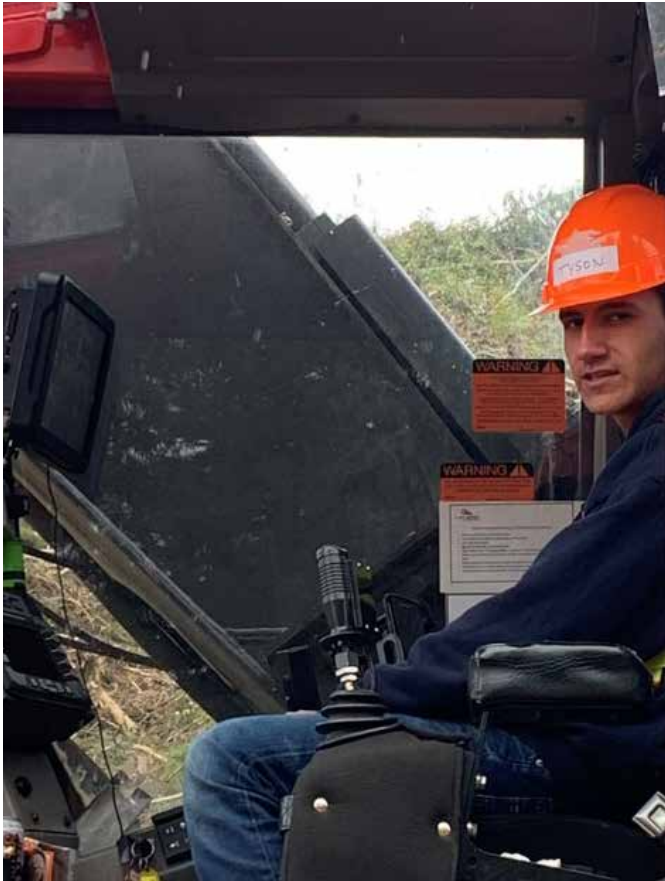
Our Indigenous Engagement Strategy is built on a foundation of respect for Indigenous Peoples and an interest in growing their involvement in the resource sector by creating opportunities through business-to-business partnerships, training, employment, business activities, resource stewardship and overall agreement setting. We support the commitment by the Canadian government to adopt the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Truth and Reconciliation Commission (TRC) of Canada's 94 Calls to Action. Canfor aims to be the forest sector partner of choice for Indigenous Peoples within whose traditional territories we operate. Our position within UNDRIP and the TRC and our engagement with Indigenous Peoples is guided by three principles: recognition and respect, increasing participation in the forest economy, and stewardship.

We recognize and respect the constitutionally protected Indigenous rights and treaty rights of Indigenous Peoples by understanding the unique interests and challenges of each region and community. We acknowledge that forests are an integral part of their livelihood, and we see opportunities for mutually beneficial partnerships with Indigenous communities that complement and enhance our business and their communities. Numerous examples of these activities occurred within the communities throughout the year.

Furthermore, Canfor is working with Indigenous groups, the British Columbia government and others in the resource sector to align efforts to encourage Indigenous involvement in forest sector careers and refine industry-Indigenous best practices. In 2019, Canfor hired 18 people who self-identified as Indigenous. Our operational teams undertake significant work on the ground to consult and work in partnership with Indigenous groups.

INDIGENOUS ENGAGEMENT

Canfor values our working relationships with Indigenous communities on whose traditional territories we operate. It is a priority to meaningfully engage with Indigenous groups, support opportunities for economic reconciliation and honour their respect for the land through sustainable practices to preserve forests for future generations. Our Indigenous Engagement Strategy outlines our intentions and actions to support these goals.



OUR STRATEGY IS GUIDED BY THREE PRINCIPLES:

RECOGNITION AND RESPECT

Canfor recognizes and respects the constitutionally protected rights and treaty rights of Indigenous Peoples. We are flexible and responsive in working with the diverse Indigenous groups within our operating areas, and in understanding the unique interests and challenges of each region and community.

INCREASING PARTICIPATION IN THE FOREST ECONOMY

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

STEWARDSHIP

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

We recognize and respect the constitutionally protected rights and treaty rights of Indigenous Peoples. We support the Canadian, B.C. and Alberta governments' adoption of the United Nations Declaration on the Rights of Indigenous Peoples and the Truth and Reconciliation Commission of Canada's recommendations report. We acknowledge the efforts of the B.C. Government to entrench the UN declaration into law through the November 2019 passing of [Bill 41](#), the Declaration on the Rights of Indigenous Peoples Act.

Community Engagement

Throughout our history, Canfor and our employees have contributed to charitable community groups and activities that have significant long-term benefits to the communities where we live and operate.



COMMUNITY INVESTMENT PROGRAM

Canfor’s community investment program focuses on three main categories: Community, Sustainability and Legacy. Our Community initiatives include engagement with youth, sports, support services, local business associations and infrastructure that improves areas where we have operations. In the Sustainability category, we consider product donations to programs that have a significant impact on our environment and help maintain a sustainable industry. Our Legacy activities are also important to our communities, and consist of contributions toward health, fire protection, education, culture and diversity.

In 2019, Canfor and Canfor Pulp were proud to support over 370 charities and non-profit organizations, which resulted in over \$900,000 in community contributions in Canada and the Southern U.S. The company’s annual United Way campaigns raised over \$234,000 in Canada and almost \$28,000 for the Southern U.S. The funds raised are put back into Canfor’s communities, since the United Way works with local agencies, governments and donors to support their vision of a healthy, caring and inclusive community. In addition, the company and its employees supported local food banks, the Salvation Army and Christmas Bureaus in each of our 31 operating communities.

Through our community investment programs, the company and employees are proud to give back through volunteering, donations, sponsorship, scholarships and product donations. Canfor has been part of exciting and rewarding community events, such as community fairs, fundraisers and city clean-ups. We continue to build strong working relationships with Indigenous Peoples in support of their interests and cultural values through many important initiatives such as partnership commitments, youth employment, workplace diversity, field tours and elder activities. Canfor has helped with wildlife conservation facility upgrades, research projects, education and employment programs, and we have developed partnerships with local food banks, hospitals and many health and wellness organizations.

COMMUNITY PROGRAMS CANFOR AND CANFOR PULP HELPED SUPPORT IN 2019

COMMUNITY



Youth, events, infrastructure, sports and recreation, support services, local business associations

LEGACY



Health, fire protection, culture, diversity, education

SUSTAINABILITY



Environment, sustainability, industry, disaster support, relief, product donations



\$98M IN TAXES

In 2019, Canfor paid almost \$98M in taxes, which consisted of \$57M in Canada, \$13M in the U.S., \$27M in Sweden and \$1M in Asia. The tax payments included income tax, property tax, sales tax, employer health tax and carbon tax.

Awards & Honours

At Canfor, sustainability is ingrained and integrated in everything we do. It's embedded in our culture, in our values and in the work we do on a daily basis. In short, it's a vital element in the fabric of our organization.

It is gratifying to be recognized for the leadership we have shown in several aspects of sustainable thinking, innovation and action. Our efforts around sustainability contribute to the environment, the economy, the employment landscape and the wellness of the communities where we work. That's what makes us most proud. Here are a few ways we were recognized in 2019 for our sustainability leadership.





CORPORATE KNIGHTS' BEST 50

Canfor Pulp ranked among Corporate Knights' Best 50 Corporate Citizens of 2019 in Canada. Since it was founded in 2002, Corporate Knights has been recognized for its record of providing informed, objective and authentic research. Companies who earn a place on this list represent the top 50 Canadian corporate sustainability leaders, among hundreds who are reviewed. The selection takes into account 21 performance indicators, in areas such as resource management, financial management, employee management and clean revenue.



CN ECOCONEXIONS PARTNERSHIP PROGRAM

Canfor was among 45 companies recognized for sustainability practices by the CN EcoConnexions Partnership Program. The program celebrates organizations committed to reducing their environmental footprint through innovative practices that are part of the climate solution. It acknowledges companies for their efforts to reduce emissions through the supply chain, enhance energy efficiency and encourage sustainable building practices.



BC'S TOP EMPLOYERS

For the seventh consecutive year, Canfor was named one of B.C.'s Top Employers. The annual competition recognizes employers in B.C. that lead their industries in offering exceptional places to work and grow. Canfor's ability to attract and retain talented people is vital to our success as a sustainable leader, and this award acknowledges our efforts to be an employer worthy of such attention from top performers. To be recognized as an attractive place to develop one's career, we continue to review and enhance our programs and practices to ensure we're meeting the needs of our employees. Participating in this type of competition is one of the many ways that we ensure we are on the right path.



2019 CN SAFE HANDLING AWARD

Canfor Pulp was a winner of the 2019 CN Safe Handling Award. Inaugurated in 1992, the honour is given to organizations who load freight cars with dangerous goods and meet strict standards for the safe handling and shipment of regulated products. Winners of the award must meet rigorous standards for safety and demonstrate leadership in responsible shipping and handling. Canfor's commitment to safety is vital to our success and woven into every aspect of our work. Our people are our greatest strength, and keeping every team member safe and secure across our operations is the most important thing we do on a daily basis.

Sustainable Forest Management

33. OUR APPROACH TO SUSTAINABILITY

34. SUSTAINABLE SOURCES

35. FOREST MANAGEMENT

36. A CERTIFIED AND SUSTAINABLE SOURCE OF FIBRE

41. SUSTAINABLE FORESTRY INITIATIVE CERTIFICATION

43. FOREST STEWARDSHIP COUNCIL CERTIFICATION

45. PRODUCT CERTIFICATION

46. REGENERATING FORESTS

49. CONSERVING BIODIVERSITY AND PROTECTING HABITAT

52. RESPONDING TO CLIMATE CHANGE


56. RESPONDING TO WILDFIRES

57. COMBATTING FOREST PESTS

59. USING TECHNOLOGY TO ENHANCE OPERATIONAL EFFICIENCIES

61. FORESTRY ENVIRONMENTAL COMPLIANCE

Our Approach to Sustainability



At Canfor, sustainability informs everything we do. We take a renewable resource grown by the power of the sun and turn it into useful, durable and sustainable products. Being a responsible steward of the environment is one of our core values and we live it every day.

Sustainable Sources

Close to half of the fibre we harvest becomes high-value finished lumber. When we trim end pieces off finished lumber, they aren't discarded, they're remanufactured into durable and straight finger-joined lumber stud products. Wood chips produced by our sawmills are used to make high quality pulp and paper. Steam generated by the pulping process is captured and used to create electricity that powers our manufacturing process and contributes to the B.C. electricity grid.

Customers can be confident that our products come from well-managed and sustainable forests. Virtually 100% of Canfor-owned tenures adhere to third-party forest certification standards. Our forests are certified by the Forest Stewardship Council® and Sustainable Forestry Initiative®.



COMMITTED TO COMMUNICATION AND COLLABORATION

Canfor and Canfor Pulp maintain an open-door policy, so we are able to consider the interests of Indigenous Nations and key stakeholders who are affected by our operations and business. Stakeholders include local communities, other forest users, customers, environmental groups, all levels of government, certification organizations, employees, contractors, researchers and suppliers.

In the summer of 2019, one of the largest customers of Canfor Pulp requested a sustainability tour to educate their team on Canfor's supply chain and ensure their purchased supply comes from sustainably managed forests. Canfor and Canfor Pulp committed to providing a joint tour to show the customer how sustainable our operations are through a field tour of one of our tenures and our seedling nursery, and we facilitated presentations and discussions of our certification systems and our procedures to sustainably manage the forests. This is a true example of how Canfor and Canfor Pulp are committed to working together to meet the needs of our customers and how our approach to sustainability works for our customers.

Forest Management

B.C. PRACTICES



In B.C., we operate primarily on public lands. In accordance with the province's [Forest and Range Practices Act](#), our woodlands group must prepare forest stewardship plans that show how our operations will meet objectives set by government for 11 resource values, including soils, timber, wildlife, water quality, fish/riparian, biodiversity, visual quality, recreation, cultural heritage, forage and associated plant communities, and resource features. Before government approves the plan, we must invite and consider public and Indigenous input.

ALBERTA PRACTICES



In Alberta, as part of holding forest tenure within the province, Canfor is required to either develop or participate in [forest management plans](#) that consider a broad range of forest values and social, economic and environmental factors, such as watershed, environment and wildlife habitat. There must be an opportunity for public consultation when preparing these plans, in addition to ongoing engagement throughout the term of the plan in the form of a public advisory group.

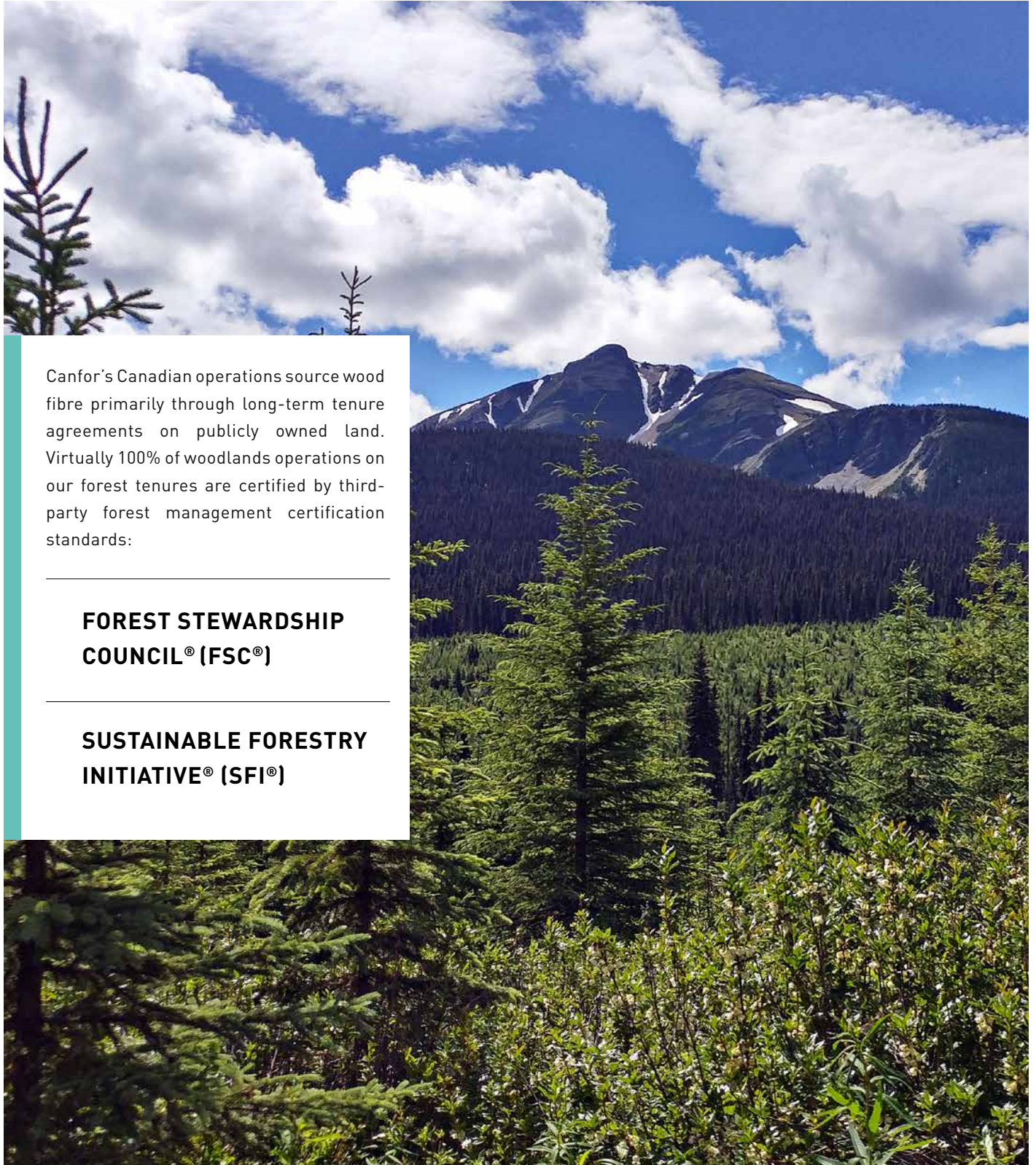
The current 10-year forest management plan for FMA #9900037 contains a suite of strategies to ensure the mid- and long-term timber supply is optimized while addressing other public and resource objectives. Canfor is currently engaged with Mercer International in the development of a plan that applies to Canfor's tenure in northwest Alberta.



AUDITS AND INVESTIGATIONS

B.C. and Alberta monitor compliance through planned and random audits of forest operations and field inspections to ensure forest laws are being followed. British Columbia's independent [Forest Practices Board](#) conducts audits and investigations and issues public reports.

A Certified and Sustainable Source of Fibre



Canfor's Canadian operations source wood fibre primarily through long-term tenure agreements on publicly owned land. Virtually 100% of woodlands operations on our forest tenures are certified by third-party forest management certification standards:

**FOREST STEWARDSHIP
COUNCIL® (FSC®)**

**SUSTAINABLE FORESTRY
INITIATIVE® (SFI®)**



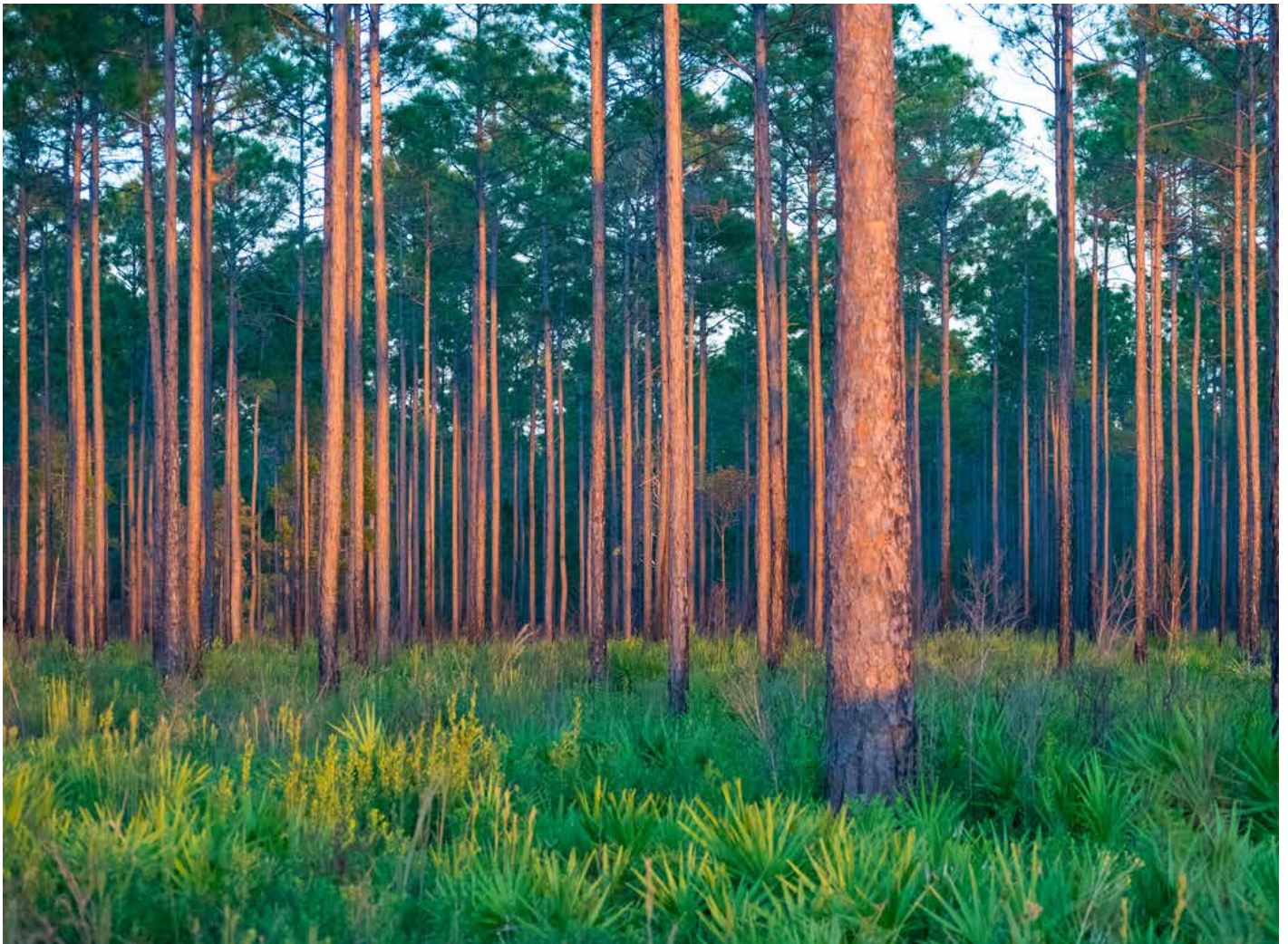
CANADIAN CERTIFICATION

Canfor's Canadian operations transitioned from Canadian Standard Association to SFI certification in 2019, successfully meeting the standards in June 2019. SFI is a North American standard of certification that most of our customers endorse, and has strong recognition in the regions where Canfor operates. Since Canfor Southern Pine is also certified to SFI, it means that our Canadian and U.S. operations have consistent certification standards.



