



CANFOR AND CANFOR PULP



2018 SUSTAINABILITY REPORT

canfor.com



WELCOME TO OUR SUSTAINABILITY REPORT

Our 2018 joint Canfor and Canfor Pulp Sustainability Report covers operations from January 1 to December 31, 2018 to ensure stakeholders can easily access key indicators and information about our companies' operations and environmental performance. It is Canfor's eighth report following the Global Reporting Initiative (GRI) guidelines for sustainability reporting, and our sixth combined with Canfor Pulp Products Inc. (Canfor Pulp).

As sustainability reporting continues to expand and evolve, Canfor is monitoring key developments, including the June 2017 recommendations of the Task Force on Climate-related Financial Disclosures and the standards put forward by the Sustainability Accounting Standards Board.

OUR VISION

WE ARE THE MOST INNOVATIVE AND SUSTAINABLE GLOBAL RESOURCE COMPANY DELIVERING THE HIGHEST VALUE TO OUR CUSTOMERS.



A MESSAGE FROM THE CEO

Canfor and Canfor Pulp's joint 2018 Sustainability Report highlights the many actions both companies are taking to broaden our approach to innovation and sustainability so we can continue to produce the building blocks of everyone's daily lives. From the pulp that goes into food packaging and strong paper for cement bags, to the lumber in mass timber buildings, our pulp and lumber are in many of the things that contribute to your quality of life. And most importantly, forest products come with a lower carbon footprint, which benefits all of us.

This report demonstrates how we are strengthening our sustainability through diversification and innovation across all aspects of our business – including products, markets and people.

Inspired by advances in our industry, we have taken a leadership role in developing the products and technologies that support a green economy. Canfor's high-value wood products are now the top choice for a broader range of green building applications, including non-residential, multi-storey and longer-span buildings. By 2025, Canfor Pulp expects to have a commercial-scale facility to turn woody biomass into low-carbon-intensity biocrude.

In 2018, we were pleased to enter into agreements to acquire Vida Group of Sweden and Elliott Sawmilling in South Carolina that will further strengthen our corporate sustainability over the long term. The Vida acquisition will transform Canfor into a truly global company, with access to high-quality spruce and pine fibre and customers in Europe, Australia, the Middle East and North Africa. Both of these agreements closed in the first half of 2019.

As we grow, we know that an inclusive organization offers many benefits to employees, Indigenous peoples, customers and communities, creating an environment where anyone can be safe and productive.

Safety continues to be our most important core value. Thanks to the strong performance of employees across all business units, we have seen steady improvement in our safety record as we work towards our goal of zero safety incidents.

Canfor and Canfor Pulp are active members of our local communities, providing economic benefits and contributing to causes that align with the vision and values of our organization and our employees.

With this report, we are shifting to longer-term goals for both Canfor and Canfor Pulp that align with our corporate strategy. This greater transparency means readers can better appreciate our goals and understand what we are doing to achieve them.

I invite you to read the full report and learn more about our commitment to sustainability and how it is demonstrated throughout our companies, our products and our people.



DON KAYNE
Chief Executive Officer
Canfor Corporation and Canfor Pulp

SUSTAINABILITY REPORT 2018

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ABOUT CANFOR



6240
EMPLOYEES

38
FACILITIES

1 INNOVATION
CENTRE
1 TRUCKING
FLEET



OVER 700
WOMEN EMPLOYED

26%
WOMEN IN LEADERSHIP
DEVELOPMENT PROGRAMS



74
APPRENTICES
JOINED OUR COMPANY



ABOUT CANFOR



65 MILLION SEEDLINGS PLANTED

A mix of species including spruce, lodgepole pine, western larch, Douglas-fir, western white pine, ponderosa pine to black spruce were planted in our forests

9 MILLION

HYBRID SPRUCE TREES

Were grown in our nursery, JD Little Forest Centre, and used in reforestation programs across BC



SECURED TWO ACQUISITION AGREEMENTS IN 2018

Elliott Sawmilling Co. in South Carolina brings over 70 years of rich history in manufacturing southern yellow pine.

Vida Group, Sweden's largest privately owned sawmill company, brings access to a secure fibre supply and 18 production facilities.

COMMUNITY INVESTMENT

\$1.03M

Total community investment from donations, scholarships and bursaries.



