

Report on Steps to Reduce the Risk of Forced Labour and Child Labour



2023 Report

This report (this “**Report**”) is prepared in accordance with Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (Canada) (the “**Act**”) for the financial year ended December 31, 2023. It is a joint report of Great Pacific Capital Corp. (“**GPCC**”), Canfor Corporation (the “**Corporation**”), Canadian Forest Products Ltd. (“**CFP**”), Canfor Pulp Products Inc. (“**CPPI**”) and Canfor Pulp Ltd. (“**CPL**”). The Corporation, CFP, CPL and CPPI and each of their respective subsidiaries are referred to collectively herein as “**Canfor**”, unless otherwise specified.

INTRODUCTION

Canfor is one of the world’s largest manufacturers of low-carbon forest products, including lumber, pulp, paper, wood pellets and green energy. Canfor seeks to emphasize the highest standards of business conduct in all its operations and business relationships, including through:

- respecting internationally recognized human rights, including workers’ rights and with respect to its supply chains and the risk of forced and child labour;
- prioritizing sustainability throughout its business, including in respect of environmental, social and governance (“**ESG**”) issues;
- seeking to ensure its business practices meet or exceed all laws and regulatory requirements applicable to its businesses; and
- supporting and respecting the communities in which Canfor operates and which host its offices and production facilities.

This Report outlines the steps Canfor has taken and will continue to take to understand, prevent and reduce the risk of forced or child labour in its business or operations and supply chains.

ORGANIZATIONAL STRUCTURE AND ACTIVITIES

Each of the Corporation and CPPI are companies incorporated or amalgamated under the laws of British Columbia, Canada and are publicly listed in the Toronto Stock Exchange. Other companies in the Canfor group are incorporated under the federal laws of Canada, the laws of South Carolina and the laws of Sweden.

With its head office in Vancouver, British Columbia, at 101 - 161 East 4th Ave, Vancouver, BC V7J 1X1, Canfor is involved primarily in the lumber business with production facilities in Canada (British Columbia and Alberta) through its wholly owned subsidiary, CFP, the United States (Alabama, Arkansas, Georgia, Mississippi, Louisiana, North Carolina and South Carolina) through Canfor Southern Pine Inc., as well as Sweden (Småland, Skåne, Västra Götaland, Dalarna, Södermanland, and Uppland) through Vida AB (“**Vida**”).

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The Corporation holds a 54.8% interest in the pulp and paper business of CPPI, which through its wholly owned subsidiary, CPL, has northern softwood market kraft pulp and bleached and unbleached kraft paper production facilities located in British Columbia, Canada.

Canfor's products also include remanufactured and finger-jointed lumber, engineered wood products, wood chips, wood pellets, logs, and custom specialty products, including strength-rated trusses, beams, and tongue-and-groove timber produced alongside various of its solid wood production facilities.

Canfor procures most of the goods and services for use in its business and operations from the local markets in countries where its operations are located, being Canada, the United States and Sweden. Canfor's main supply chain activities include obtaining fibre supply from Canfor's Crown forest tenures in Canada, and relies on open market purchase and supply contracts in the USA and Sweden. Canfor-managed forests are certified to the Forest Stewardship Council® (FSC®) or Sustainable Forest Initiative® (SFI®) standards, and Vida's operations have PEFC Forest Management certification. Canfor's products are primarily shipped globally by truck, rail, or container ship and breakbulk. Canfor's supply chain is made up of a broad range of around 30,000 suppliers, vendors, and contractors that range from large organizations to small local companies with one or two employees. We purchase a variety of goods and services that support our operations and corporate functions, with the main areas of procurement activities being fibre, transportation, and services. The total cost of procurement activities for Canfor, in millions of Canadian dollars, in 2023 was \$4,423.9 and in 2022 was \$4,925.8.¹

In 2023 Canfor employed on average 2,602 people in its lumber operations and 1,079 people in its pulp operations in Canada, 2,440 in its lumber operations in the United States, 1,478 in its lumber operations in Sweden, and 4 in Japan. Of these employees, approximately 23% of Canadian and 57% of Swedish employees are union members and covered by collective agreements. None of Canfor's operations in the United States are unionized.