U.S. CERTIFICATION

In the U.S., Canfor Southern Pine does not manage forest lands directly. We deliver on our commitment to sustainable forestry through our fibre-sourcing practices. One hundred percent of Canfor Southern Pine's raw material meets the requirements of the SFI Fiber Sourcing Standard. As members of SFI implementation committees in jurisdictions where we operate, we help to broaden the practice of responsible forestry and achieve on-the-ground progress by working with local landowners and contributing to industry research and education.



CANADA LEADS THE WORLD IN CERTIFIED FOREST AREA

Top 10 countries by hectares of certified forests. SOURCE: PEFC Global Certificates, December 2019





CANFOR PULP'S SOURCE OF FIBRE

Canfor Pulp sources 85% of its fibre from the strictly regulated and monitored forests of British Columbia, making it a reliable source of pulp and paper from legally harvested and regenerated forests. Canfor Pulp has [FSC](#) and [Programme for the Endorsement of Forest Certification \(PEFC\)](#) chain of custody certificates.

WOODLAND OPERATIONS

Canfor's Forest Management System ensures all woodland operations on company forest tenures are managed sustainably and environmental practices continue to improve. Our [Environment Policy](#) and [Sustainable Forest Management Commitments](#) hold us accountable for responsible stewardship of the environment through our operations. Both are developed and maintained by senior executives, approved by the president and CEO, and reviewed by the Canfor board of directors.

OTHER OVERSIGHT

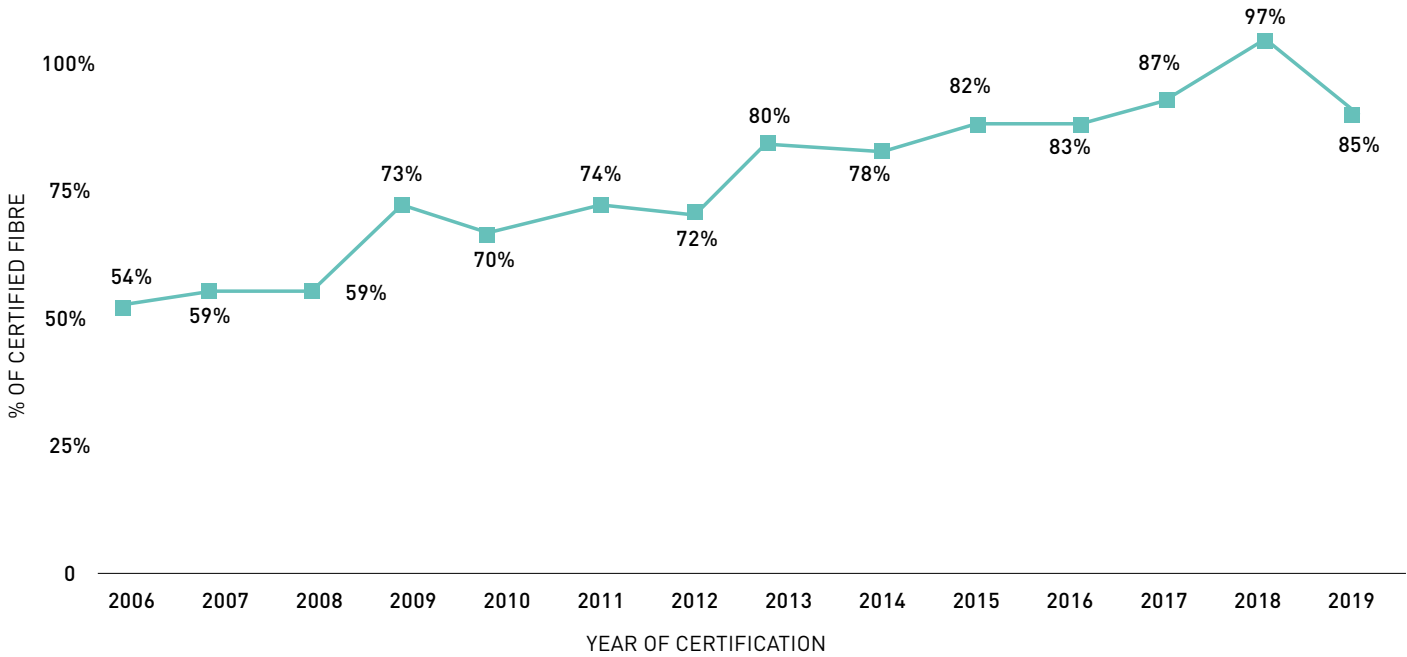
Canfor's Corporate Environmental Management Committee provides high-level oversight and due diligence. It also advises the board of directors about our manufacturing facilities and environmental and sustainable forest management performance.

Once a year, Canfor's woodlands group holds a management review to evaluate whether environmental objectives and targets are being met, and to discuss changes as part of a continuous improvement cycle. Revisions to our existing environmental targets are proposed in the woodlands management review meeting each year and are reviewed each quarter with the Corporate Environmental Management Committee.

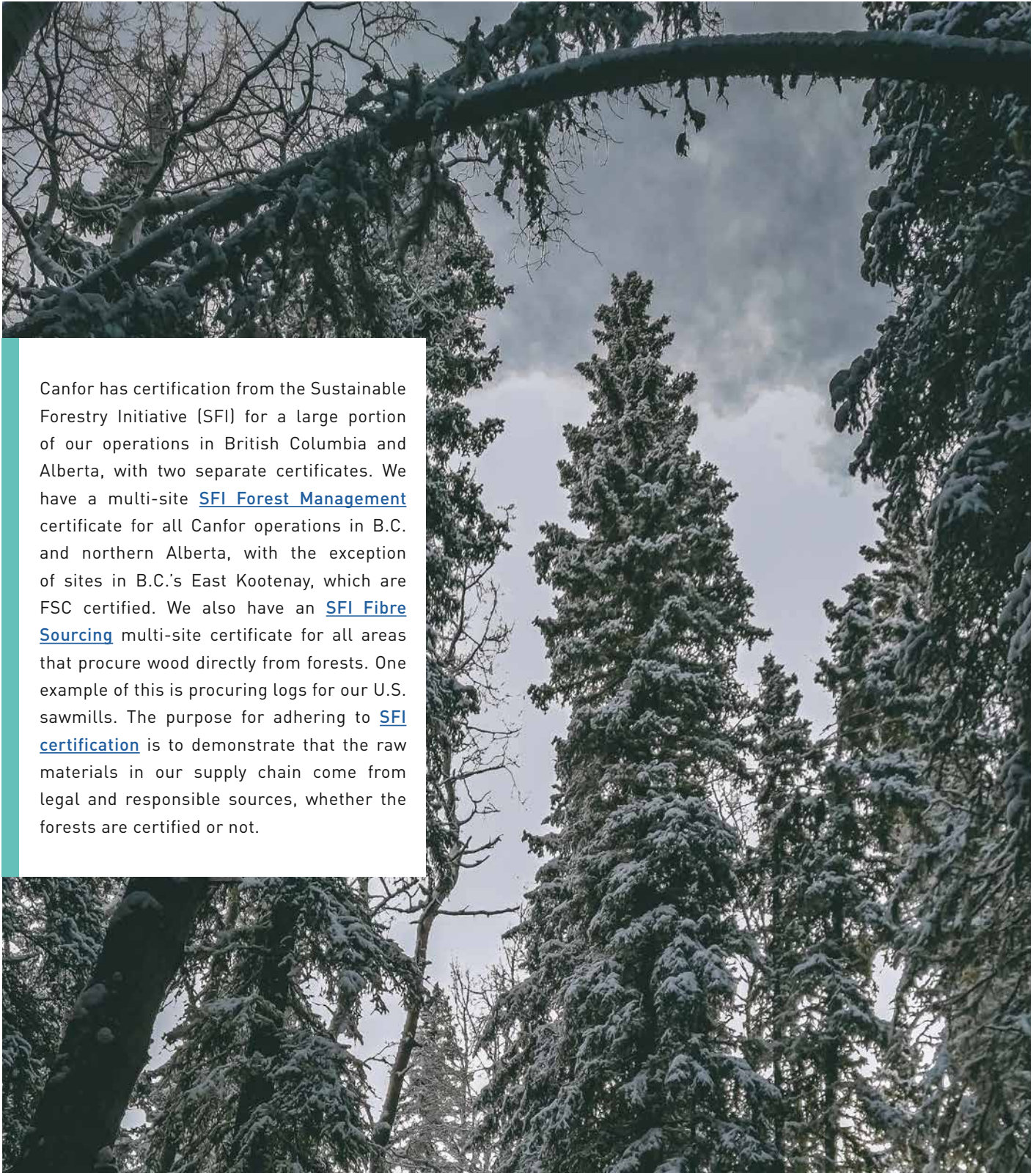
We also have a Joint Environmental, Health and Safety Committee of the board that reviews and makes recommendations to both the Canfor and Canfor Pulp boards. They consider topics such as Canfor's efforts to maintain priority status for the protection of the environment. The committee reports back to the board and provides opportunities to observe these activities in the field.

CANFOR PULP'S CERTIFIED FIBRE FROM 2006 TO 2019

Canfor Pulp sourced 85% of its fibre from the certified forests of British Columbia in 2019. While there was a decrease from the previous year, the team continues to focus its efforts on reporting of the sources of our certified fibre.



Sustainable Forestry Initiative Certification



Canfor has certification from the Sustainable Forestry Initiative (SFI) for a large portion of our operations in British Columbia and Alberta, with two separate certificates. We have a multi-site [SFI Forest Management](#) certificate for all Canfor operations in B.C. and northern Alberta, with the exception of sites in B.C.'s East Kootenay, which are FSC certified. We also have an [SFI Fibre Sourcing](#) multi-site certificate for all areas that procure wood directly from forests. One example of this is procuring logs for our U.S. sawmills. The purpose for adhering to [SFI certification](#) is to demonstrate that the raw materials in our supply chain come from legal and responsible sources, whether the forests are certified or not.



SFI AUDITS

Canfor's 2019 SFI audits included forest management and fibre sourcing in our operations in British Columbia and Alberta. **The audit identified many good practices, including:**



Canfor has been proactive in planning harvesting of stands that have been impacted by fire, insects and disease. As an example, considerable effort has been made in the Houston and Kootenay regions of B.C. to promptly salvage timber damaged by the 2018 fires, and in Grande Prairie there has been a focus on salvaging beetle-killed pine in small pine stands.



Along with the fire salvage in Houston, B.C., critter piles are being maintained to help create wildlife habitats in fire-impacted areas.



Across all divisions for the fibre-sourcing standard, log purchasing staff maintain an environmental risk spreadsheet, which provides a clear and consistent risk-based approach to determine which fibre purchases require field inspections.

The SFI audit identified two new minor non-conformities in Canfor's woodlands and fibre-sourcing operations:



In one division there was a tracking error in the company system regarding the repair of a rancher's fence on a tenure that was damaged during a harvesting operation.



In another division, a gap was identified where government compliance inspections were not being recorded or tracked in the company system.

Two new systemic opportunities for improvement were cited that were related to proper incident tracking and stakeholder commitments.

Forest Stewardship Council Certification

Canfor is the only large license-holder in British Columbia with operations certified to the FSC forest management standard. The 2019 annual audit found that Canfor's Kootenay Division's forest management system was in full conformance with the FSC BC Forest Management Standard.



FSC AUDIT

The 2019 FSC audit showed that Canfor had addressed the one non-conformance identified in the 2018 evaluation and identified two new minor non-conformances related to a site plan prescription for road reclamation and an annual report requirement for a First Nations Engagement and Benefits Agreement that missed an annual update. The report noted eight opportunities for improvement.

Through 2020, the region will be transitioning to the new FSC National Forest Stewardship Standard of Canada.



Product Certification

Canfor is committed to tracking our forest-based products from sustainable forest origins and through every step of the manufacturing process. Each step of the chain is closely monitored, documented and audited by an independent certified body to ensure that unsustainable sources are excluded. Chain of custody certification gives our global customers confidence that Canfor products come from well-managed forests.

CHAIN OF CUSTODY CERTIFICATION STANDARDS

In Canada, our lumber facilities are certified to the Programme for the Endorsement of Forest Certification (PEFC) chain of custody certification (CoC) with just a few exceptions. Two facilities in British Columbia’s East Kootenay region are certified to FSC multi-site CoC and Controlled Wood (CW) certifications. Lastly, our WynnWood mill in British Columbia is certified to SFI CoC and will be transitioning to PEFC CoC in 2020.

Most of the pulp and paper fibre supply used by Canfor Pulp originates within British Columbia and all forest operations we source from are in full legal compliance with provincial forest laws. In 2019, 85% of this fibre supply was certified to either the Canadian Standards Association (CAN/CSA Z809) or SFI certification. As a result, Canfor Pulp mills are covered under the PEFC CoC standard. All products made by Canfor Pulp are eligible as FSC CW if the customer purchasing them has FSC CoC certification.

LUMBER & BOARD PRODUCTS	CERTIFICATION TYPE	CERTIFICATION #	EXPIRATION DATE
LUMBER-BC & ALBERTA	PEFC COC	KPMG 1480.11	JUNE 20, 2022
LUMBER-EAST KOOTENAY ONLY	FSC COC/CW	KF-COC/CW-001058	APRIL 25, 2022
WYNNWOOD MILL	SFI COC	PRI-SFI-COC-076	JUNE 5, 2022
PULP AND PAPER PRODUCTS			
PULP MILLS	PEFC COC	KPMG 2563	MARCH 1, 2022
PULP MILLS	FSC COC/CW	KF-COC/CW-001056	APRIL 15, 2023



Regenerating Forests

Prompt reforestation is a key element to sustainable forest management and creating the healthy forests of tomorrow. Canfor's silviculture program helps maintain forest productivity and gives our young trees a head start against competing vegetation. Over the past two decades Canfor has planted over a billion seedlings and the number grows every year.

Foresters consider several factors when prescribing what species to plant to reforest a cutblock, including the species harvested, ecology, forest health, climate change issues, frost potential and anticipated vegetation. Canfor plants a variety of nursery stock sizes to match the size of the seedling to the difficulty of the site. Smaller seedlings are planted on easier sites, while large stock sizes are planted where more aggressive vegetation complexes exist.



MANAGING OUR SEEDS AND SEEDLINGS

Canfor owns and operates the JD Little Forest Centre near Prince George, B.C. The tree nursery grows roughly nine million trees each year for Canfor's tree-planting programs, representing around 15% of our total seedling needs.

JD Little also has a cold storage facility on site that stores approximately 53,000 boxes of seedlings or 20 million seedlings. The facility cold-stores roughly one-third of all seedlings planted in a single planting season by Canfor. Seedling boxes are stored in the cold storage units from October to April, where temperatures are maintained at -5 degrees Celsius to keep the seedlings in a state of dormancy. When spring arrives, the seedlings are thawed and the boxes are transported to planting sites.

Canfor is also part owner of the Vernon Seed Orchard Company and Huallen Seed Orchard Company, both of which supply seed for our reforestation programs. In B.C., more than 60% of our seedlings are grown from improved seed. In Alberta, almost half of our harvested sites are planted with improved stock. Using improved seed offers a range of biological, social and economic benefits, including conservation of genetic diversity, improved forest health, improved forest resiliency, increased site productivity and reduced brushing.

Canfor is currently working with researchers and seed orchard managers to increase the amount of seed available from parents identified as having resistance to pests and disease in our operating areas. Currently we use leader weevil-resistant spruce in the Prince George area and white pine blister rust-resistant seed in the Kootenays.



RIGOROUS REPLANTING AND MONITORING

In 2019, Canfor planted approximately 64 million trees on our tenures, primarily lodgepole pine and hybrid white spruce, with a mix of western larch, Douglas fir, western white pine, ponderosa pine and black spruce, where ecologically appropriate.

After planting, Canfor maintains a rigorous monitoring program to ensure all our openings are stocked and performing well.



TWO YEARS AFTER PLANTING

A regeneration performance assessment is completed to assess stocking levels and look for potential mortality of planted seedlings. On average, approximately 90% of seedlings survive after planting. If required, areas are replanted to ensure 100% reforestation success on all sites.



FIVE YEARS AFTER PLANTING

A free-grow recce, meaning approximately every five years a walkthrough is conducted, is scheduled to assess stocking density, forest health and levels of competing vegetation. Foresters carefully balance the need for brushing treatments with the opportunity to maximize biodiversity and habitat values on the site. Where competing vegetation could result in future mortality of the regenerating stand, or should competition levels exceed free-growing thresholds, a brushing treatment is completed.



EIGHT TO FIFTEEN YEARS AFTER PLANTING

Canfor is responsible for managing our harvested areas until they achieve free growing. To be declared free growing, stands of appropriate species and density must have reached a minimum height above brush and be free from insects and diseases. Once blocks are declared free growing, the responsibility for the plantations reverts back to government for management throughout the rest of the growing cycle.

Canfor currently manages approximately 540,000 hectares of young forests that have not yet reached free growing across our B.C. and Alberta operations.

Conserving Biodiversity and Protecting Habitat

To conserve biodiversity and protect habitat at both the landscape and stand levels, Canfor undertakes comprehensive forestry management planning with an array of activities and benchmarks.

EMULATING NATURE

Our approach is based on emulating the dynamic patterns and processes that historically occurred in the forest, while planning for climate change and managing for healthy, resilient forests. We design harvest areas of different sizes and shapes to mimic the variable patterns seen in natural landscapes. For example, we maintain more old forest in cold, wet ecosystems, which historically saw infrequent natural disturbances, than in warm, dry ecosystems, which historically burned more often and thus had less old forest at any given time.

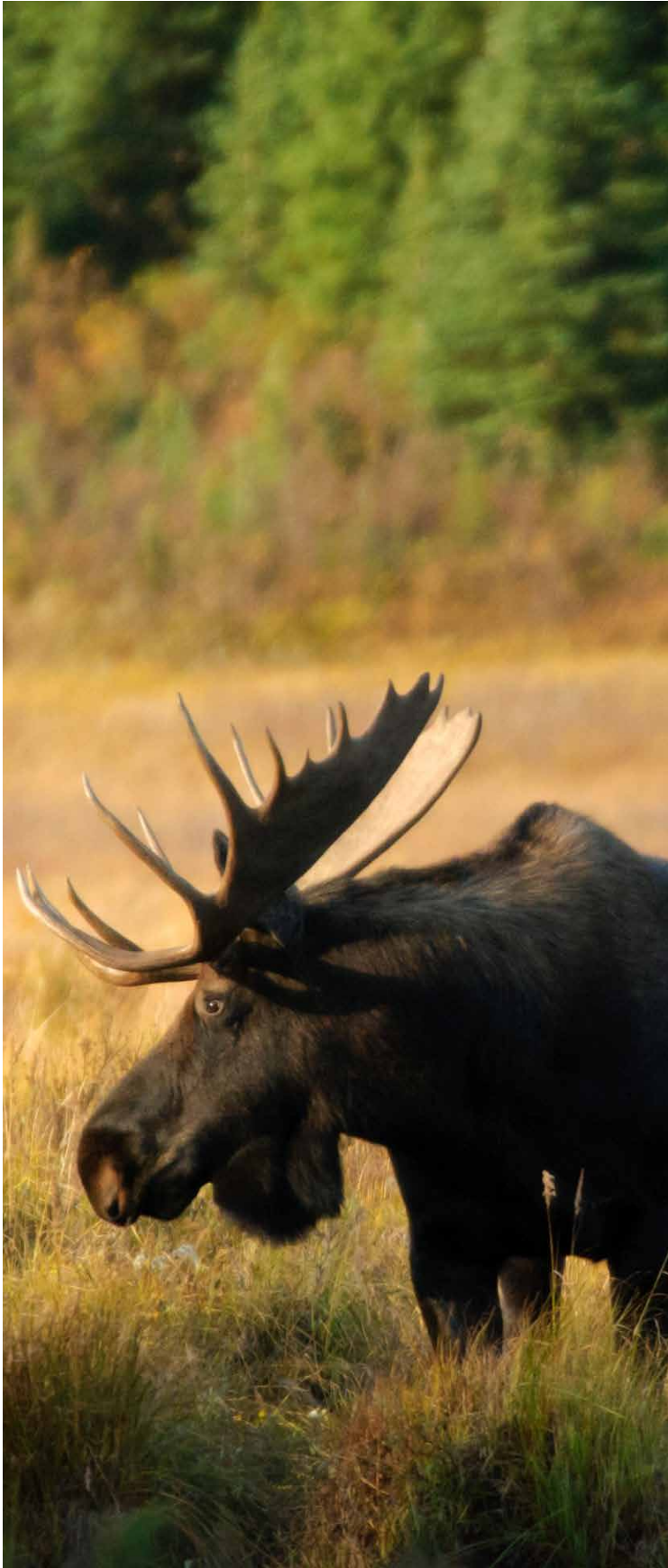
Within or adjacent to harvested areas, patches of trees are left to emulate unburned patches left by wildfires. These patches provide habitat for many species of songbirds, bears, woodpeckers and bats. Where windfirm tree species and suitable terrain exist, and where it's safe, we retain individual standing trees in harvested areas. This increases their habitat value for many species. Sensitive riparian areas, such as those adjacent to rivers, streams and lakes, are protected with forested buffers. Larger streams and lakes receive wide buffers, providing valuable habitat and travel corridors for moose and many other species.