97%

OF CANFOR PULP'S FIBRE SUPPLY RECEIVED CHAIN-OF-CUSTODY CERTIFICATION.

Customers can be confident they are buying products from well-managed forests.



Generated 887,571 megawatt-hours of green energy from our three pulp mills in Prince George. The majority is used to power our mills with the excess power being sold to the British Columbia electricity grid.

SAFETY FIRST

1.40

CANFOR MIR

Achieved a **1.40 Medical Incident Rate (MIR)**, significantly below our target for Canfor

0.71

CANFOR PULP MIR

Recorded all-time best **0.71 MIR at Canfor Pulp**

100%

COMMITMENT

Pledged by Canfor Southern Pine employees to practice safety at home and at work



DEMONSTRATING SUSTAINABILITY LEADERSHIP

We continue to demonstrate our leadership across all the elements of sustainability:



01.

Canfor was named by Corporate Knights in 2018 as one of the **Best 50 Corporate Citizens** in Canada in leading the way to a more sustainable world.



02.

Canfor is consistently recognized as one of **BC's Top Employers** and once again was selected for The Career Directory for recent college and university graduates.



03.

Canfor was among the companies recognized through the **CN EcoConnexions Partnership Program** for our sustainability practices.



04.

Canfor Pulp received an Energy Performance Management award at the **CIPEC Leadership Awards Gala** for implementing a novel control system approach – the first in Canada.



DEMONSTRATING SUSTAINABILITY LEADERSHIP



05.

Canfor Pulp is part of the **World Wildlife Fund's Environmental Paper Company Index** to increase our transparency and better understand opportunities to improve our sustainability performance.



06.

Canfor Pulp received a **2018 CN Safe Handling Award** for safe handling and shipment of regulated products.



07.

For the third year in a row, our sustainability report was selected by the **Finance and Sustainability Initiative** as the best sustainability report in the Renewable Resources and Alternative Energy Category.



OUR COMMITMENT



TO SUSTAINABILITY AND
OUR STAKEHOLDERS

We are committed to our stakeholders and broadening our approach to innovation and sustainability.

GLOBAL COMPANY OVERVIEW

Canfor Corporation (Canfor) makes products that are part of daily lives worldwide – our lumber is used to build homes, our engineered wood products allow construction of mass timber buildings, our pulp is found in everything from tea bags to electrical papers.

Canfor is a world-leading integrated forest products company that turns nearly 100% of the fibre that enters our mills into lumber, pulp and green energy.

We offer diverse, innovative and high-quality wood-based products to customers worldwide and have positioned our company as a leading supplier of green energy and environmentally friendly building pulp products.



CANADA

As of July 2019, our Canadian operations include 19 manufacturing facilities in BC and two in Alberta as well our pulp innovation centre and corporate head office.



EUROPE

As of February 2019, Canfor's global operations now include Sweden with our 70% majority acquisition of Vida Group.



USA

Since 2006, our presence in the US South has continued to grow and now includes 14 manufacturing facilities and one trucking fleet.



ASIA

To best support our customers in Asia, Canfor has offices in Japan, South Korea and China.

WE SUCCEEDED WHEN OUR CUSTOMERS SUCCEEDED

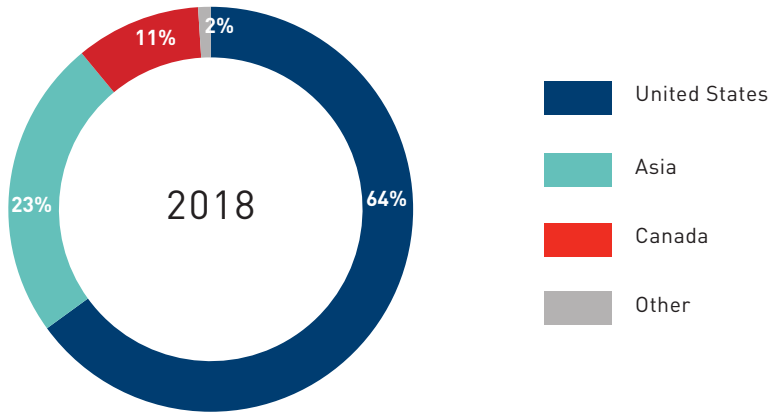
Canfor's customer base is growing and acquisitions such as Vida and Elliott Sawmilling will help us keep pace with this increase in demand.