All Canadian employees are employed either by CFP or CPL.

For more information about Canfor, products, employees, ESG initiatives relevant to this Report, and where Canfor operates, please see Canfor's Sustainability Report (the "**Sustainability Report**"), at <https://sustainability.canfor.com> on the Canfor website.

¹ Procurement spend includes external manufacturing & product costs, freight & distribution costs and selling & administration costs. Employee related expenses, amortization, countervailing and anti-dumping duty expense, restructuring costs and asset write-downs and impairments are excluded from procurement spend.

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HUMAN RIGHTS

Canfor seeks to ensure that its business practices address and incorporate internationally recognized human rights frameworks in its relationships with employees, contractors, suppliers, partners, and the communities in which it operates. These include the International Bill of Human Rights, which includes:

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

Canfor also recognizes the importance and relevance to its business of other human rights frameworks, such as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Convention on the Rights of the Child.

Within these frameworks, Canfor seeks to advance its understanding of the application of human rights considerations in its business, including steps to be considered to address the rights of forced and child labour as contemplated by this Report.

STEPS TO ADDRESS FORCED AND CHILD LABOUR RISK

Canfor has taken the following key steps to seek to address the risks of forced and child labour in its supply chains for the financial year ended December 31, 2023.

Risk Assessment: Building on work started in 2021, Canfor continued a high-level human rights risk assessment of its North American operations. The objective of this risk assessment has been to identify potential human rights impacts in its business and further its understanding of the impacts its business may have on certain groups and individuals. Through this process, Canfor has begun to better understand the potential steps Canfor may consider helping prevent and mitigate human rights risks, including with respect to forced and child labour. The assessment of its impacts was ranked based on the United Nations Guiding Principles on Business and Human Rights recommended criteria, which includes four dimensions: scale, reach, probability, and ability for remediation. This assessment identified that Canfor's main potential for risk is within its supply chain through procurement activities. Canfor will also be conducting similar work on human rights assessments with regard to its Swedish operations.

Human Rights Maturity: Canfor furthered this work by dedicating internal resources to build an organizational approach to human rights, including with respect to Canfor's supply chains and forced and child labour. This work involves the creation of a supply chain working group to examine these impacts and plan future actions related to procurement and supply chain activities. In addition, Canfor will continue its review of existing company policies to

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seek to understand where the organization may improve and update its policies to address more specific human rights matters, including with respect to forced and child labour issues.

Respect Works Here: Canfor executed a large-scale, North American-wide “Respect Works Here” campaign that included training for all North American employees centered on creating respectful working environments with specific content focused on bystander training and raising awareness of available grievance mechanisms and processes.

Areas of Risk: Given the nature of its supply chains, primarily in the sourcing of fibre from either its directly held and managed Crown forest tenures in Canada and contracts with other timber companies in each of Canada, the United States and Sweden, these areas of Canfor’s business have, on its review to date, appeared to present a lower potential for forced or child labour risks. However, as Canfor continues to develop its policies, diligence practices and contractual arrangements with suppliers in this regard, it will also continue to evaluate and seek to identify any potential risk in these supply chains and any other supply chains for its business in the countries in which it operates.

Canfor follows standard employment practices in North America to ensure forced and child labour is not present within its own operations, which includes the conducting of identity checks and criminal record checks at or prior to hire. Vida’s operations follow similar processes. In addition to these specific actions, Canfor has long-standing policies, practices that make up its collective culture and approach to protecting human rights such as:

- Ongoing health and safety programs.
- Indigenous partnerships and engagement.
- Forest management and chain of custody certifications.
- Human resources business partners and subject matter expertise to support labour and employee relations.
- Talent acquisition teams to manage recruitment processes.
- Supervisor resource center for tools and resources for those who manage people or who are involved in hiring.

Collectively, these tools and approach help and support Canfor’s practices that indirectly or directly address human rights, including supply chain forced and child labour concerns.

POLICIES AND DUE DILIGENCE PROCESSES

In North America, Canfor has a number of policies that are directly or indirectly relevant to its approach to human rights in general, which can have application to the potential for forced or child labour risks, including:

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- Bullying and Harassment
- Code of Conduct
- Whistleblowing

A separate Code of Conduct reflecting comparable core values relating to business ethics, human rights, the workplace and the environment is applicable in Sweden through Vida.