IMPROVING HABITAT THROUGH FORESTRY ACTIVITIES

Habitat restoration through forestry activities occurs where appropriate. In southeastern B.C., for example, many dry forest stands that were historically kept open and healthy by frequent low-severity fires have been negatively affected by forest ingrowth and encroachment due to fire suppression and heavy logging in the early 20th century. As a result, many stands are dominated by high densities of smaller trees. They are at high risk for severe wildfire and insect attack and offer low wildlife habitat value.

To help restore these stands to a more natural condition, Canfor develops harvesting prescriptions to retain the largest trees, including standing dead trees with cavities for wildlife. Logging is followed by prescribed burns where possible, completed by B.C. government staff. The result is improved habitat for many species associated with these dry forests, including species at risk such as the American badger, Lewis's Woodpecker and Common Nighthawk.



PROTECTING HABITATS FOR SPECIES AT RISK

Within our operating areas there are 45 species—including mammals, birds, amphibians, reptiles, plants, lichens, mosses, mollusks and fish—listed on Schedule 1 of Canada's Species at Risk Act or the International Union for Conservation of Nature's Red List of Threatened Species that are potentially impacted by forestry, such as the woodland caribou, Olive-sided Flycatcher, whitebark pine and rocky mountain tailed frog. In B.C., substantial areas of habitat have been legally set aside from forestry activities for species such as the woodland caribou and key habitats for others have been designated and require special management.

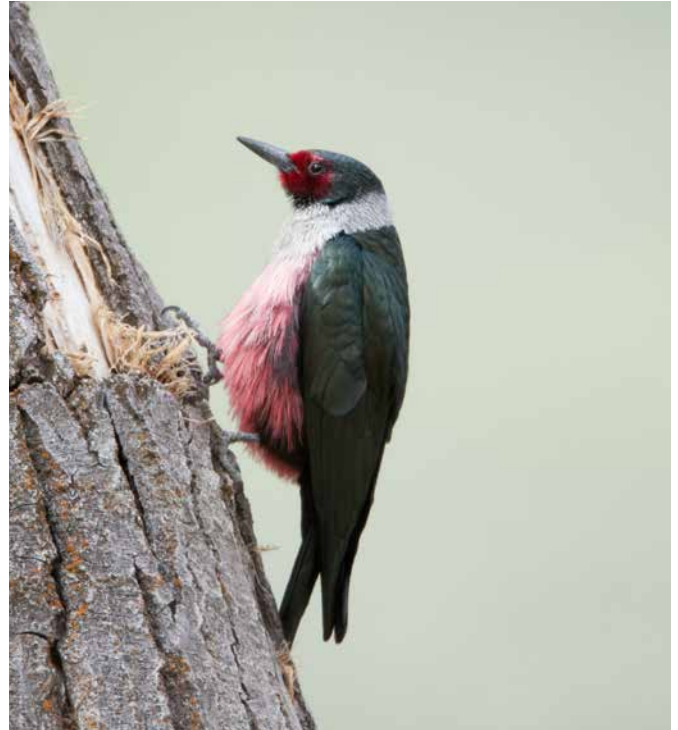
Our operational plans include conservation measures to protect habitat for species at risk. Each division has detailed standard work procedures for caribou habitat, including instructions to protect stands with high amounts of forage (lichen), minimize the number of new roads created and employ access management on roads leading to high-value caribou habitat. These measures are applied in areas adjacent to the millions of hectares of land legally protected for caribou in B.C., increasing the available habitat for these wide-ranging and sensitive animals.

ENHANCING MOOSE HABITAT

We are proud of the work our Fort St. John operations are doing in partnership with local Indigenous Nations to maintain and enhance moose habitat. Cutblocks are being designed with riparian reserves connecting to adjacent forest. Conifer trees, along with healthy understory conifers, are retained within the block and surrounded by aspen to minimize blowdown risk. Access roads are being rolled back to limit motorized access. Monitoring trips show these blocks are being heavily used by moose and elk in winter two years after harvest.

THE FOREST MANAGEMENT WETLAND STEWARDSHIP INITIATIVE

Canfor has many noteworthy partnerships and projects designed to provide new and innovative ideas for our forestry planning. In 2019, we extended our visionary Forest Management Wetland Stewardship Initiative, a partnership with Ducks Unlimited Canada and other forest sector leaders, for another three years. The goal of the initiative is to share knowledge and resources to advance sustainable forest management and wetland stewardship in Canada's boreal forest. To date, the group has completed three projects to help integrate wetland and waterfowl conservation into forest management planning and operations. Publication guides based on the projects are published on Ducks Unlimited Canada's [National Boreal Program website](#). New projects are currently being developed for the upcoming years.



OLD GROWTH MANAGEMENT

For Canfor's tree farm license TFL30, northeast of Prince George, we spatially identified old growth management areas to better manage old growth in light of the spruce beetle epidemic. The identified areas were designed with input from biologists, guides, trappers, recreationalists, other forest professionals and government representatives. These forest areas help maintain connectivity for wildlife and biodiversity across the landscape and help Canfor manage the severe spruce beetle infestation that has occurred in the Prince George Timber Supply Area.

Prior to ecosystem restoration harvesting by Canfor in 2012, the dry forests on Skookumchuck Prairie in southeastern B.C. were dominated by high densities of small trees. No Lewis's Woodpeckers, a threatened species in Canada, were known to nest on the site. Following harvest—which included protecting standing dead trees where Lewis's Woodpeckers typically nest and retaining large live trees that provide perches for the birds to catch insects and fly from—visits to the site showed that the woodpeckers were being detected within the harvest area. By 2019, 21 nests were confirmed on the site, a true success story for habitat restoration and species-at-risk management.

Protecting standing dead trees and retaining large live trees while harvesting on Skookumchuk Prairie in southeastern B.C. has resulted in Lewis's Woodpeckers returning to nest on the site.



Ecosystem restoration harvesting in the dry forests of the Rocky Mountain Trench in southeastern B.C. restores stands to reflect natural conditions. The result is improved habitat for species associated with these dry forests, including species at risk such as the American badger, Lewis's Woodpecker and Common Nighthawk.

Responding to Climate Change

Healthy, growing forests absorb carbon dioxide and store carbon, preventing them from contributing to climate change through the greenhouse effect. Natural Resources Canada says that in the last four decades, forests have moderated climate change by absorbing one-quarter of the carbon emitted by human activities, such as burning fossil fuels and changing land uses.

Wood products continue to store carbon throughout their lives, providing valuable long-term carbon sequestration. Advances in wood science and building technologies, adopted through modern building codes, allow wood to be used in an increasingly broad range of applications. Canfor produces structural-grade lumber that is used in a myriad of ways in buildings of all types. We supply lumber products that are used to create cross-laminated timber, which has become a key building component in the construction of tall wood buildings, a trend flourishing around the world with positive and lasting environmental impact. In addition, we have two facilities in the U.S. South that produce glulam beams, which are another major component in mass timber construction. In fact, Canfor is the largest producer of southern yellow pine glulam beams.

To establish and maintain healthy, resilient and productive forests well into the future, Canfor works with geneticists from the B.C. Ministry of Forests, Lands, Natural Resource Operations and Rural Development to improve how we match the seed used in our reforestation programs to the current and projected climates of the sites we reforest. Assisted migration is changing where we can deploy our seed, where we need to source seed from and the composition of our seed orchards.



Assisted migration is a climate change adaptation strategy that involves the intentional movement of tree seeds from areas where they grow naturally to planting sites that are climatically suitable for their growth—in the present and into the future.

CANFOR'S SUSTAINABLE FORESTRY CARBON CYCLE



FOREST MANAGEMENT IS ESSENTIAL FOR MITIGATING CLIMATE CHANGE

Canfor's forest management practices play a key role in helping to sequester carbon and reduce greenhouse gas emissions. Warmer and drier summers and winters have increased the risk of drought, wildfires and insect infestations, such as bark beetles. This can lead to increased numbers of dead and dying trees that are not able to contribute to carbon sequestration.

To help combat this, Canfor prioritizes the harvest of over-mature trees that are subject or susceptible to pests and disease. We conduct prompt reforestation of these and other harvested areas with tree species that promote vigorous growth and have high carbon sequestration properties. We continue to monitor developments in carbon sequestration modelling at the provincial and regional levels and use current best practices in our management planning.

By increasing the diversity of tree species on the lands we manage, we can buffer the negative impacts of climate change and make forests more resilient. Activities such as increased planting densities and research into fertilization for the future can help promote the carbon storage capacity of forest ecosystems.





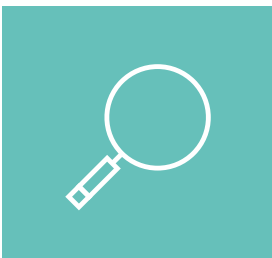
COMMERCIAL THINNING TO ENHANCE FORESTS

In central British Columbia, where the fibre supply is decreasing due to wildfires and insect infestations, we initiated a commercial thinning program in 2018. By removing the lowest quality timber in young stands through selective harvesting, we provide the remaining trees with better access to sunlight, water and nutrients. Commercial thinning can transform a dense, heavily shaded stand into a more open setting, with higher-quality trees and better wildlife habitat, including newly created corridors and excellent foraging opportunities.

Our Prince George operations reported excellent results when they applied commercial thinning to a 47-hectare area with support from FPInnovations and a progressive local contractor. In 2019, Canfor staff and other forestry resource professionals met in Prince George to share knowledge on partial-cutting strategies and practices to increase timber production in the Interior of B.C. The group made decisions about target stands, thinning prescription alternatives and key performance indicators, and supported the design of commercial thinning prescriptions adapted to forest management in the Interior of B.C.

Throughout 2019, our Prince George operations team identified additional areas to implement the commercial thinning program. We will endeavour to maintain a commercial thinning program over the next few years.

LOOKING FORWARD



Forest management activities that determine the composition of our future forests will play a significant role in mitigating the impact of climate change. The B.C. Government and Forest Genetics Council initiated the Climate-Based Seed Transfer project to promote healthy, resilient and productive forests. We have participated in its development and implementation and are currently analyzing the tool to ensure that suitable seed that can adapt to a changing climate will be available for our operating areas.

Responding to Wildfires

Experts agree that climate change is a factor in the increasing number and severity of wildfires around the world. In B.C. and Alberta, 2019 saw a somewhat muted wildfire season compared to 2018, which was among the most destructive ever. In 2019, Canfor operations focused on salvage-harvesting of 2017 and 2018 burnt timber with the goal of maximizing the utilization of fire-killed timber, while optimizing saw logs and pulp logs.

Canfor continues to improve our wildfire response procedures and work with the B.C. government to reduce wildfire risk and improve communication in order to respond rapidly to fires when they occur. Our silviculture foresters have been working to ensure that our tenured regenerated cutblocks impacted by recent wildfires are replanted and managed to ensure the forests continue to grow and thrive.



Combating Forest Pests

Mild winters and warm summers contributed to the epidemic of mountain pine beetle that caused significant harm to forests in British Columbia and Alberta over the last 20 years. Although the epidemic is over in B.C., its impacts will be felt for decades to come.



MOUNTAIN PINE BEETLE IN B.C.

In B.C., Canfor is winding down our large-scale mountain pine beetle salvage program, as we have exhausted virtually all of the dead pine timber stands suitable for lumber production. We have shifted our harvest operations to other stands, with a focus on maintaining healthy and resilient forests.

MOUNTAIN PINE BEETLE IN ALBERTA

In Alberta, the largest active mountain pine beetle populations are found in west-central and northwest Alberta, particularly within Jasper National Park. An accelerated harvest of susceptible pine in our Forest Management Agreement area since 2009, in conjunction with government control efforts, has helped contain the spread in this area. However, pine mortality in areas north of the Peace River, including our quota area, has been extensive. Harvesting objectives are now focused on salvage, rather than spread prevention.



In Jasper National Park, where the mountain pine beetle outbreak has increased the risk of wildfire to the town of Jasper, we have been working with Parks Canada in 2018 and 2019 to develop a unique forest management solution. Parks Canada identified an area west of the town where the volume of dead and dry timber posed a severe risk of catastrophic wildfire that threatened the urban area. The mitigation of that risk involved removal and utilization of this highly flammable material using operational forestry within a framework of sustainable forest management. The biggest challenge we faced was ensuring that the plan's logging component could be carried out economically, given the minimal disturbance allowed to the park's soils, wildlife and recreation trails. This effort is an innovative example of how operational forestry and adaptive management can enhance forest resilience and public safety within Canada's national parks.



Canfor's harvesting in Jasper, Alberta one and a half years following harvest completion. The Douglas fir and aspen trees were retained for fire resistance, biodiversity and wildlife security.

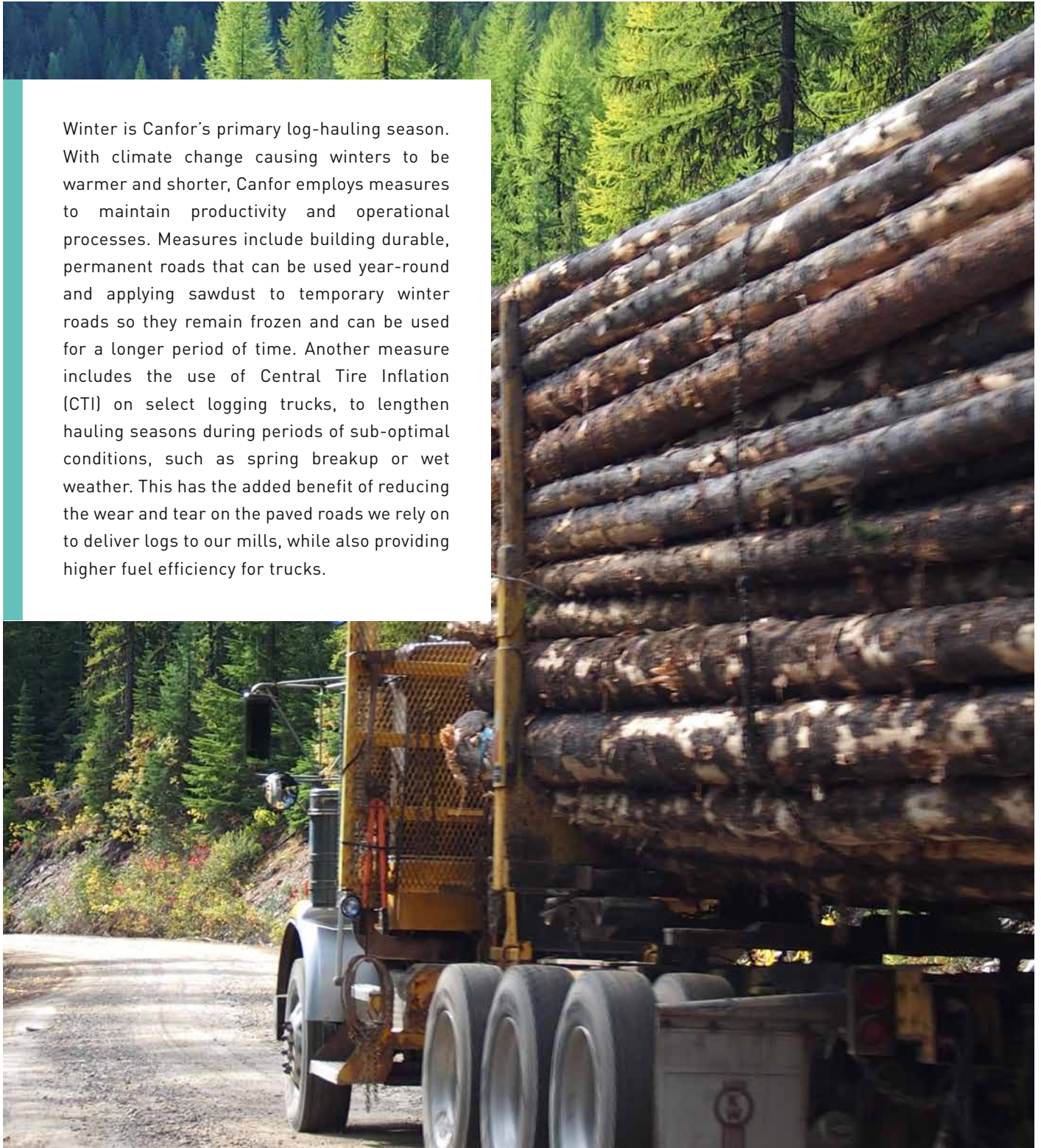
COLLABORATING TO CONFRONT THE SPRUCE BEETLE

The trend of warmer temperatures followed by drought has subjected forests to new stresses, including forest pests. Central British Columbia has seen an outbreak of spruce beetle, for example.

Canfor is working collaboratively with other forest companies and with local and provincial government agencies to develop strategies to slow the spread and limit the damage caused by the spruce beetle. These include aerial and ground reconnaissance, trap trees, pheromone baiting, log yard and log transportation management, sanitation harvesting focused on leading-edge attack zones, and salvage harvesting. Canfor has ramped up our capacity to harvest steep slopes, where much of the spruce beetle outbreak exists.

Using Technology to Enhance Operational Efficiencies

Winter is Canfor's primary log-hauling season. With climate change causing winters to be warmer and shorter, Canfor employs measures to maintain productivity and operational processes. Measures include building durable, permanent roads that can be used year-round and applying sawdust to temporary winter roads so they remain frozen and can be used for a longer period of time. Another measure includes the use of Central Tire Inflation (CTI) on select logging trucks, to lengthen hauling seasons during periods of sub-optimal conditions, such as spring breakup or wet weather. This has the added benefit of reducing the wear and tear on the paved roads we rely on to deliver logs to our mills, while also providing higher fuel efficiency for trucks.



TRANSPORTATION ADVANCEMENTS

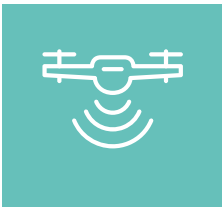


During optimal hauling times, we use satellite log storage yards and temporary storage areas to ensure steady deliveries to our mills throughout the year. We are continually increasing our deployment of nine-axle trucks to enable long haul distances, reduce fuel costs and greenhouse gas emissions, improve safety, address driver shortages, and lower road-surface impacts. The B.C. government has approved the use of the larger trucks on designated provincial highways where Canfor operates. Ten-axle chip vans are currently being tested for safety for travelling on highways.



TELEMATICS TOOLS

We are deploying telematics monitoring systems on our contracted logging equipment fleets. These remote onboard diagnostic systems allow us to monitor machine uptime, optimize productivity and reduce greenhouse gas emissions through increased efficiencies in our logging and transportation fleets.



LIDAR MAPPING

We use LiDAR (light detection and ranging) technology throughout virtually all of our operations to help us plan our activities to avoid unstable terrain and protect wetlands. LiDAR mapping reduces our need to conduct costlier and more impactful survey methods that rely on ground surveys and require additional vehicles, such as helicopters.

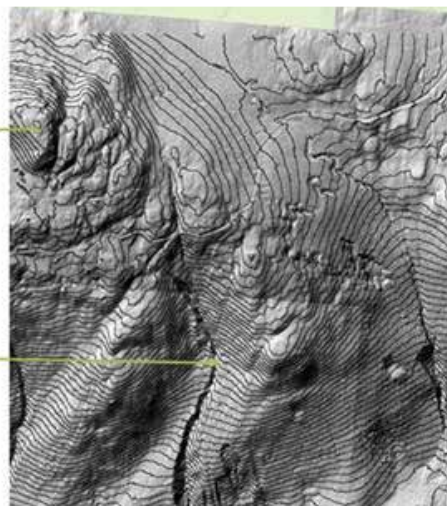


SATELLITE INSIGHTS

We use satellite technology and analysis techniques to detect large-scale disturbance events, such as insect attacks, windthrow and wildfires, to accurately identify impacted areas, promptly salvage and utilize the timber, and ultimately restore affected forests to a healthy state.