Mississippi; Mobile, Alabama; Tokyo, Japan; Shanghai, China; and Seoul, South Korea.

Canfor and Canfor Pulp sell lumber, pulp and paper products in markets throughout North America and overseas through [sales offices](#) in Vancouver, British Columbia; El Dorado, Arkansas; Ridgeland,

Our continued expansion and focus on higher-value products has fuelled our market diversification.

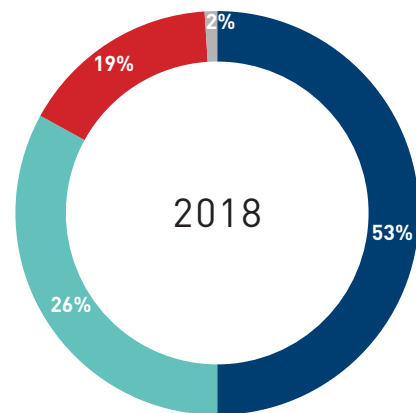
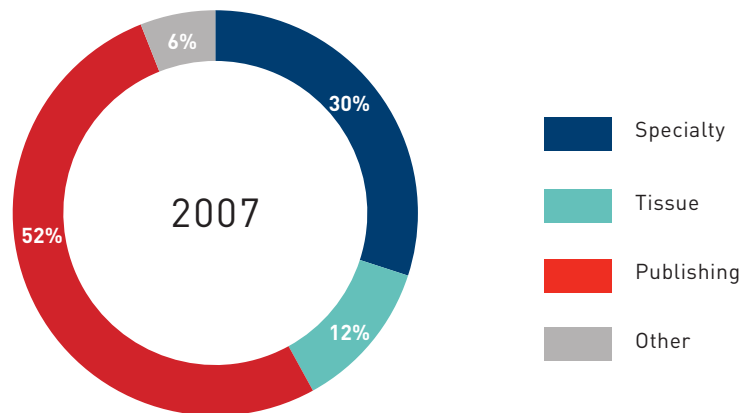
VOLUME OF CANFOR LUMBER SALES BY MARKET



While our largest market for lumber continues to be the United States, we are shipping more to offshore markets, especially China where there is growing acceptance of North American wood products for construction.

SALES OF CANFOR PULP SOFTWOOD KRAFT BY END USE

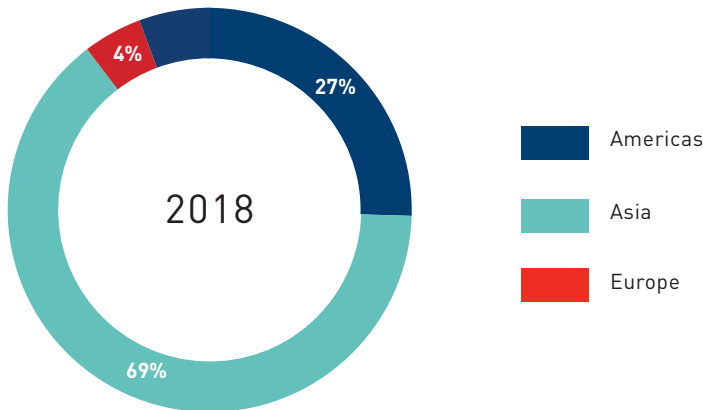
Over the years, Canfor Pulp has significantly grown its presence in the specialty end-use segment. In 2018, this represented 53% of pulp sales.



Canfor Pulp is a global leader in the Northern Bleached Softwood Kraft (NBSK) segment with more than 50% of the pulp production directed to the specialty end-use segments that include electrical papers, non-woven applications, abrasive papers, masking tape, fibre cement, décor, filtration, label papers and many more. The reinforcing fibres are also used in the ultra-premium tissue market and high-end printing and writing grades.

Canfor Pulp's technical services, innovation and sustainability staff contact customers directly through TEMAP, our technical marketing program. We use customer interactions, presentations and seminars to learn more about customer needs so we can serve them better.

VOLUME OF CANFOR PULP SALES BY MARKET



China remains our largest market for pulp sales, which reflects the growing middle class.