As noted above, as part of its expanding human rights initiatives, Canfor will continue to assess these and other policies which may assist in addressing the risks of any forced or child labour in its supply chain.

OPERATIONAL AND SUPPLY CHAIN RISKS AND REMEDIATION MEASURES

Canfor's assessment of the risk of forced labour and child labour in activities and supply chains is ongoing, but Canfor has not to date identified specific forced or child labour risks in its operations. As a result, Canfor has also not taken any measures to remediate any forced labour or child labour issues or to remediate the loss of income for any families resulting from such measures.

Through dedicated internal resources and related working group, Canfor plans to continue to undertake work that will help to better understand its supply chains specifically.

EMPLOYEE TRAINING

Canfor provides broad human rights-related training to employees, and in particular, employees in management roles. The training does not directly address child labour or forced labour matters but is part of its commitment to addressing human rights issues in its business and operations. However, the training supports generally increasing awareness of these risks by addressing other human rights-related issues, including training specific to discrimination, effective hiring and recruitment practices, and promoting diversity, inclusion, cultural awareness and respect.

GRIEVANCE MECHANISMS

To support the maintenance of its business practices standards and commitment to human rights issues in its business, Canfor carefully monitors its reporting and grievance mechanisms, in the form of a whistleblowing hotline and respectful workplace hotline, which would include reports relating to any circumstances involving forced or child labour. The two hotlines provide employees and third parties with the ability to confidentially or anonymously report issues relating to human rights and other workplace complaints. Canfor maintains and communicates a clear internal reporting process for employee concerns which includes an outline of the methodology for

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undertaking investigations, and which identifies employee and manager responsibilities. Of all reports received through the grievance channels in 2023, none related to forced or child labour issues.

CANFOR'S ASSESSMENT OF PROTECTIVE MEASURES

The creation of a dedicated position of Program Lead, Human Rights Advisor (and its role of this position in communicating with the senior executive team) and the establishment of the supply chain working group, are together intended to facilitate Canfor's ability to better assess issues of forced or child labour in its supply chain, which has to date been assessed as part of the existing practices and policies described in this Report.

Beyond the steps and assessments undertaken through its reporting and grievance mechanisms referred to above, Canfor has not yet taken further targeted actions to assess its effectiveness in preventing or reducing forced or child labour in its supply chains, but intends to continue to review the measures and actions it may implement in this regard as part of its overall commitment to its human rights related goals and objectives and forced and child labour in particular.

APPROVAL AND ATTESTATION IN ACCORDANCE WITH THE ACT

As a joint report, this Report has been approved by the boards of directors of each of Great Pacific Capital Corp., the Corporation, CFP, CPPI and CPL, the governing bodies of the entities covered by this Report.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Canfor Corporation

I have the authority to bind Canfor

Full name David M. Calabrigo K.C.

Title SVP, Corporate Development, Legal Affairs and Corporate Secretary

Date May 7, 2024

Signature

A handwritten signature in blue ink, appearing to be "DC", written over a light blue horizontal line.

Canadian Forest Products Ltd.

I have the authority to bind CFP

Full name David M. Calabrigo K.C.

Title SVP, Corporate Development, Legal Affairs and Corporate Secretary

Date May 7, 2024

Signature

A handwritten signature in blue ink, appearing to be "DC", written over a light blue horizontal line.

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Canfor Pulp Products Inc.

I have the authority to bind CPPI

Full name William Stinson

Title Chairman of the Joint Governance and Sustainability Committee

Date May 7, 2024

Signature 


Canfor Pulp Ltd.

I have the authority to bind CPL

Full name William Stinson

Title Chairman of the Joint Governance and Sustainability Committee

Date May 7, 2024

Signature 

Great Pacific Capital Corp.²

I have the authority to bind GPCC

Full name Ryan Barrington-Foote

Title President

Date May 7, 2024

Signature 

² On its own behalf and on behalf of 4123221 Canada Inc. and Great Pacific Capital Investments Inc. which are, together, controlling entities jointly holding in excess of 50% of the Corporation's outstanding voting Common shares.