Traditional map, with 20-metre contours



More detailed LiDAR imagery of bare earth hillshade, with one-metre contours

Comparing these two images, one can clearly see the advantages of using LiDAR for forest development planning of cutblocks and roads in steep and difficult terrain. On the left is a traditional map product of a block with an elevation contour scale of 20 metres (66 feet). On the right we used LiDAR imagery to produce a map product with an elevation contour scale of one metre (three feet). This level of precision and detail provides us with the ability to accurately plan and optimally locate block boundaries, stream crossings and roads in a way that minimizes any potential environmental impacts, and to reduce our overall planning and operational costs.

Forestry Environmental Compliance

Canfor’s woodlands division monitors incidents of non-compliance with legal requirements for forestry-related environmental activities and categorizes them by severity. Non-compliance incidents are investigated and corrective actions are developed and implemented.



INCIDENTS OF HIGH SIGNIFICANCE MEET ANY OR ALL OF THESE CRITERIA:

- Has caused serious environmental damage
- Will negatively impact public trust at the provincial level or beyond
- Will result in \$100,000 or more in total costs, including legal costs, fines or remediation
- Will result in a potential loss of certification due to a major non-conformance identified during an external audit



INCIDENTS OF MEDIUM SIGNIFICANCE MEET ANY OR ALL OF THESE CRITERIA:

- Has caused moderate environmental damage
- Will negatively impact public trust locally
- Will result in \$15,000 or more in total costs, including legal costs, fines or remediation
- Will result in a breakdown or failure to comply with multiple operational plans and/or Forest Management System processes or procedures

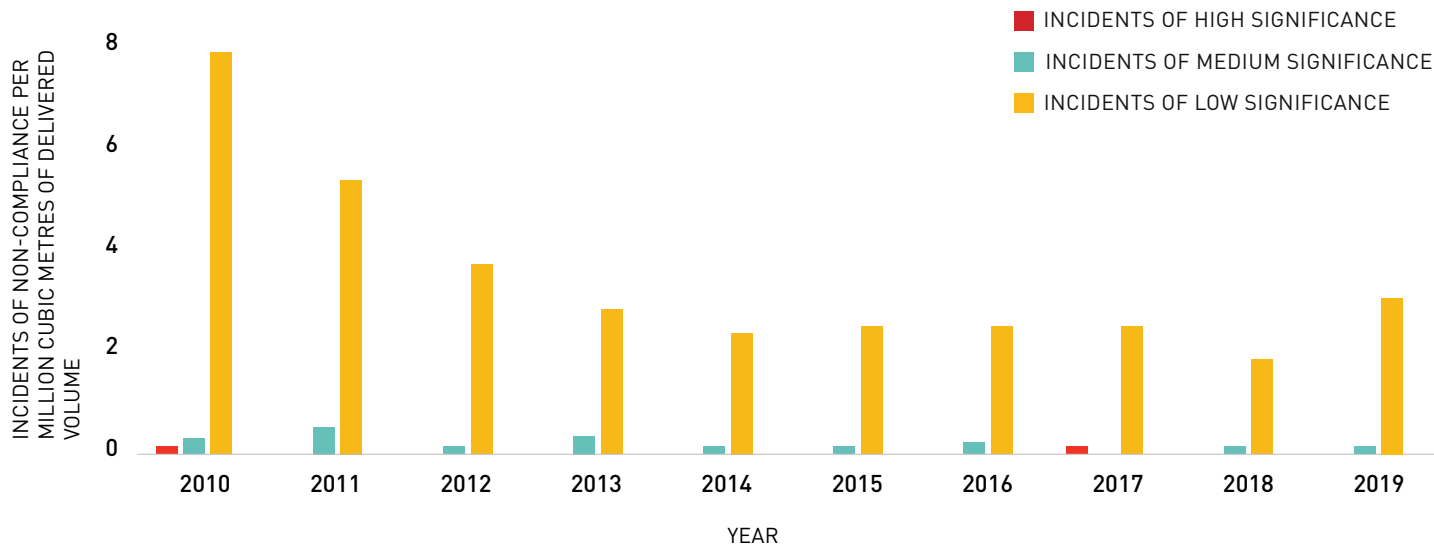


INCIDENTS OF LOW SIGNIFICANCE MEET ANY OR ALL OF THESE CRITERIA:

- Has caused minimal environmental damage
- Will not affect local public trust
- Will result in less than \$15,000 in total costs, including legal costs, fines or remediation
- Will result in a breakdown or failure to comply with an operational plan or a Forest Management System process or procedure

CANFOR INCIDENT REPORT FROM 2010 TO 2019

In 2019, our forestry operations recorded zero incidents of high significance non-compliance, three incidents of medium significance non-compliance (0.2 per million cubic metres of delivered volume), and 36 incidents of low significance non-compliance (3.0 per million cubic metres of delivered volume).



Environmental Performance

Sawmills

- 64. GREENHOUSE GAS EMISSIONS
- 65. ENERGY MANAGEMENT
- 68. MANUFACTURING COMPLIANCE

Pulp Mills

- 72. GREENHOUSE GAS EMISSIONS
- 73. ENERGY MANAGEMENT
- 75. WATER AND AIR RESOURCES
- 77. MANUFACTURING COMPLIANCE

Environmental Performance at Sawmills



Greenhouse Gas Emissions

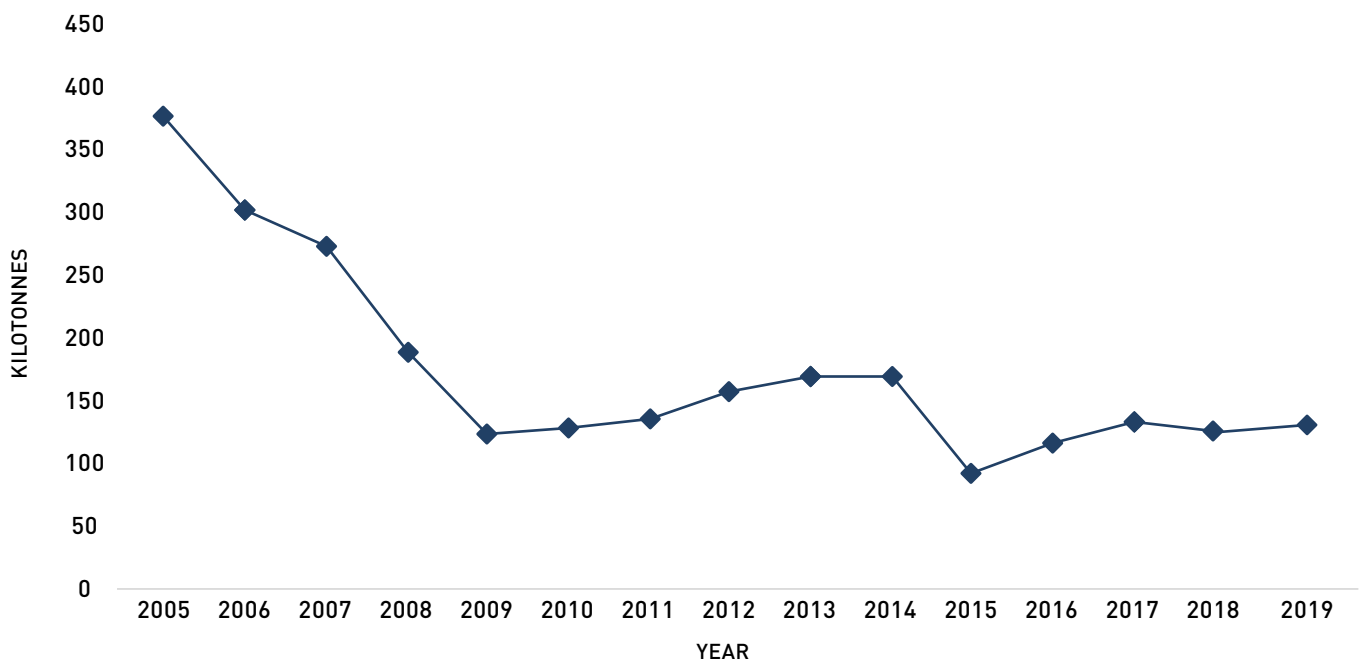
Canfor continues to monitor and investigate ways to reduce greenhouse gas (GHG) emissions at all our operations in an effort to produce high quality products with a smaller environmental footprint.

In 2019, Canfor's GHG emissions increased from 129 to 132 kilotonnes. This included an increase in emissions from natural gas and a decrease in emissions from diesel, gasoline and biomass. The increase in natural gas usage was due to several factors, including adverse winter weather conditions early in the year and the transition from processing dry beetle-impacted timber to "green" high moisture content timber at many of our Canadian sawmills. We installed high efficiency natural gas boosters at our Elko, Polar, Plateau and Prince George sawmills to supplement the biomass energy and to provide the much-needed incremental energy required to dry the lumber and produce high quality products. In addition, Canfor conducted the first phase acquisition of Elliott Sawmilling Company in South Carolina and the data reported for 2019 includes the operation's natural gas consumption.



CANFOR GREENHOUSE GAS EMISSIONS

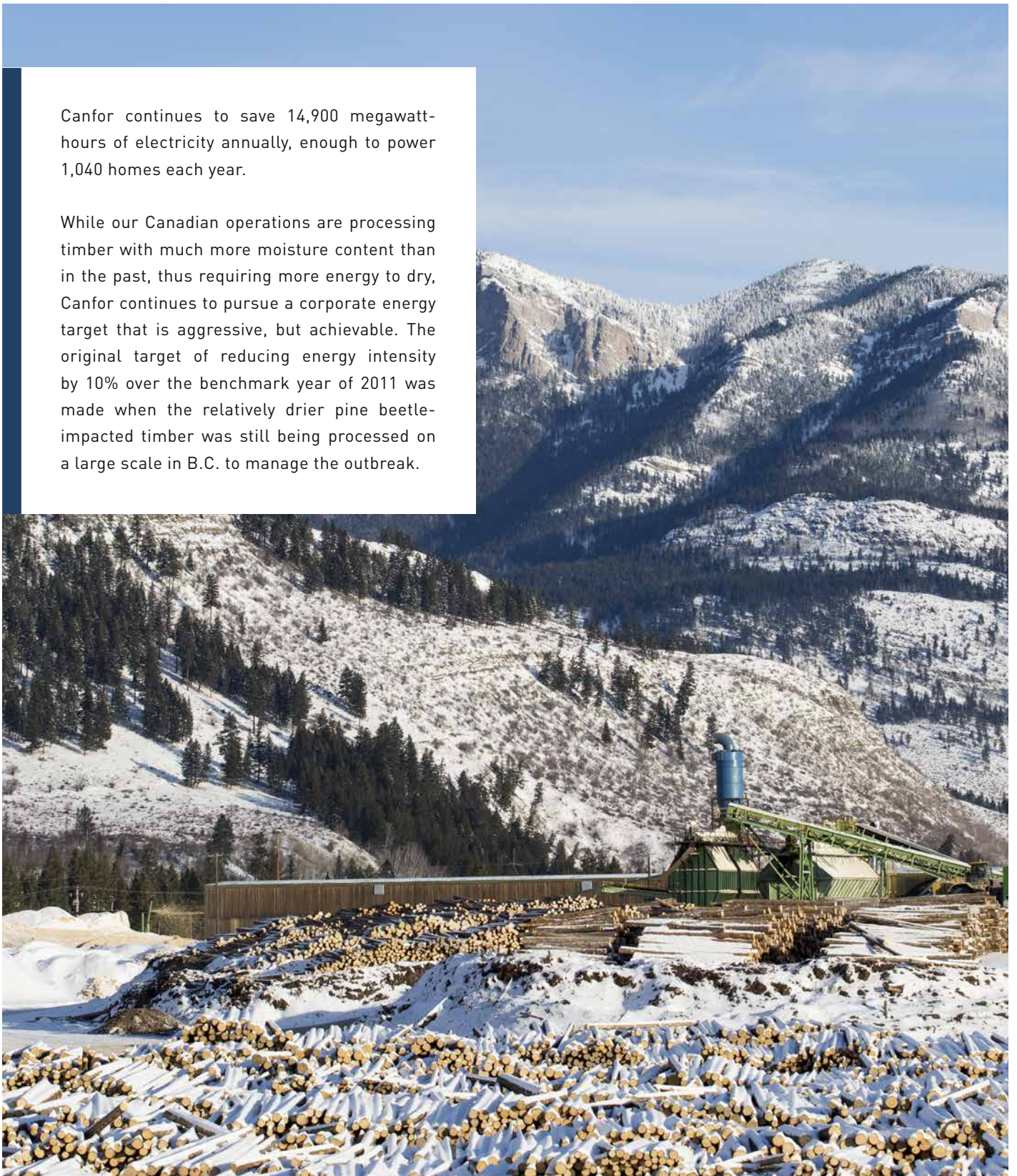
Although Canfor's sawmills reduced greenhouse gas emissions for diesel, gasoline, propane and biomass, overall GHG emissions increased by three kilotonnes (+2%) in 2019 due to increased natural gas consumption.



Energy Management

Canfor continues to save 14,900 megawatt-hours of electricity annually, enough to power 1,040 homes each year.

While our Canadian operations are processing timber with much more moisture content than in the past, thus requiring more energy to dry, Canfor continues to pursue a corporate energy target that is aggressive, but achievable. The original target of reducing energy intensity by 10% over the benchmark year of 2011 was made when the relatively drier pine beetle-impacted timber was still being processed on a large scale in B.C. to manage the outbreak.





Energy intensity is the quantity of electricity required to produce 1,000 board feet and is measured in kilowatt-hours per one thousand board-feet produced.

Every year since 2012 has seen an increase in the total moisture in the timber Canfor processes in its B.C. sawmills. From the benchmark year of 2011, the proportion of logs processed that were high-moisture species, such as balsam and Douglas fir, increased by as much as 10%, and continues to impact individual operations as the last beetle-impacted lumber is harvested in B.C.

The impact of this moist fibre on energy consumption in drying can be seen when we compare drying times for beetle-impacted fibre to the wetter fibre the mills are processing today. The typical drying time in the kilns of beetle-impacted lumber is six hours, while balsam, which is known for its high moisture content, often requires drying times in excess of 90 hours.

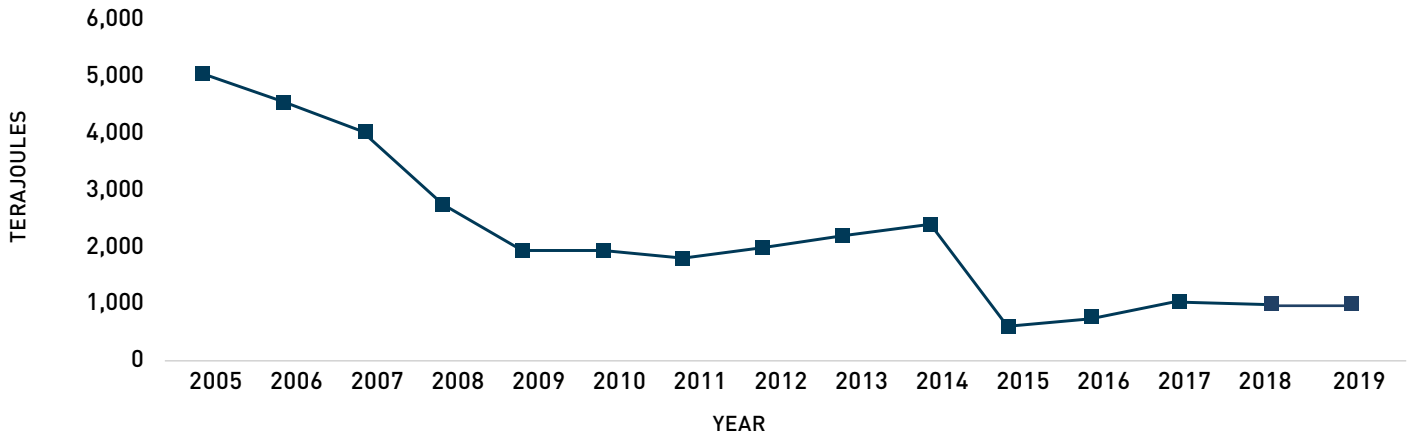
Biomass produced as a byproduct of the sawmilling process is our main energy source when it comes to powering dry kilns. But due to the transition to fibre with naturally higher moisture content, Canfor supplements with incremental energy from high-efficiency natural gas boosters to address the lack of drying capacity. Although Canfor is addressing this “green up” of the fibre by increasing kiln capacity at a number of operations, this causes an increase in energy consumption, specifically in natural gas and electricity.

In 2019, Canfor’s energy management program continued to improve, with an energy audit completed at each B.C. sawmill. These energy audits helped engage employees at each site and provided recommendations to make measurable energy savings. These recommendations included behavioural changes, automating specific processes, and capital projects that have been shown to reduce energy consumption and lower energy costs.

Also in 2019, a sawmill energy modelling project was initiated that will ultimately have energy models developed for all of Canfor’s B.C. sawmills in 2020. These models will measure energy performance for each individual sawmill operation and will be able to account for the electricity savings made by individual projects. The energy models will also be a great tool to help us share best practices for energy efficiency improvements among the sawmills.

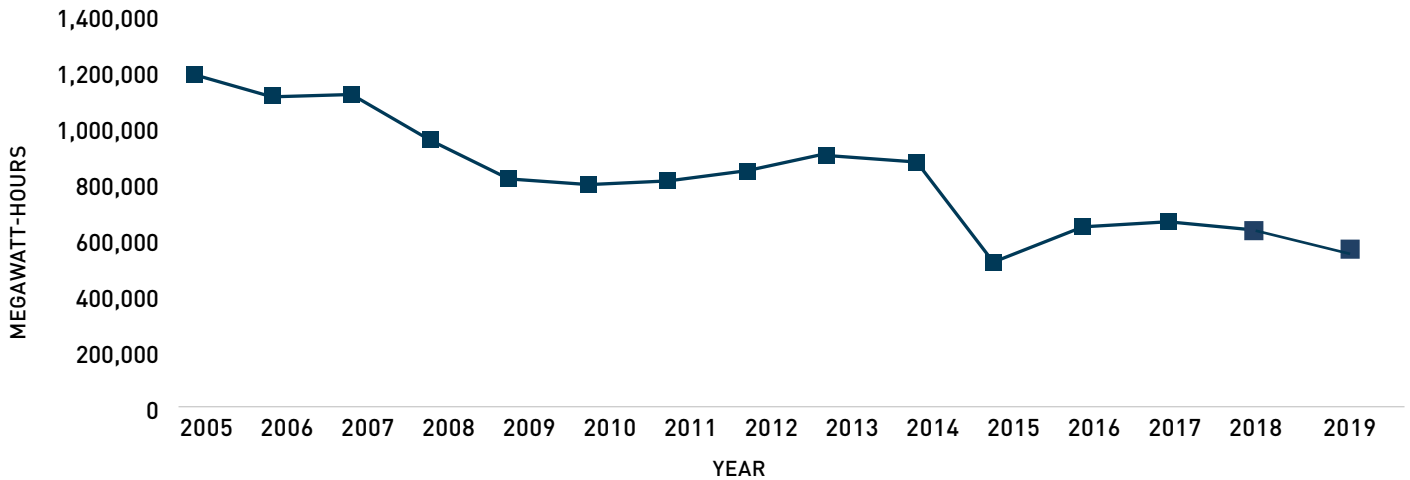
CANFOR NATURAL GAS USE

Natural gas usage increased in both Canadian and U.S. operations in 2019. Canadian consumption increased due to a shift in the species of timber processed towards fibre with much more moisture content, impacting how much energy is required to dry the lumber.



CANFOR ELECTRICITY PURCHASES

In 2019, Canfor saw a reduction in electricity purchases as a result of raising energy awareness at each sawmill operation through energy audits and production curtailment events at a number of Canadian operations.



Manufacturing Compliance

In 2019, Canfor was in compliance with regulatory requirements at our manufacturing facilities with only a few exceptions.

CANADIAN OPERATIONS



AIR

During an annual emissions test, a sawmill energy system exceeded the permitted particulate discharge limit. The exceedance was reported to B.C.'s Ministry of Environment. The system was shut down for inspection and an airlock was found to be plugged with ash. The ash plug was cleaned out and the system was retested and found to be operating within compliance limits.

During a quarterly emissions test, a pellet plant dryer stack exceeded the permitted particulate discharge limit. The exceedance was reported to B.C.'s Ministry of Environment. A root cause analysis of operational data showed that a return air damper was stuck in the closed position. This prevented exhaust air from being reheated as per the system design. The damper was repaired and damper functionality was added to the routine operations checklist to prevent reoccurrence. The system was retested and found to be operating within compliance.

A CHP (combined heat and power) facility reported a carbon monoxide concentration exceedance to Alberta Environment. The cause was determined to be a broken hog fuel feed, resulting in inefficient combustion due to inadequate fuel supply. The fuel feed was repaired and the system subsequently operated within compliance limits.