OUR APPROACH TO SUSTAINABILITY

Canfor takes a renewable resource grown with the power of the sun and turns virtually 100% of it into useful, sustainable products. We are committed to the responsible and efficient use of resources to create more value for all stakeholders.

Close to half of the fibre we harvest becomes high-value finished lumber. The ends we trim off finished lumber are remanufactured into finger-joined lumber.

Wood chips produced by our sawmills are used to produce high-quality pulp and paper, and the elements that remain after the pulping process are converted into green energy that power our manufacturing processes and the BC electricity grid.

Customers can be confident that our products come from well-managed forests — 99% of Canfor-owned tenures adhere to third-party forest certification standards. We have lands certified to the following standards: CSA sustainable forest management (CAN/CSA Z809), Forest Stewardship Council® (FSC®), and Sustainable Forestry Initiative® (SFI®).

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 or have the ability to affect our business. These include local communities, other forest users, customers, environmental groups, all levels of government, certification organizations, employees, contractors, researchers and suppliers.

We recognize and respect the constitutionally protected rights and treaty rights of Indigenous peoples. We support the Canadian, BC 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.

MAJOR STAKEHOLDER GROUPS

IDENTIFYING KEY STAKEHOLDERS, GROUPS AND KEY INDICATORS



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

Canfor recognizes that Indigenous peoples are not stakeholders but 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 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, as noted.

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 • Community participation at events • 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/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

OUR ENVIRONMENT



HEALTHY AND THRIVING FORESTS

We take pride in our forest management approach in order to ensure that they are healthy and thriving.



FOREST MANAGEMENT

In British Columbia and Alberta, we have tenure agreements with each provincial government, and deliver on our commitment to sustainable forestry through third-party certification and by carrying out extensive management and monitoring.

In British Columbia, we operate primarily on public lands. Under the province's [Forest and Range Practices Act](#), our forest divisions 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 and cultural heritage. Before government approves the plan, we must invite and consider public and Indigenous input.

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.

In 2015, Canfor submitted a new 10-year forest management plan for FMA #9900037 to the Alberta government. It included a suite of strategies to ensure the mid- and long-term timber supply is optimized while still addressing other public and resource objectives. Canfor is currently engaged with Mercer International in the development of their new plan which applies to Canfor's tenure in northwest Alberta.

British Columbia 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.

LEGAL AND SUSTAINABLE SOURCE OF FIBRE

Canfor's Canadian operations source wood fibre primarily through long-term replaceable tenure agreements on publicly owned land. In total, 99% of the woodlands operations on our forest tenures are certified to the following third-party certification standards:



CANADIAN STANDARDS ASSOCIATION SUSTAINABLE FOREST MANAGEMENT STANDARD (CAN/CSA Z809)



FOREST STEWARDSHIP COUNCIL® (FSC®)