EFFLUENT

No effluent-related compliance incidents were reported in 2019.



SPILLS

There were two reportable spills in 2019. In both cases, appropriate regulatory agencies were notified promptly upon discovery by Canfor staff.

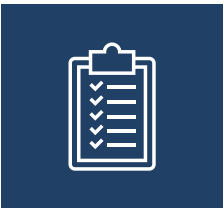
At one sawmill, 350 litres of glycol was spilled from a ground thawing unit when glycol lines were severed by snow removal equipment operated by a contractor. Impacted soils and snow were removed and shipped offsite for disposal by a licensed contractor. The spill was not reported immediately by the contractor to Canfor staff. As a follow-up action, Canfor staff required the contractor to complete additional Canfor spill reporting training to ensure on-time reporting in the future.

At another sawmill, 250 litres of hydraulic fluid spilled from a contractor's chip truck trailer when the truck pulled ahead without disconnecting the hydraulic lines. The contractor immediately reported the spill to Canfor staff and to the contractor's supervisors. Impacted soils were removed and shipped offsite for disposal. The contractor incident report identified human error as the root cause and assigned additional training to the driver to prevent reoccurrence.



WASTE

No waste-related compliance incidents were reported in 2019.



MINISTRY OF ENVIRONMENT INSPECTIONS

Canfor received four inspection advisories from B.C.'s Ministry of Environment in 2019. The majority of advisories included minor administrative findings. At one sawmill, boiler blowdown water piping was found to be leaking. The piping was promptly repaired following the inspection.



Photo taken by Tim O'Brien

U.S. OPERATIONS



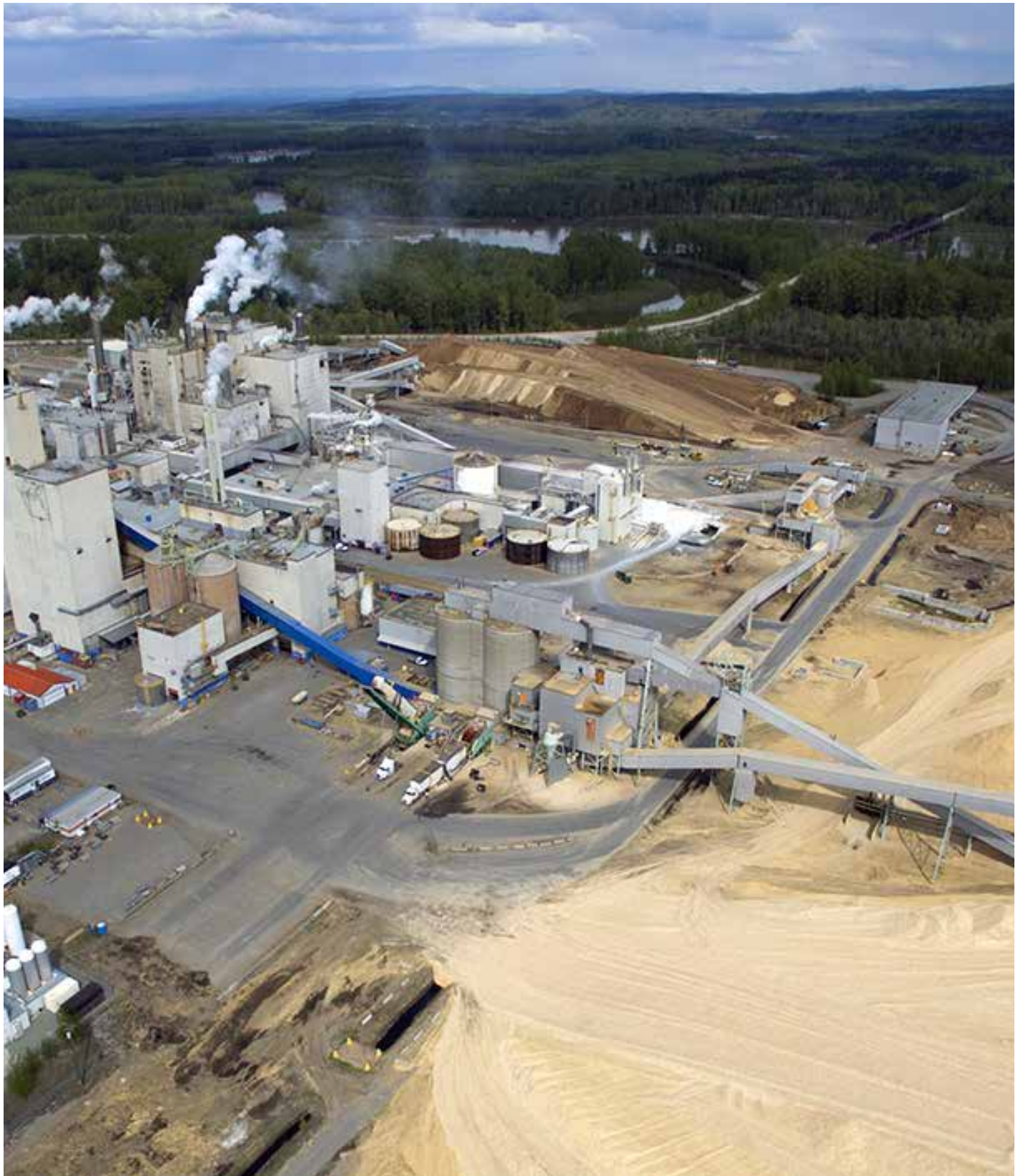
EMISSIONS

In 2019, Canfor Southern Pine continued to upgrade carbon emission controls and monitoring equipment to meet U.S. guidelines and operating procedures. Our thorough approach has enabled us to continue to meet or exceed Boiler Maximum Achievable Control Technology (MACT) regulations and identify future technologies that will allow us to remain an industry leader in manufacturing compliance.

We have been directly involved in face-to-face meetings with the United States Environmental Protection Agency in the development and implementation of sustainable procedures and guidelines for the upcoming Kiln MACT compliance requirements. Canfor Southern Pine has set goals and implemented Kiln Emission Management Plans (KEMP) to measure, record and monitor moisture content at various stages of production. KEMP allows us to closely study emissions at varying temperatures and moisture levels throughout the kiln process for better kiln management and operations, and to reduce kiln emissions.

The management of kiln emissions is considered a difficult task, due to open-ended continuous and vented-batch kilns. The ability to collectively capture or collect emissions from kilns is not technically feasible, and thus not a viable solution. We continue to work with industry leaders and regulators to provide information and ideas to enable an effective way to measure and monitor production and operational emission conditions. We are working towards overall company-wide reduction of carbon emissions.

Environmental Performance at Pulp Mills



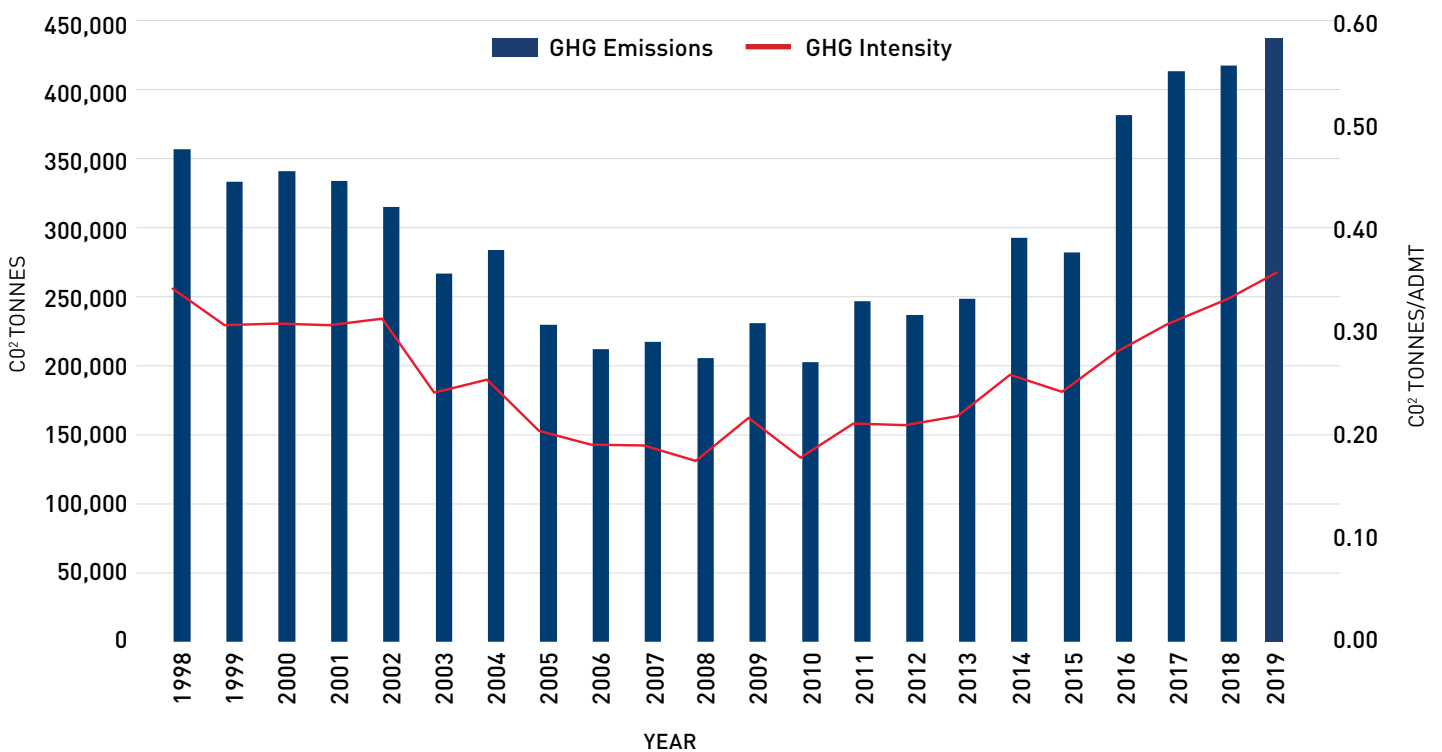
Greenhouse Gas Emissions

In 2019, Canfor Pulp's mills experienced an increase in greenhouse gas emissions, which can be attributed to increased steam demand in the facilities. The company continues to search for projects to improve energy efficiency, reduce fossil fuel use and minimize our carbon footprint.

Canfor Pulp participated in the new CleanBC Industrial Incentive Program (CIIP), a Government of B.C.-led initiative that contributes to cleaner industrial operations across the province by reducing carbon tax costs for facilities that operate at or near world-leading emissions benchmarks. The program supports competitiveness and facilitates emission reductions using revenues from the carbon tax that industry pays above \$30 per tonne carbon dioxide equivalent. We are happy to announce that Canfor Pulp exceeded the performance criteria of CIIP at all three Prince George operations, which resulted in a net return of carbon tax paid.

CANFOR PULP GREENHOUSE GAS EMISSIONS 1998 - 2019

While Canfor Pulp saw a slight increase of 5% in greenhouse gas emissions in 2019 due to increased steam demand, we continue to search for projects to reduce our carbon footprint.



Energy Management

Canfor Pulp’s three modern kraft mills operate as large-scale biorefineries, allowing us to efficiently manufacture premium pulp products while producing clean energy. Steam from our boilers generates electricity and heat for our operations. Any surplus power is exported to British Columbia’s electricity grid.

Canfor Pulp strives for continuous improvement while implementing our strategic energy management plan across our operations. Taylor Pulp Mill continues to optimize its Super Line Project, which was completed in 2018, to further reduce the site’s energy intensity. Canfor Pulp has also worked hard to engage employees in energy management, empowering employees to reduce consumption in all activities.

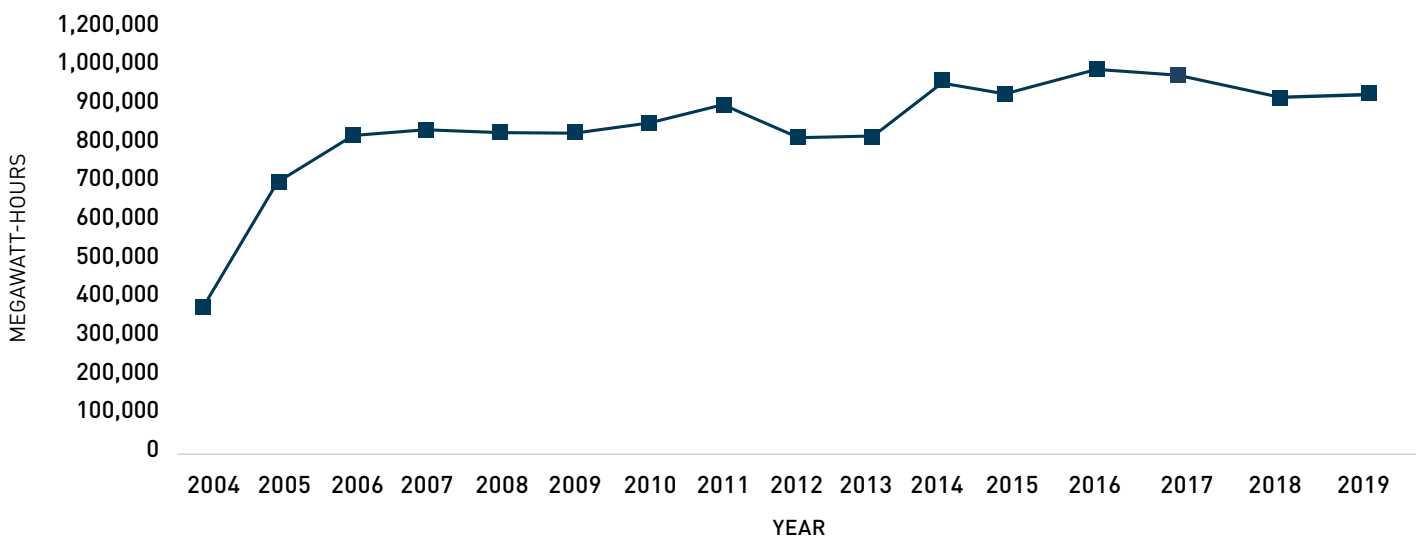


NORTHWOOD SEES ENERGY INCREASE FROM NEW TURBO-GENERATOR

Northwood Pulp Mill’s condensing turbo-generator came online in January 2019 and produced 129,000 megawatts of electricity throughout the year. The \$65 million project involved several efficiency projects to reduce the steam required for the process, allowing it to be rerouted to the turbine. The installation of the condensing turbo-generator allows for steadier delivery of steam to the mill while generating more electricity.

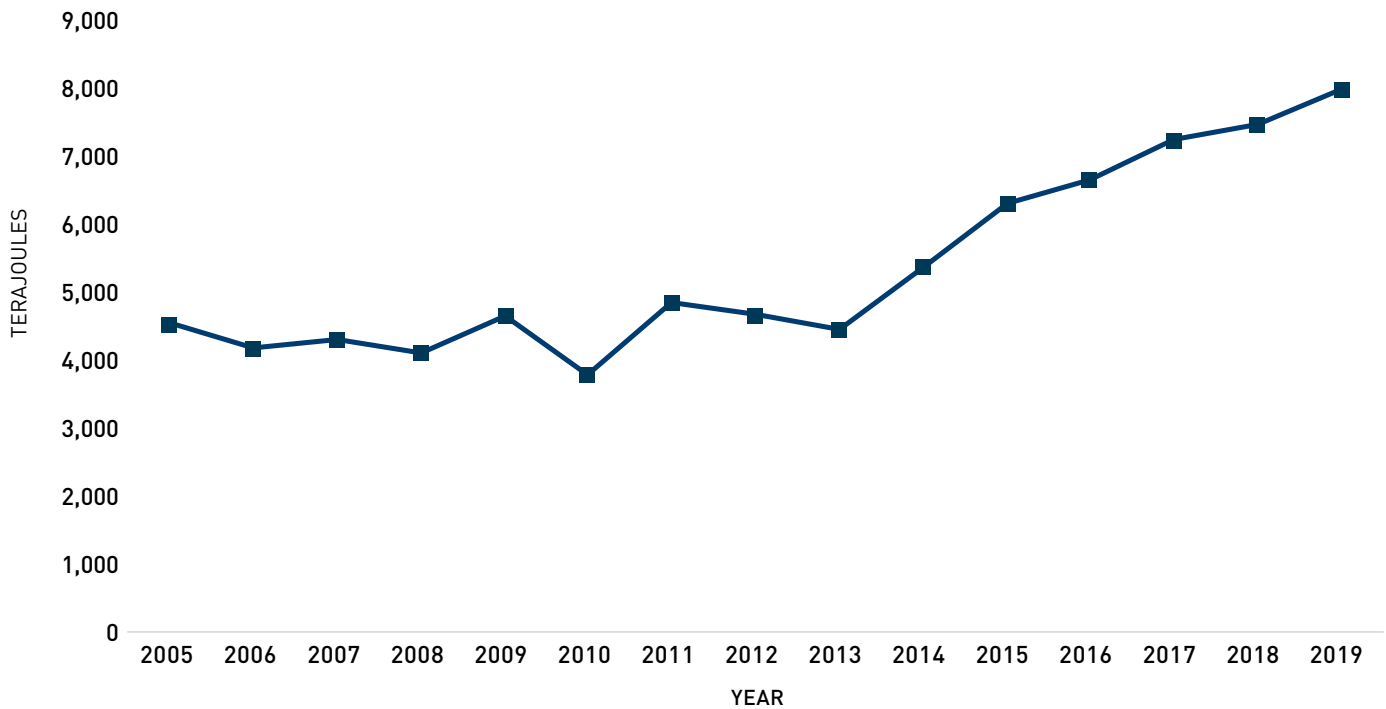
CANFOR PULP BIOMASS ELECTRICITY GENERATION

In 2019, our Prince George pulp mills generated 926,698 megawatt-hours of power. The power generation increased at the Northwood mill due to the completion of the condensing turbo-generator. The increase was offset by production curtailments and the expiry of the Prince George Pulp Mill’s electricity purchase agreement.



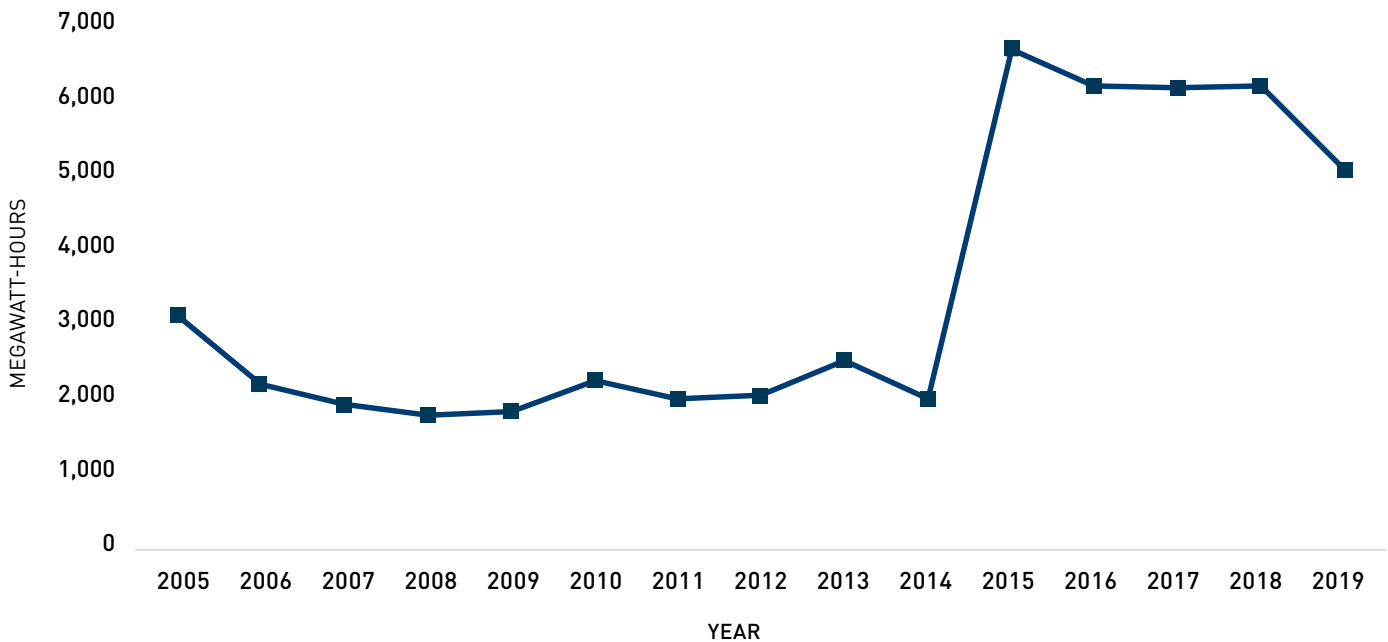
CANFOR PULP NATURAL GAS USAGE

Natural gas usage increased due to higher than normal moisture content in the biomass and an increase in steam load at the pulp mills.



CANFOR PULP ELECTRICITY PURCHASES

In 2019, electricity purchases decreased as a result of production curtailments at all Canfor Pulp operations.



Water and Air Resources

Pulp and paper mills, including Canfor Pulp’s mills in Prince George and Taylor, are heavily dependent on water. British Columbia’s climate has changed over the last 100 years and we expect this will continue with warmer and wetter conditions in the future. Higher local temperatures and rainfall will lead to unbalanced conditions within local watersheds.

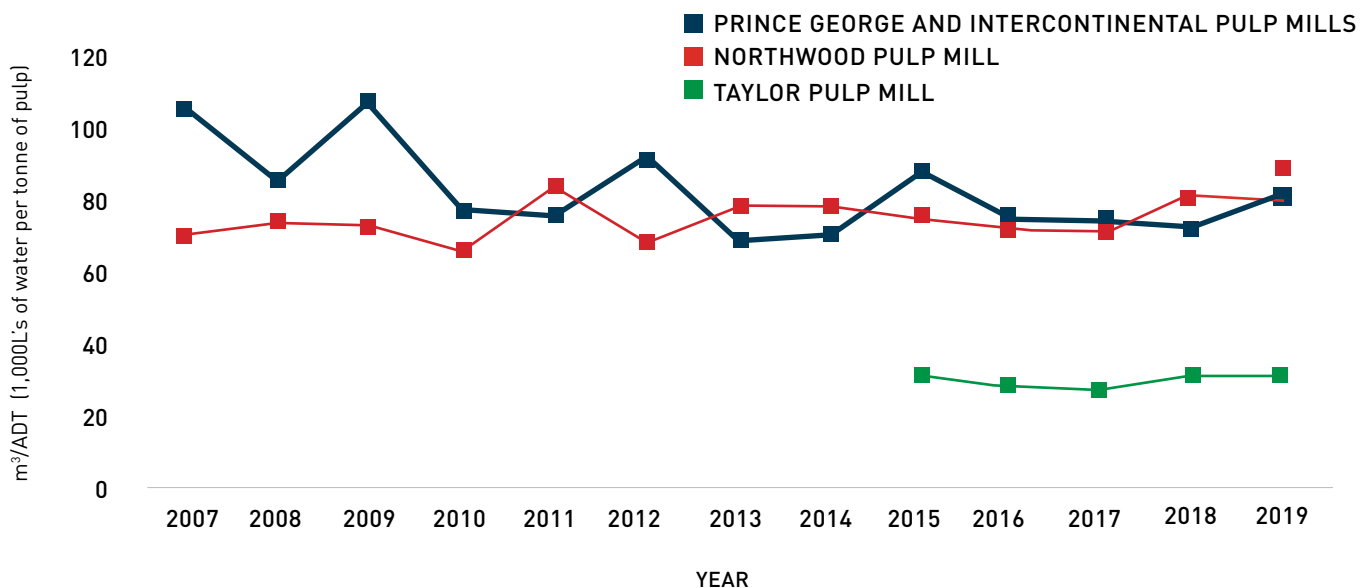
Our kraft pulp mills in Prince George are our most heavily water dependent facilities. In 2019, we used an average of 83 m³ of water for each air dry metric tonne of pulp and paper produced. Efforts made to improve water use efficiency proved successful in 2019. Following water conservation projects implemented at Prince George Pulp Mill, we have realized water savings of up to 16% when comparing peak seasons. Canfor Pulp facilities are among the best in the country for water use per tonne of production and the company has set objectives to continually improve. As is typical in our operations, 98% of the water we process is treated and discharged back to the river, and only 2% is consumed in the process.

Canada is a world leader in requiring industrial facilities to measure the more subtle effects of effluent on the environment and eliminate them if there are negative impacts. For over 20 years, Canada’s environmental effects monitoring studies have ensured that Canadian pulp and paper facilities operate with minimal impacts on water resources by looking for potential effects on fish and organisms that make up the aquatic ecosystem. Our pulp and paper mills operate in full compliance with these strict regulations.

Canfor Pulp has committed \$35 million to a project for the treatment of water drawn from the Nechako River. This water is used in our facilities and is also provided to neighbouring operations. The project is expected to be operational in Q2 2021. In addition to reduced energy and chemical requirements, we also expect up to 5% reduction in water use at our Prince George and Intercontinental Pulp facilities. This improvement not only reduces our reliance on natural resources but is expected to improve the performance of our effluent treatment and fire protection systems.

CANFOR PULP’S MILL WATER USAGE INTENSITY

Canfor Pulp has seen relatively consistent water use over the past decade, with moderate improvements realized due to ongoing investments in our facilities. Because it uses a BCTMP process, Taylor Pulp Mill uses significantly less water than our kraft pulp operations.



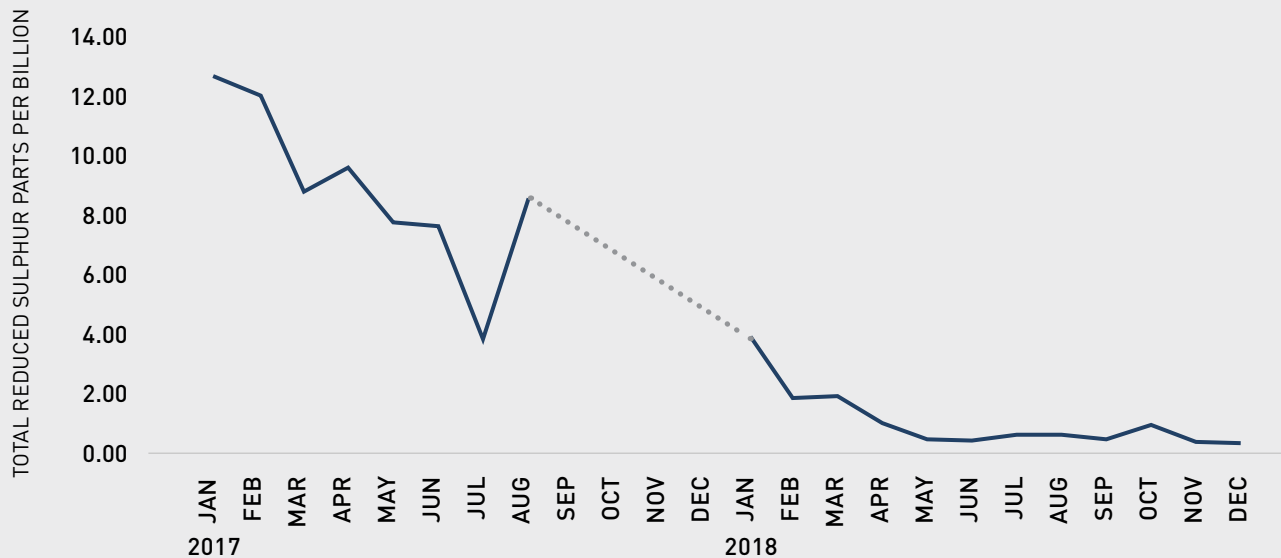


PRINCE GEORGE AIRSHED

The University of Northern British Columbia reported a significant improvement in ambient odor in the Prince George airshed related to industrial sources through 2019. The trend depicted in the graph below shows the average Total Reduced Sulphur (TRS) concentrations on a monthly basis when winds are blowing from the industrial sector into the city centre. This data is a strong indication that process optimization has been successful in reducing emissions from our facilities.

AVERAGE MONTHLY AMBIENT TRS CONCENTRATION AT THE PLAZA 400 MONITORING STATION

Source: Dr. Peter Jackson, University of Northern British Columbia



Note: Data was not collected from August to December 2017, due to a renovation at the monitoring site.

Manufacturing Compliance

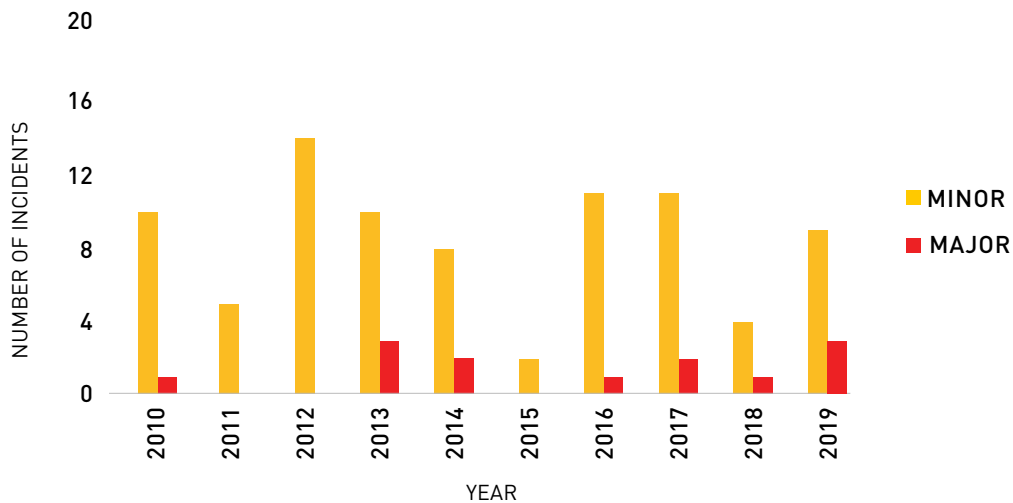
Canfor Pulp’s commitment to transparency includes reporting on our manufacturing process. In 2019, there were nine minor incidents and three major incidents as categorized below.



Manufacturing incidents that are not expected to result in enforcement action.



Manufacturing incidents that have initiated, or could initiate, enforcement action or cause significant damage to the environment or the company (financial or reputation).



Canfor Pulp reported nine minor and three major incidents in 2019. These included stack exceedances and spills to ground.

Canfor Pulp is focusing on air emissions control equipment in 2020 following minor permit exceedances through the past year. In each instance, maintenance or operational changes were successful in bringing the discharge back into compliance within the time frame provided by the regulatory body.

Spills to ground were a result of various failure modes, indicating that systemic issues are not cause for concern. Each spill was cleaned up by the company with the material being reclaimed to the production process or to our site treatment systems. Spills were generally small and of no environmental consequence. No spills to any waterways were observed.

Our People



80. A GLOBAL WORKFORCE

81. TRAINING

85. CAREER DEVELOPMENT

86. INCLUSION AND DIVERSITY

Our People

At Canfor, we value our people and are proud of the contributions they make to our business every day. We strongly believe that investing in our people today will make our company stronger in the future.

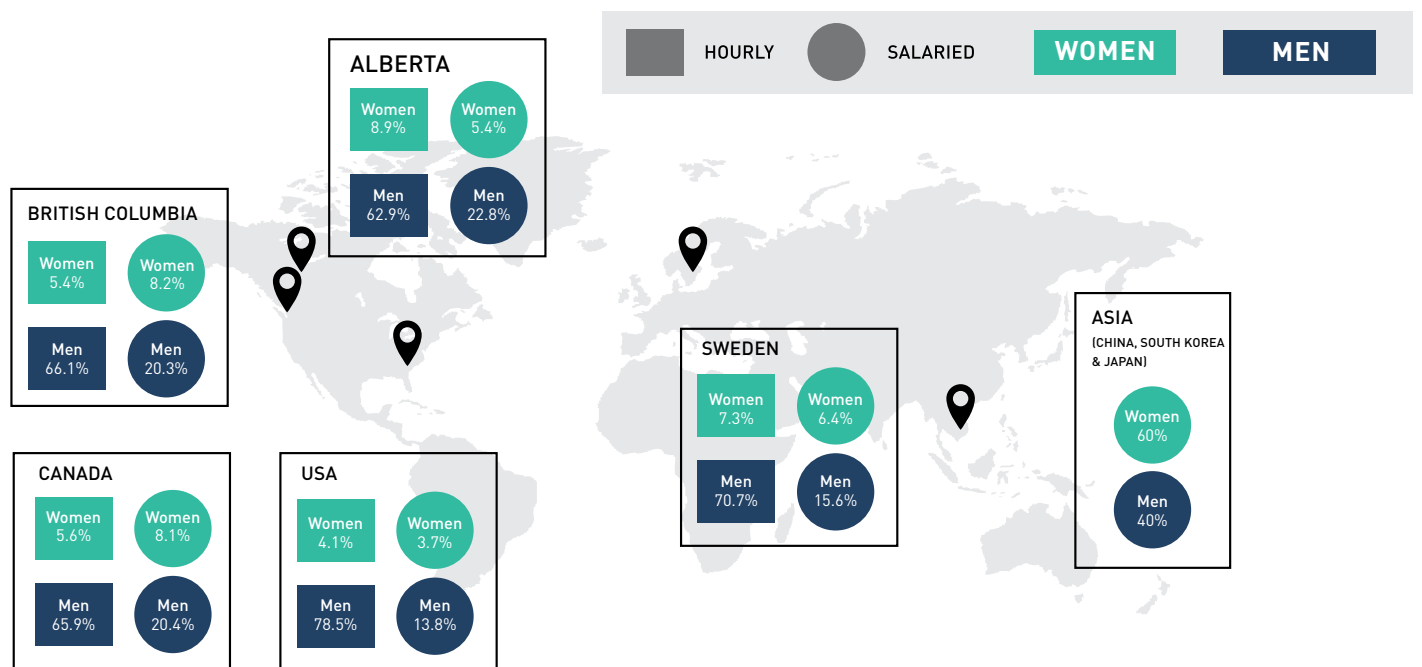


A Global Workforce

Canfor is proud to have a truly global workforce. Our global diversification contributes to our strength as a company. The workforce for Canfor, Canfor Pulp and Vida employees are categorized under two categories: hourly and salary. In 2019, Canfor acquired 70% of Sweden-based Vida, and combined our workforce now employs over 6,800 people worldwide.

A majority of the companies' hourly employees work in mill production positions, which account for 75% of the workforce. Among these employees, 93% are men and 7% are women.

Salaried employees include our production supervisors and many of our corporate office staff in Canada, U.S., Asia and Sweden. These employees represent 25% of the workforce and 73% are men and 27% are women.



FULL-TIME HOURLY

Total Employees = 5,110



PART-TIME HOURLY

Total Employees = 6



TEMPORARY

Total Employees (full- and part-time) = 132



FULL-TIME SALARIED

Total Employees = 1,623



PART-TIME SALARIED

Total Employees = 12



TOTAL

Total Employees = 6,883



The 2019 data includes all temporary employees irrespective of year of service, whereas the 2018 Sustainability Report reported on individuals with continuous service of one or more year(s).



Training

At Canfor, our strength comes from our skilled and dedicated employees, and we work hard to support their ongoing development. As our workforce evolves and competition for talent continues to rise, we see lasting benefits in hiring for ability and training for skills. Our commitment to lifelong learning and deliberate employee development is one of the reasons we are consistently recognized as one of BC's Top Employers, an annual competition that recognizes the best places to work in British Columbia.



CANFOR COLLEGE

Launched in 2015, Canfor College is an internally led virtual and in-person training and development function. It has become a valuable in-house resource with targeted and customized programs that meet our specific operational needs and support employee development. Canfor College delivers high quality programming to meet the needs of our evolving organization through online training, technical and operationally required training, and intensive in-person leadership development. In 2019, approximately 430 employees in Canada and the United States attended at least one of our in-house programs.

LEADERSHIP PROGRAMS

Canfor College offers comprehensive leadership programming for all levels within the organization, including the Personal Leader Program, Industrial Leaders Program, Canfor Leader Program for Supervisors, and Canfor Leader Program for Superintendents/Team Leaders. Two of our marquee programs are the Strategic Leaders Program for senior roles and the Accelerated Leaders Program for high potential employees. The Canfor Business Bootcamp, focused on financial, business, product and overall company acumen, rounds out the offerings.



STRATEGIC LEADERSHIP PROGRAM

In 2019, we ran a six-month Strategic Leadership Program for General Managers, Plant Managers and Directors. This leadership development program consists of pre- and post-course assessments and activities, two multi-day retreats, five professional high quality coaching sessions, and a team capstone project adding immediate value to the business and supporting cross-functional awareness. The program's main focus is to increase the business acumen and leadership capabilities and promote the readiness of program participants to take on increasing responsibility.

CANFOR STRATEGIC LEADER PROGRAM DEVELOPMENT



ACCELERATED LEADERS PROGRAM

The nine-month Accelerated Leaders Program includes leadership training, designated in-house mentors and external professional coaches. Participants solve real-life Canfor business case challenges and present their recommendations to our executive team for implementation approval. It is intended for high-potential mid-level managers. The program includes leadership assessments and activities, three multi-day retreats, eight months of professional coaching, six months of working with a mentor, and a team business case challenge, sponsored by a senior Canfor leader. The program's focus is a development experience designed to enable leaders to hone the critical leadership skills outlined in Canfor's Leadership Strategy and to accelerate their ability to advance within Canfor.



Canfor College's 2019 Accelerated Leaders Program graduates and instructors.

"Overall the Accelerated Leaders Program was a great experience. This program is a wealth of knowledge and it develops employees for future roles and improves their day-to-day work life."

— Waqas Sarfraz, Process Engineer with Canfor Pulp in Prince George



RIPPLE TOURS

Corporate office staff can contribute even more effectively to the organization when they gain first-hand experience of our business and operations. To make this happen, we take a number of new corporate office employees on three-day guided tours of Canfor's sawmills, pulp mills and forestry operations.

Launched in 2016, the Ripple Tour program illustrates to employees the entire supply chain of the forest industry, starting from the forest nursery, where seedlings are grown, to tree planting, timber harvesting, lumber and pulp manufacturing facilities and delivery of finished products to our valued customers. The knowledge gained and the relationships developed between colleagues from these tours offer employees an appreciation for the collaboration and integration of our operations. Most importantly, the tour provides exposure, information and tools that help our team members perform their daily duties at the corporate head office.





APPRENTICESHIPS AND SKILLED TRADES TRAINING

Apprenticeship programs are an important part of our culture and Canfor continues to invest in our employees through trades development in both formal and informal capacities. In 2019, we supported 71 apprenticeship placements within our Canadian operations.



BCIT INDUSTRIAL WOOD PROCESSING PROGRAM

Canfor continues to work in partnership with Interfor, Tolko, West Fraser and BCIT (the British Columbia Institute of Technology) to shape the curriculum and guide the development of BCIT's Industrial Wood Processing program. Canfor is part of a Sector Advisory Group, a working committee that includes representatives from the aforementioned founding companies. The program engages subject matter experts to develop curriculum with the goal of improving employees' overall skills and knowledge of sawmill manufacturing and the industry. Canfor employees apply internally for the program and a group is selected at each intake to participate and earn an Associate Certificate in Industrial Wood Processing.



Photo taken by Jonathan Waller

Career Development



CAREER DEVELOPMENT PLANNING

Our main goal is to have the right people in the right place at the right time. Canfor functions best as a company, and our people function best in their roles, when this is true. We are always taking steps to better understand our talent and consider how best to invest to meet new challenges. Each year, we ask our salaried employees to complete career development plans highlighting their career goals, long-term aspirations, areas for improvement and alignment with Canfor’s leadership capabilities.

OUR LEADERSHIP CAPABILITIES

Our leadership capabilities illustrate the skills and behaviours that are critical to success at each level of leadership.

LEADING SELF

- Focus on the customer
- Foster diversity and inclusion
- Know the business
- Communicate effectively
- Demonstrate accountability and humility

LEADING OTHERS

- Foster continuous learning
- Develop talent
- Demonstrate courage
- Build trust and empower team
- Demonstrate emotional intelligence

LEADING THE BUSINESS AND TRANSFORMATION

- Set an inspiring vision
- Collaborate across the business
- Demonstrate a global mindset
- Think strategically
- Lead innovation

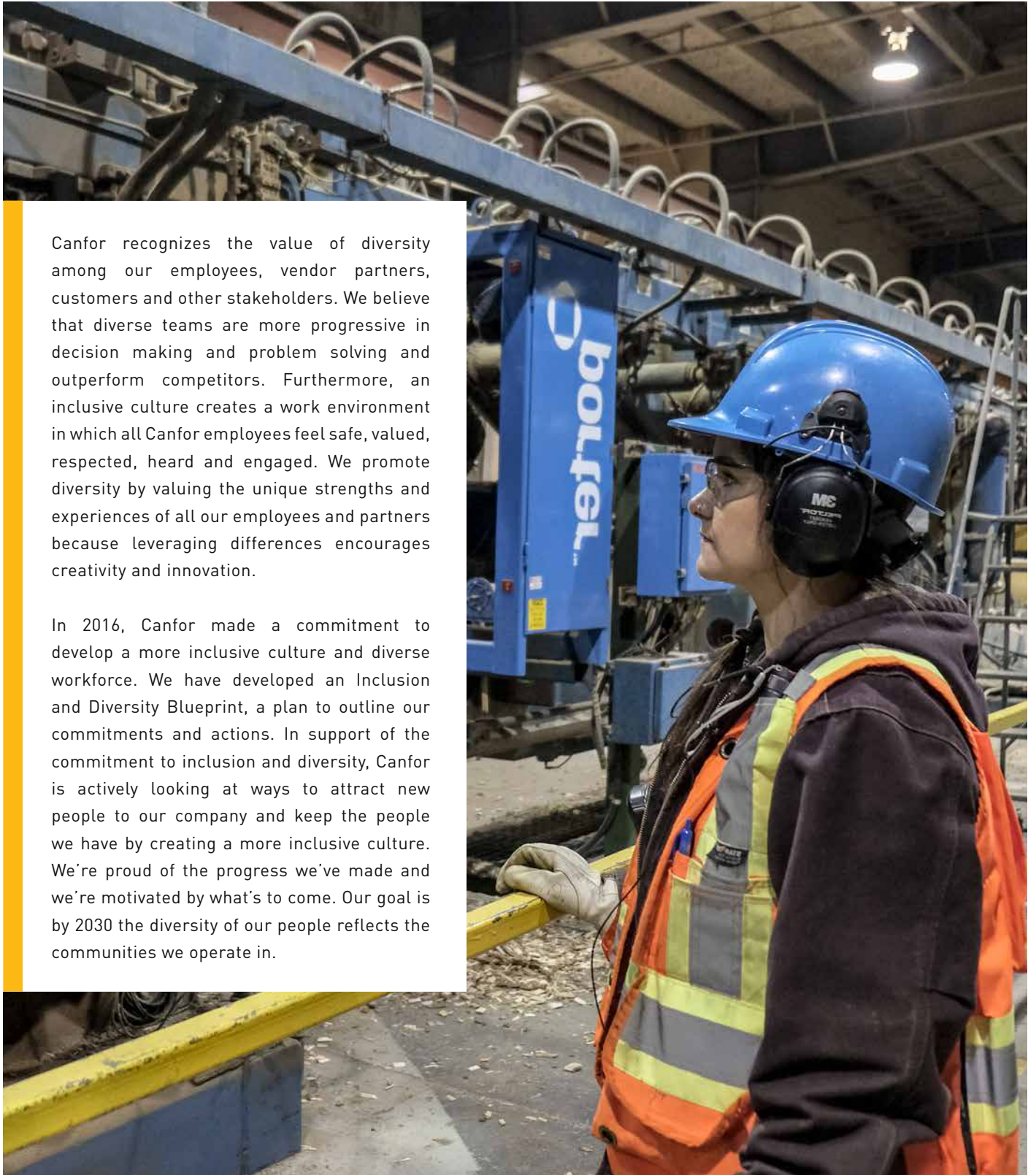
TALENT MANAGEMENT

Building on the many talent management initiatives from 2018, Canfor delivered multiple Talking Talent workshops to train employees on talent management principles. We also implemented a consistent career development planning process across the company and assessed nearly 90% of our salaried employees based on role performance and career potential. This data provides us with a better understanding of the talent we have and helps identify needs for succession planning and employee development.

Inclusion and Diversity

Canfor recognizes the value of diversity among our employees, vendor partners, customers and other stakeholders. We believe that diverse teams are more progressive in decision making and problem solving and outperform competitors. Furthermore, an inclusive culture creates a work environment in which all Canfor employees feel safe, valued, respected, heard and engaged. We promote diversity by valuing the unique strengths and experiences of all our employees and partners because leveraging differences encourages creativity and innovation.

In 2016, Canfor made a commitment to develop a more inclusive culture and diverse workforce. We have developed an Inclusion and Diversity Blueprint, a plan to outline our commitments and actions. In support of the commitment to inclusion and diversity, Canfor is actively looking at ways to attract new people to our company and keep the people we have by creating a more inclusive culture. We're proud of the progress we've made and we're motivated by what's to come. Our goal is by 2030 the diversity of our people reflects the communities we operate in.



OUR APPROACH

We have identified workforce diversification as a strategic imperative. Our approach recognizes that our business requires an individual and inclusive approach to changing the way we do things. Our approach brings together the strategies, action plans and committees across the company that are driving change in diversifying our workforce today.



OUR APPROACH IS:

INCLUSIVE

We are committed to improving opportunities for all employees, including a strong focus on under-represented groups at Canfor. We expect our employees to demonstrate respect at all times and act in accordance with our policies aimed to ensure equitable and inclusive access to opportunities as well as a workplace free from discrimination. Discrimination has no place at Canfor. Each employee at Canfor should feel safe and valued as a productive member of their team.

ACCOUNTABLE

We will hold ourselves accountable by tracking results using data, surveys and benchmarks that show us how we are doing and where we need to improve.

COMPREHENSIVE

A diverse workforce is not an initiative owned by one department. We need to achieve systemic change and that takes everyone. Inclusive leadership must infuse our culture and behaviour, influence how we talk about ourselves and think about our teams, and inform how we hire.

ACTIVITIES AND ACTIONS IN 2019



BIAS TRAINING

In 2019, we began delivering a lively three-hour program focused on inclusion and diversity in the workplace, and the role that each employee has in identifying their unconscious biases. This program also promotes supporting inclusion by becoming an ally or active bystander, which is someone who speaks up or takes action when they witness something discriminatory.



DIVERSITY COUNCIL

One of the ways that Canfor is delivering on our commitment is employee involvement through the expansion of the Diversity Council in 2019. The council sustains and advances Canfor's commitment to an inclusive culture and diverse workforce. Sponsored by our CEO, the council prioritizes actions within the organization's inclusion and diversity strategy, advises and informs company policies, and looks for ways to embed and advance inclusion and diversity, making it relevant for all areas of the organization.



MentorMe FOR WOMEN

In 2019, we continued building our bench strength through a women's mentorship program that promotes a development culture, increases knowledge sharing, drives performance and expands networks. Mentors and mentees are partnered in a formal six-month mentorship, which may continue informally if both partners agree. The pilot program was a huge success: over 50 women participated in 2019 and in response to the feedback, we are updating the program in 2020 to invite all genders to participate as either a potential mentor or mentee. In the MentorMe for Women program, at least one of the pair will be a woman—either the mentor or mentee.



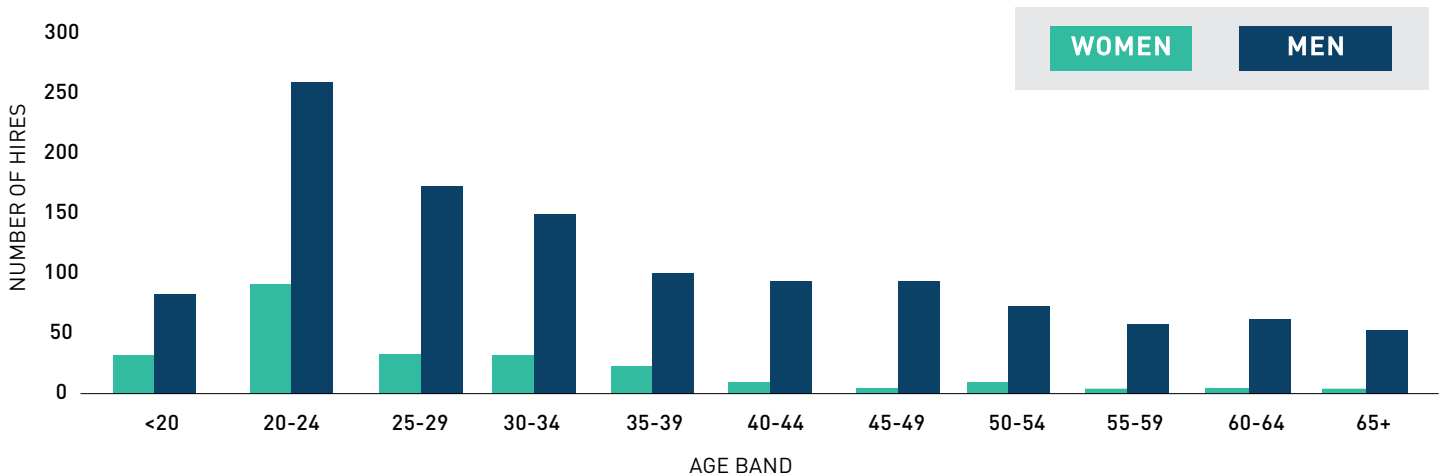
TRAINING AND SUPPORT

Canfor is committed to providing training and support for our people managers at all levels. Ensuring our people who lead hiring are informed and educated on Canfor’s commitment to an inclusive and diverse workforce is key. In 2019, we provided training for hiring managers at 10 of our locations, with plans to continue this training in 2020, including offering online training opportunities. This training leads participants through a range of modules that include how to handle unconscious bias when selecting candidates.

The chart below shows our new hires by age and gender. We are actively working to increase the number of women and enhance diversity in all roles across Canfor.

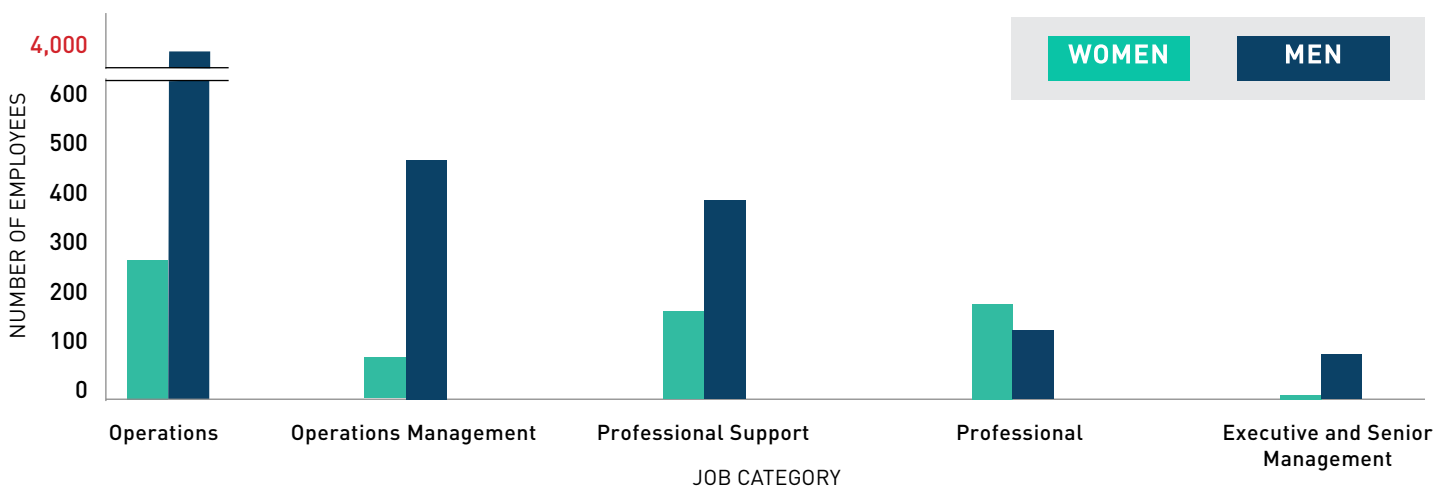
2019 NEW HIRES BY AGE BAND AND GENDER

This chart excludes temporary, seasonal and casual employees.



2019 WORKFORCE BY GENDER AND JOB CATEGORY

This chart excludes temporary, seasonal and casual employees.



DIVERSITY PERFORMANCE



In addition to our commitment to advancing our company with respect to inclusion and diversity, we are committed to evaluating the impact and effectiveness of our inclusion and diversity programs and sharing our diversity metrics in our sustainability reports. In 2020, we plan to increase the tracked metrics that guide our inclusion and diversity efforts. The updated metrics will be recommended and monitored by the Diversity Council to support prioritization of inclusion and diversity programs, enhancements and actions.

25%

Women in leadership development programs

16%

Women in management and senior management roles

25%

Women on executive-level succession plans

52

Women participating in mentorship programs

21%

Women in forestry-related roles in Canada and the U.S.

256

Women hired in 2019

The 2019 data includes all temporary employees irrespective of year of service, excluding Vida, whereas the 2018 Sustainability Report reported on individuals with continuous service of one or more year(s).

ANNUAL OBJECTIVES AND THEMES

Each year, Canfor develops a plan to guide our activities in the areas of inclusion and diversity. Here's a summary of our recent actions and initiatives.



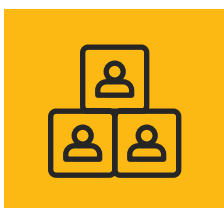
2020: AWARENESS TO ACTION

- Refresh our leadership commitment and values and recommend updated goals and targets.
- Share and communicate our commitment to workforce diversity actions in the Inclusion and Diversity Blueprint.
- Continue to build awareness, provide inclusion and diversity training, and communicate our plans. Aim to train at least 75% of all salaried employees.
- Indigenous Engagement Working Group (IEWG): Delivery of cultural understanding training. Implement Phase 2 (identify and develop champions) and Phase 3 (develop regional action plans) of the Indigenous Engagement Strategy (IES).
- Ensure data integrity, utilize insights, and report regularly on progress.
- Identify and tackle systemic barriers as prioritized by the Diversity Council.



2019: COMMUNICATE AND TRAIN

- The Diversity Council was created to sustain and advance Canfor's commitment to an inclusive culture and diverse workforce.
- Rolled out Phase 1 of the IES in Canada through our active IEWG and developed cultural awareness training content.
- Continued to advance our Indigenous engagement strategy in Canada through our active IEWG.
- Continued to make progress on the actions recommended by the Diversity Council in the Inclusion and Diversity Blueprint.
- Provided a variety of Inclusion and Diversity micro-training, tools and instructor-led or online training through Canfor College.



2018: EDUCATE AND ASSESS

- We created our Inclusion and Diversity Blueprint, a plan to outline our commitments and actions.
- Canfor College integrated inclusion and diversity training into all leadership and skills training programs.



2017: BUILD AWARENESS

- Senior leaders at Canfor began to discuss the importance of workforce diversity.
- We began looking at what we would need to change in our processes and culture to deliver on our commitment.



2016: EXECUTIVE COMMITMENT

- Our executive team made a formal commitment that Canfor would actively prioritize the diversity of our workforce. We began to discuss, share and understand what this looked like for Canfor.

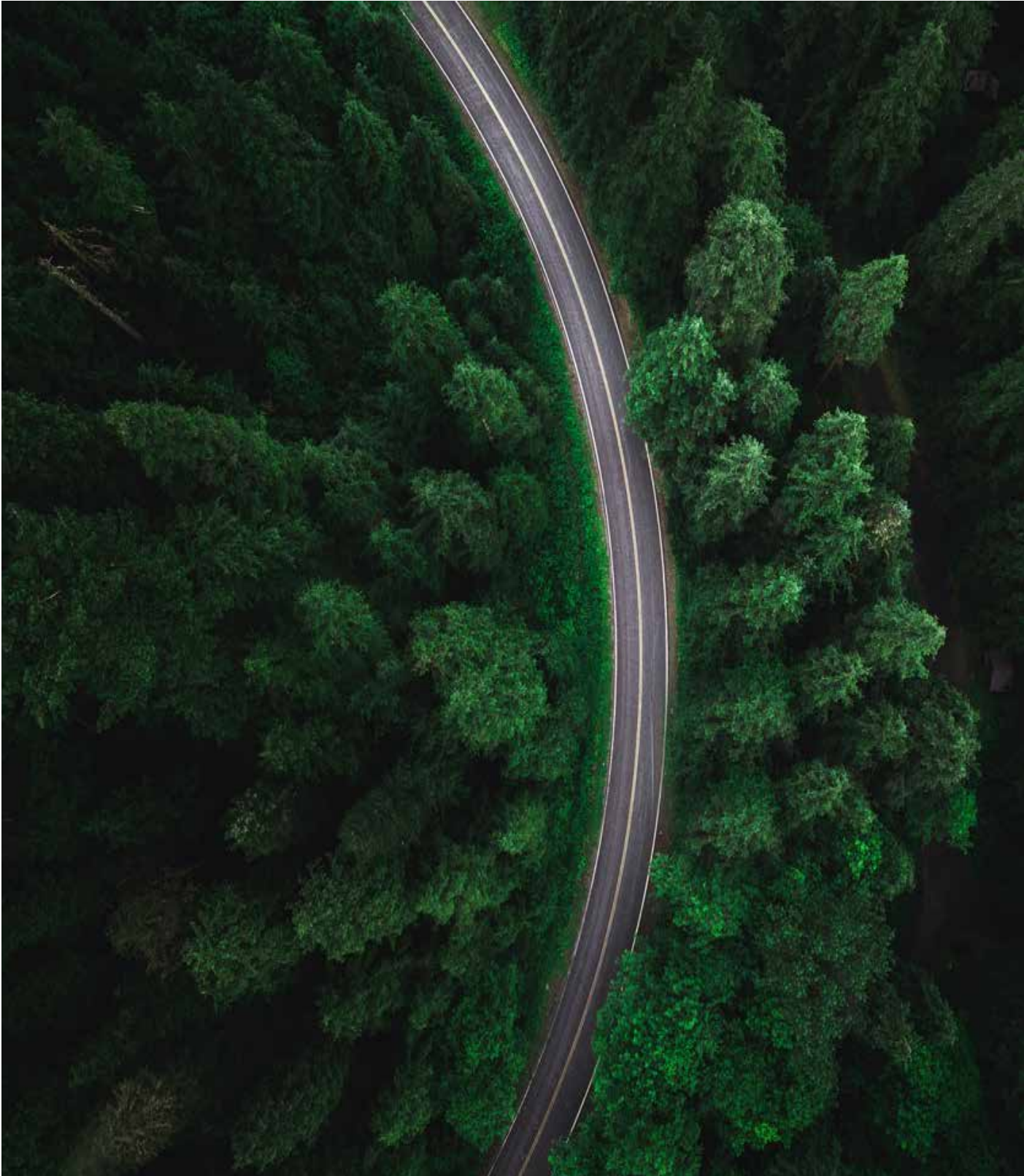


2015: FOSTER RELATIONSHIPS

- The IEWG was established, advancing Canfor as the forest sector partner of choice for Indigenous Peoples within whose traditional territories we operate. Canfor signed the Minerva Foundation's CEO pledge, agreeing to create opportunities to support women's advancement and leadership.



Looking Ahead



Canfor and Canfor Pulp's 2020 Objectives and Targets

We continue to review and improve our sustainability goals and areas of focus while maximizing our resource utilization. In this report, we updated our longer-term goals for Canfor Corporation and Canfor Pulp to align with the corporate strategy and to maintain our position as a world leader in our industry.

STEWARDS OF THE FOREST & ENVIRONMENT

PROGRESS AREA	OBJECTIVE	TARGET	STATUS & NEXT STEPS
Environmental impact	Reduce our impact per delivered volume by 10% on a three-year rolling average.	Target for less than five incidents or 0.41 per million metres of total delivered volume, for both trespasses and fuel.	<p>On track</p> <p>In 2020, implement actions to continue to improve results.</p> <p>We will continue to work towards an overall reduction in herbicide use and maintain a target of less than three incidents where herbicide is applied outside of a treatment area per cubic metre of delivered volume.</p>
Forest certification	Continue to be 100% certified.	Percentage of Canfor timberlands that are certified by an independent third party.	<p>On track</p> <p>Currently 100% of Canfor-owned tenure is certified.</p>

PROGRESS AREA	OBJECTIVE	TARGET	STATUS & NEXT STEPS
Sawmill energy consumption and carbon emissions	<p>Decrease all energy consumption per unit of production (thousand board-feet) by 5% by 2025.</p> <p>Reduce carbon emissions.</p>	<p>By 2021 all BC sawmills to have an energy model to track electrical energy consumption and quantify the energy savings of projects to improve efficiency.</p> <p>Use natural gas as an incremental heat source, rather than as a primary heat source, to ensure the lowest possible carbon emissions while maintaining product quality in our kilns.</p> <p>Conduct natural gas energy audits at the few sites with increasing incremental gas usage due to transitioning to processing greener timber with high moisture content.</p>	<p>On track</p> <p>Continue to conduct annual site energy audits to find opportunities to reduce energy consumption and sustain behavioural changes.</p>
Pulp mills research and development	<p>Lead the development of innovative low-carbon products and technologies to reduce greenhouse gas emissions.</p>	<p>Establish a commercial-scale demonstration facility at a pulp mill to produce low-carbon intensity biocrude by 2025.</p>	<p>On track</p>
Fibre utilization	<p>Improve fibre utilization by 20% by 2025.</p>	<p>Woodlands team to target a 20% reduction in avoidable waste in the Prince George operating area.</p> <p>Sawmills to target a 6% improvement in the chip recovery factor.</p> <p>Pulp mills to target a 2% improvement in chip yield.</p>	<p>On track</p> <p>Woodlands division is developing a refined utilization assessment process and implementation of a pulp log outlet across Canfor operations.</p>

SAFETY

PROGRESS AREA	OBJECTIVE	TARGET	STATUS & NEXT STEPS
Medical incidents	<p>Continue to lower the medical incident rate (MIR) across all operations.</p>	<p>Be injury free.</p>	<p>In progress</p> <p>Continue to focus on employee reminders through crew talks and safety awareness campaigns to keep their minds on the task at hand, while ensuring COVID-19 protocols are being followed.</p>

COMMUNITY & PEOPLE

PROGRESS AREA	OBJECTIVE	TARGET	STATUS & NEXT STEPS
Workforce diversity	Our goal is to create a more inclusive and balanced workforce, with an ultimate goal that by 2030 our workforce diversity is reflective of the communities we operate in.	Monitor progress by tracking and reporting on key diversity statistics using our newly established people diversity dashboard. We will regularly review and revise our strategies toward continual improvement.	On track
Corporate giving	Focus on funding opportunities that support sustainability, community and legacy.	Align our corporate giving with our business vision.	<p>In progress</p> <p>Canfor is proud to give back to the communities where we have operations but due to COVID-19 and to a very challenging time across the forestry industry in the first half of 2020, we temporarily halted community applications. However, we continue to fulfill our annual corporate community commitments and are reviewing ongoing partnerships. Our focus is on the health and safety of our employees and operations of our mills during the pandemic. We look forward to restarting our community programming later in the year.</p>

GRI CONTENT INDEX

SR Sustainability Report

MD&A Management's Discussion and Analysis

AIF Annual Information Form

● **Reported**

The Global Reporting Initiative (GRI) guidelines for sustainability reporting help us communicate our performance, which shows our commitment to sustainability.

GENERAL DISCLOSURES

ORGANIZATIONAL PROFILE		REPORTED	LOCATION 2019
GRI 102-1	Name of the organization	●	Canfor Corporation (Canfor) Canfor Pulp Products Inc. (Canfor Pulp)
GRI 102-2	Activities, brands, products and services	●	SR: Global Operations Page 9, Expanding Our Global Reach of Higher-end Products Pages 10 - 12 Canfor 2019 Annual Report : Company Overview (Page 6) Canfor Pulp 2019 Annual Report : Company Overview (Page 4)
GRI 102-3	Location of headquarters	●	Vancouver, British Columbia, Canada
GRI 102-4	Location of operations	●	SR: Global Operations Page 9 Canfor 2019 Management's Discussion and Analysis (MD&A) (Page 3) Canfor 2019 Annual Report : Business Segments (Page 20) Canfor Pulp 2019 Management's Discussion and Analysis (MD&A) (Page 3) Canfor Pulp 2019 Annual Report : Business Segment (Page 10)
GRI 102-5	Ownership and legal form	●	Canfor Annual Information Form (AIF) : Incorporation (Page 3) Canfor Pulp Annual Information Form (AIF) : Incorporation (Page 3)
GRI 102-6	Markets served	●	SR: Global Operations Page 9, Expanding Our Global Reach of Higher-end Products Pages 10 - 12 Canfor AIF : Business of Canfor (Page 4) Canfor Pulp AIF : Business of CPPI (Page 4) Canfor 2019 Annual Report : Business Strategy (Page 8) Canfor Pulp 2019 Annual Report : Business Strategy (Page 5) Canfor AIF : Lumber Markets and Distribution (Page 14) Canfor Pulp AIF : CPPI Markets and Distribution (Page 8)

ORGANIZATIONAL PROFILE		REPORTED	LOCATION
GRI 102-7	Scale of the organization	●	SR: Global Operations Page 9 Canfor 2019 Annual Report : Company Overview (Page 6) Canfor 2019 Annual Report : Operating Results by Business Segment (Page 20) Canfor Pulp 2019 Annual Report : Company Overview (Page 4) Canfor Pulp 2019 Annual Report : Operating Results by Business Segment (Page 10)
GRI 102-9	Supply chain	●	SR: Awards & Honours Page 31, Sustainable Sources Page 34, Sustainable Forestry Initiative Certification Page 41, Product Certification Page 45 Canfor AIF : Wood Supply (Page 9) Canfor Pulp AIF : Fibre Supply (Page 6)
GRI 102-10	Significant changes to the organization and its supply chain	●	SR: Global Operations Page 9, Expanding Our Global Reach of Higher-end Products Pages 10 - 12 Canfor AIF : Significant Events (Page 5) Canfor Pulp AIF : Significant Events (Page 4)
GRI 102-11	Precautionary principle or approach	●	SR: Welcome to our 2019 Sustainability Report Page 4, A Message from the CEO Page 5, Sustainable Forest Management Pages 32 - 61, Environmental Performance Pages 63 - 77 Canfor AIF : Environment (Page 17) Canfor Pulp AIF : Environment (Page 9)
GRI 102-12	External initiatives	●	Alberta Forest Products Association, BC Lumber Trade Council, Council of Forest Industries (BC), Federal Forest Resource Coalition (US), Forest Products Association of Canada, Forest Resources Association, National Council for Air & Stream Improvement, Softwood Lumber Board, Southeastern Lumber Manufacturers and Southern Forest Products Association, American Wood Council (AWC), Partners for Environmental Protection (PEP), Sustainable Forestry Initiative Inc., Forest Stewardship Council, Programme for the Endorsement of Forest Certification, Forest Wetland Management Stewardship Initiative

STRATEGY		REPORTED	LOCATION
GRI 102-14	Statement from senior decision-maker	●	SR: A Message from the CEO Page 5 Canfor 2019 Annual Report : Message to Shareholders (Page 2) Canfor Pulp 2019 Annual Report : Message to Shareholders (Page 2)
GRI 102-15	Key impacts, risks and opportunities	●	Canfor 2019 Annual Report : 2019 Highlights (Page 4); Risks and Uncertainties (Page 46) Canfor Pulp 2019 Annual Report : Overview of 2019 (Page 5); Risks and Uncertainties (Page 24)

ETHICS AND INTEGRITY		REPORTED	LOCATION
GRI 102-16	Values, principles, standards and norms of behaviour	●	Canfor Governance Manual : Code of Conduct (Page 31) Canfor Pulp Governance Manual : Code of Conduct (Page 31) Canfor Board Mandate : Ethics and Integrity (Page 2) Canfor Pulp Board Mandate : Ethics and Integrity (Page 1) Canfor Website: Whistleblowing Policy

GOVERNANCE		REPORTED	LOCATION
GRI 102-18	Governance structure	●	Canfor AIF : Directors and Officers (Page 20) Canfor Pulp AIF : Directors and Officers (Page 11) Canfor Board Mandate : Governance (Page 2); Delegations and Approval Authorities (Page 4) Canfor Pulp Board Mandate : Governance (Page 2); Delegations and Approval Authorities (Page 4)
GRI 102-19	Delegating authority	●	Canfor Board Mandate : Delegations and Approval Authorities (Page 4) Canfor Pulp Board Mandate : Delegations and Approval Authorities (Page 4)
GRI 102-22	Composition of the highest governance body and its committees	●	Canfor AIF : Directors and Officers (Page 20) Canfor Pulp AIF : Directors and Officers (Page 11)

GOVERNANCE		REPORTED	LOCATION
GRI 102-23	Chair of the highest governance body	●	<p>Conrad Pinette is Chair of the Canfor and Canfor Pulp boards</p> <p>Canfor 2019 Annual Report: Directors and Officers (Page 101)</p> <p>Canfor AIF: Directors and Officers (Page 20)</p> <p>Canfor Pulp 2019 Annual Report: Directors and Officers (Page 61)</p> <p>Canfor Pulp AIF: Directors and Officers (Page 11)</p>
GRI 102-24	Nominating and selecting the highest governance body	●	<p>Canfor Governance Manual: Joint Corporate Governance Committee (Page 20)</p> <p>Canfor Pulp Governance Manual: Joint Corporate Governance Committee (Page 20)</p>
GRI 102-25	Conflicts of interest	●	<p>Canfor Board Mandate: Ethics and Integrity (Page 2)</p> <p>Canfor Pulp Board Mandate: Ethics and Integrity (Page 1)</p>
GRI 102-26	Role of highest governing body in setting purpose, values and strategy	●	<p>Canfor Board Mandate: Leadership (Page 1); Strategy (Page 5)</p> <p>Canfor Pulp Board Mandate: Leadership (Page 1);</p>
GRI 102-27	Collective knowledge of highest governance body	●	<p>Canfor Board Mandate: Orientation/Education (Page 5)</p> <p>Canfor Pulp Board Mandate: Orientation/Education (Page 5)</p>
GRI 102-28	Role of highest governance body in setting purpose, values and strategy	●	<p>Canfor Board Mandate: Board Performance (Page 6)</p> <p>Canfor Pulp Board Mandate: Board Performance (Page 5)</p>
GRI 102-30	Effectiveness of risk management process	●	<p>Canfor Board Mandate: Risk Management (Page 5)</p> <p>Canfor Pulp Board Mandate: Risk Management (Page 5)</p>
GRI 102-33	Communicating critical concerns to highest governance body	●	<p>Canfor Board Mandate: Communications, Disclosure and Compliance (Page 3)</p> <p>Canfor Pulp Board Mandate: Communications, Disclosure and Compliance (Page 3)</p>

STAKEHOLDER ENGAGEMENT		REPORTED	LOCATION
GRI 102-40	List of stakeholder groups	●	SR: Stakeholder Engagement Pages 23 - 27
GRI 102-41	Collective bargaining agreements	●	79% of employees in our Canadian lumber operations are covered by collective agreements with the United Steelworkers (USW); Pulp, Paper and Woodworkers of Canada (PPWC); and UNIFOR. 74% of Canfor Pulp employees are covered by agreements with UNIFOR and PPWC.
GRI 102-42	Identifying and selecting stakeholders	●	SR: Stakeholder Engagement Pages 23 - 27
GRI 102-43	Approach to stakeholder engagement	●	SR: Stakeholder Engagement Pages 23 - 27, Community Engagement Page 28 - 29
GRI 102-44	Key topics and concerns	●	SR: Stakeholder Engagement Pages 23 - 27, Community Engagement Page 28 - 29

REPORTING PRACTICE		REPORTED	LOCATION
GRI 102-45	Entities included in the consolidated financial statements	●	Canfor 2019 Annual Report : Overview of Consolidated Results - 2019 Compared to 2018 (Page 17) Canfor Pulp 2019 Annual Report : Overview of Consolidated Results - 2019 Compared to 2018 (Page 9)
GRI 102-46	Defining report content and topic boundaries	●	SR: Welcome to our 2019 Sustainability Report Page 4
GRI 102-47	List of material topics	●	SR: Welcome to our 2019 Sustainability Report Page 4, Stakeholder Engagement Pages 23 - 27, Community Engagement Page 28 - 29
GRI 102-48	Restatements of information	●	SR: Global Operations Page 9, Expanding Our Global Reach of Higher-end Products Pages 10 - 12
GRI 102-49	Changes in reporting	●	The companies' reporting changes are noted in accordance to 102-46 and 102-47.
GRI 102-50	Reporting period	●	Jan 1, 2019 to Dec 31, 2019
GRI 102-51	Date of most recent report	●	The date of the most recent previous report is July 2019.
GRI 102-52	Reporting cycle	●	Annual
GRI 102-53	Contact point for questions regarding the report	●	info@canfor.com
GRI 102-55	GRI content index	●	GRI Content Index (this list)
GRI 102-56	External assurance	●	External assurance has not been sought for this report

MANAGEMENT APPROACH		REPORTED	LOCATION
GRI 103-1	Explanation of the material topic and its boundary	●	SR: Committed to Safety Pages 16 - 19, Investing in Our Operations Pages 20 - 22, Stakeholder Engagement Pages 23 - 27, Forestry Environmental Compliance Page 61, Sawmills - Manufacturing Compliance Pages 68 - 70, Pulp Mills - Manufacturing Compliance Pages 77 SR: Material topics and Boundaries listed throughout the report
GRI 103-2	The management approach and its components	●	In this report we address how the companies manage the topics, our management approach and include descriptions, where applicable.
GRI 103-3	Evaluation of management approach	●	In this report we mention the monitoring, metrics and/or effectiveness of the management approach on topics, where applicable.

ECONOMIC

ECONOMIC PERFORMANCE		REPORTED	LOCATION
GRI 201-1	Direct economic value generated and distributed	●	Canfor 2019 Annual Report : Operating Results by Business Segment - 2019 Compared to 2018 (Page 20) Canfor Pulp 2019 Annual Report : Operating Results by Business Segment - 2019 Compared to 2018 (Page 10)
GRI 201-2	Financial implications and other risks and opportunities due to climate change	●	Canfor 2019 Annual Report : Risks and Uncertainties - Climate Change (Page 46) Canfor Pulp 2019 Annual Report : Risks and Uncertainties - Climate Change (Page 24)
GRI 201-3	Defined benefit plan obligations and other retirement plans	●	Canfor 2019 Annual Report: Employee Future Benefits (Page 44) Canfor Pulp 2019 Annual Report: Employee Future Benefits (Page 23)
GRI 201-4	Financial assistance received from government	●	In 2019, Canfor's biofuel development research project received \$500,000 from BC Innovative Clean Energy Program.

MARKET PRESENCE		REPORTED	LOCATION
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	●	Canfor and Canfor Pulp both offer competitive pay
GRI 202-2	Proportion of senior management hired from the local community	●	Canfor AIF : Directors and Officers (Page 20) Canfor Pulp AIF : Directors and Officers (Page 11)

INDIRECT ECONOMIC IMPACTS		REPORTED	LOCATION
GRI 203-1	Infrastructure investments and services supported	●	SR: Investing in Our Operations Pages 20 - 22 Canfor MD&A: Overview of 2019: Solid Wood Operations (Page 15) Canfor Pulp MD&A: Overview of 2019: Capital and Operations Review (Page 8)
GRI 203-2	Significant indirect economic impacts	●	SR: Community Engagement Pages 28 - 29

PROCUREMENT PRACTICES		REPORTED	LOCATION
GRI 204-1	Proportion of spending on local suppliers	●	Canfor supports local suppliers within our operating communities.

ANTI-CORRUPTION		REPORTED	LOCATION
GRI 205-1	Operations assessed for risks related to corruption	●	Canfor Governance Manual: Code of Conduct - Improper Payments and Corrupt Practices (Page 39) Canfor Pulp Governance Manual: Code of Conduct - Improper Payments and Corrupt Practices (Page 39)

ENVIRONMENTAL

MATERIALS		REPORTED	LOCATION
GRI 301-1	Materials used by weight or volume	●	Canfor AIF: Wood Supply (Page 9) Canfor Pulp AIF: Fibre Supply (Page 6)
GRI 301-2	Recycled input materials used	●	None. Canfor is a primary forest products manufacturer. Canfor Pulp manufactures products from residuals generated in the manufacturing process. These are not post-consumer recycled inputs.

ENERGY		REPORTED	LOCATION
GRI 302-1	Energy consumption within the organization	●	SR: Sawmills - Energy Management Pages 65 - 67, Pulp Mills - Energy Management Pages 73 - 74
GRI 302-2	Energy consumption outside the organization	●	SR: Sawmills - Energy Management Pages 65 - 67, Pulp Mills - Energy Management Pages 73 - 74
GRI 302-4	Reduction of energy consumption	●	SR: Sawmills - Energy Management Pages 65 - 67, Pulp Mills - Energy Management Pages 73 - 74

WATER		REPORTED	LOCATION
GRI 303-3	Water withdrawal	●	SR: Pulp Mills - Water and Air Resources Pages 75 - 76

BIODIVERSITY		REPORTED	LOCATION
GRI 304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside of protected areas	●	SR: Conserving Biodiversity and Protecting Habitat Pages 49 - 51
GRI 304-2	Significant impacts of activities, products and services on biodiversity	●	SR: Conserving Biodiversity and Protecting Habitat Pages 49 - 51
GRI 304-3	Habitats protected or restored	●	SR: Conserving Biodiversity and Protecting Habitat Pages 49 - 51
GRI 304-4	IUCN Red List of Threatened Species and national conservation list species with habitats in areas affected by operations	●	SR: Conserving Biodiversity and Protecting Habitat Pages 49 - 51

EMISSIONS		REPORTED	LOCATION
GRI 305-1	Direct greenhouse gas emission	●	SR: Using Technology to Enhance Operational Efficiencies Page 59, Sawmills - Greenhouse Gas Emissions Page 64, Pulp Mills - Greenhouse Gas Emissions Page 72
GRI 305-2	Energy indirect (scope 2) greenhouse gas emission		Not Reported
GRI 305-4	Greenhouse gas emissions intensity	●	SR: Using Technology to Enhance Operational Efficiencies Page 59, Sawmills - Greenhouse Gas Emissions Page 64, Pulp Mills - Greenhouse Gas Emissions Page 72
GRI 305-5	Reduction of greenhouse gas emissions	●	SR: Using Technology to Enhance Operational Efficiencies Page 59, Sawmills - Greenhouse Gas Emissions Page 64, Pulp Mills - Greenhouse Gas Emissions Page 72
GRI 305-7	Nitrous oxides (NOX), Sulfur oxides (SOX) and other significant air emissions	●	SR: Sawmills - Manufacturing Compliance Pages 68 - 70, Pulp Mills - Prince George Airshed Page 76 Canfor Pulp Sustainable Product Declaration Sheets

EFFLUENTS AND WASTE		REPORTED	LOCATION
GRI 306-1	Water discharges by quality and destinations	●	SR: Water and Air Resources Pages 75 - 76
GRI 306-3	Significant spills	●	SR: Sawmills - Manufacturing Compliance Pages 68 - 70, Pulp Mills - Manufacturing Compliance Page 77
GRI 306-5	Water bodies affected by water discharges and/or runoff	●	SR: Water and Air Resources Pages 75 - 76

ENVIRONMENTAL COMPLIANCE		REPORTED	LOCATION
GRI 307-1	Non-compliance with environmental laws and regulations	●	SR: Forestry Environmental Compliance Page 61, Sawmills - Manufacturing Compliance Pages 68 -70, Pulp Mills - Manufacturing Compliance Page 77

SUPPLIER ENVIRONMENTAL ASSESSMENT		REPORTED	LOCATION
GRI 308-1	New suppliers that were screened using environmental criteria	●	100% for forestry operations
GRI 308-2	Negative environmental impacts in the supply chain, and actions taken	●	Any impacts are investigated and corrective actions are developed and implemented.

SOCIAL

EMPLOYMENT		REPORTED	LOCATION
GRI 401-1	New employee hires and employee turnover	●	SR: Training and Support Page 89
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Not Reported

LABOUR/MANAGEMENT RELATIONS		REPORTED	LOCATION
GRI 402-1	Minimum notice periods regarding operational changes	●	Employees and unions are given as much notice as possible when there are operational curtailments related to issues such as fibre availability or lumber markets. Collective agreements have notice periods (60 days) for permanent standards acts in BC and Alberta and the US Adjustment and Retraining Notification (WARN) Act require advance notice of plant closings and layoffs, depending on the number of employees affected.

OCCUPATIONAL HEALTH AND SAFETY		REPORTED	LOCATION
GRI 403-1	Occupational health and safety management system	●	SR: Committed to Safety Pages 16 - 19
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	●	SR: Committed to Safety Pages 16 - 19
GRI 403-5	Worker training on occupational health and safety	●	SR: Committed to Safety Pages 16 - 19
GRI 403-8	Workers covered by an occupational health and safety management system	●	SR: Committed to Safety Pages 16 - 19
GRI 403-9	Work-related injuries system	●	SR: Committed to Safety Pages 16 - 19

TRAINING AND EDUCATION		REPORTED	LOCATION
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	●	SR: Training Pages 81 - 84, Career Development Page 85, Inclusion and Diversity Pages 86 - 92

DIVERSITY AND EQUAL OPPORTUNITY		REPORTED	LOCATION
GRI 405-1	Diversity of governance bodies and employees	●	SR: Inclusion and Diversity Pages 86 - 92

RIGHT OF INDIGENOUS PEOPLES		REPORTED	LOCATION
GRI 411-1	Incidents of violations involving rights of Indigenous peoples	●	We disclose all material litigations and legal proceedings in our regulatory findings. Canfor recognizes the assertion of Indigenous rights and title. Canfor aims to continue engaging with our overlapping Indigenous communities in a meaningful way, in the spirit of true relationship building; with the purpose of creating mutually beneficial agreements.

LOCAL COMMUNITIES		REPORTED	LOCATION
GRI 413-1	Operations with local community engagement, impact assessments, and development programs Indigenous Peoples	●	SR: Stakeholder Engagement Pages 23 - 27, Community Engagement Pages 28 - 29

PUBLIC POLICY		REPORTED	LOCATION
GRI 415-1	Political contributions		Not Reported



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