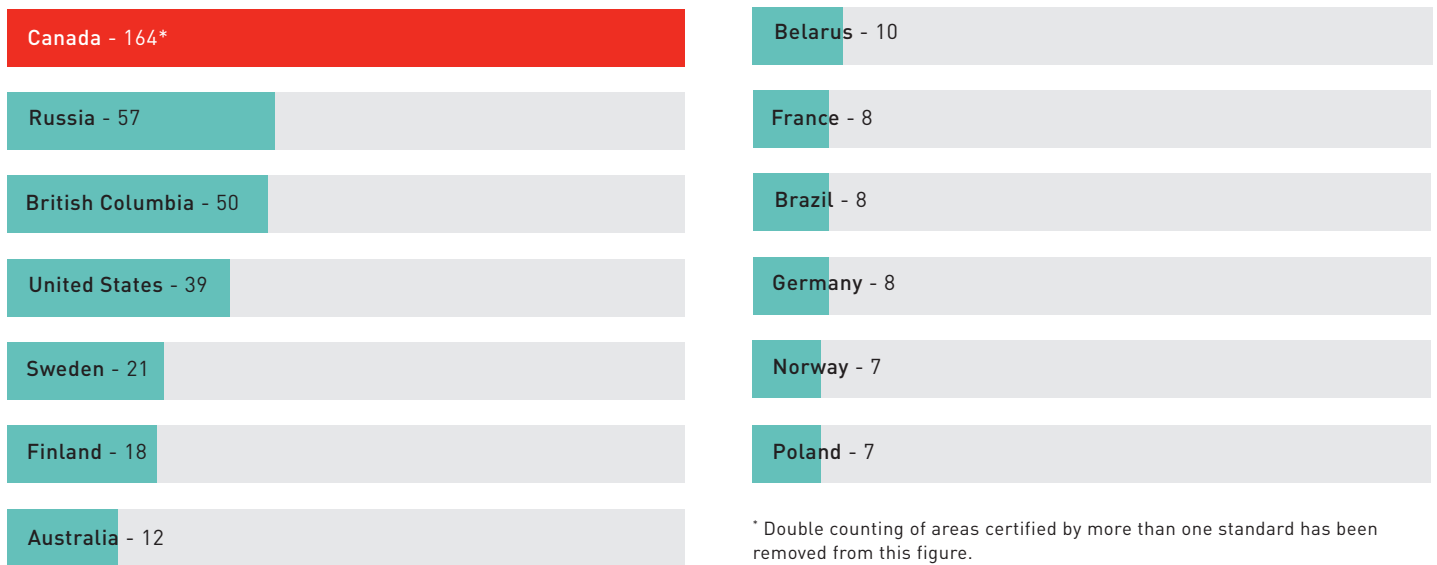


SUSTAINABLE FORESTRY INITIATIVE® (SFI®)

CSA and SFI are fully endorsed by the international umbrella organization for certification, the Programme for the Endorsement of Forest Certification (PEFC).

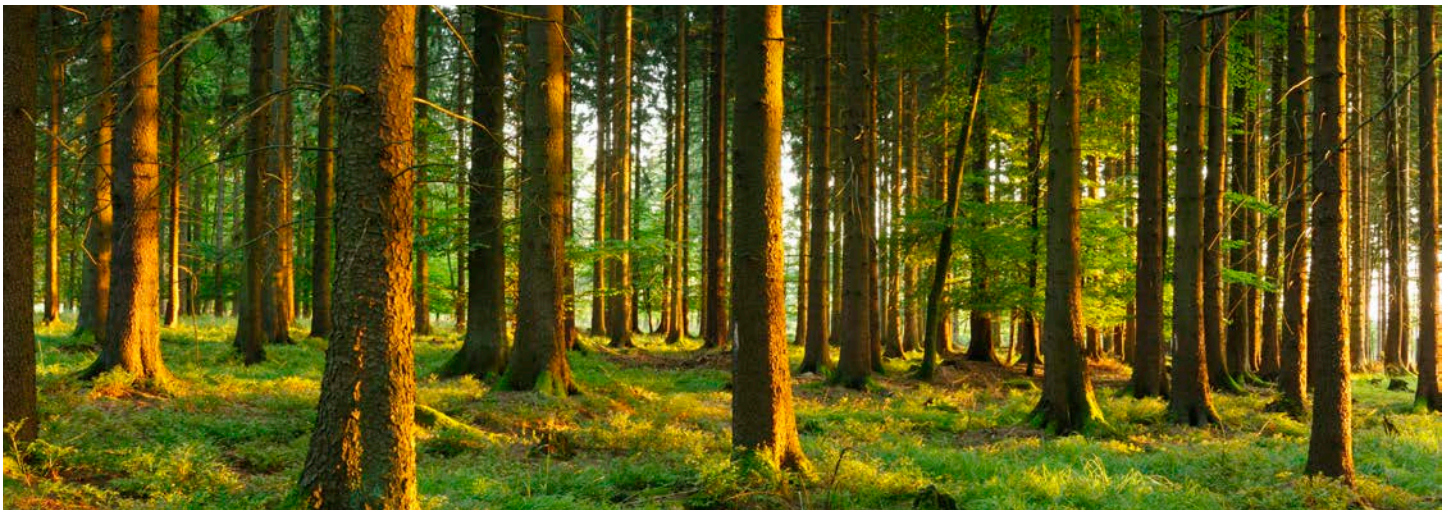


CANADA LEADS THE WORLD IN CERTIFICATION - MILLIONS OF HECTARES CERTIFIED



There are three internationally recognized certification programs in North America: Canadian Standards Association (CSA), Forest Stewardship Council (FSC), and Sustainable Forestry Initiative (SFI). Recent statistics show Canada is a leader in forest certification globally.

Source: www.certificationcanada.org as of December 31, 2018.



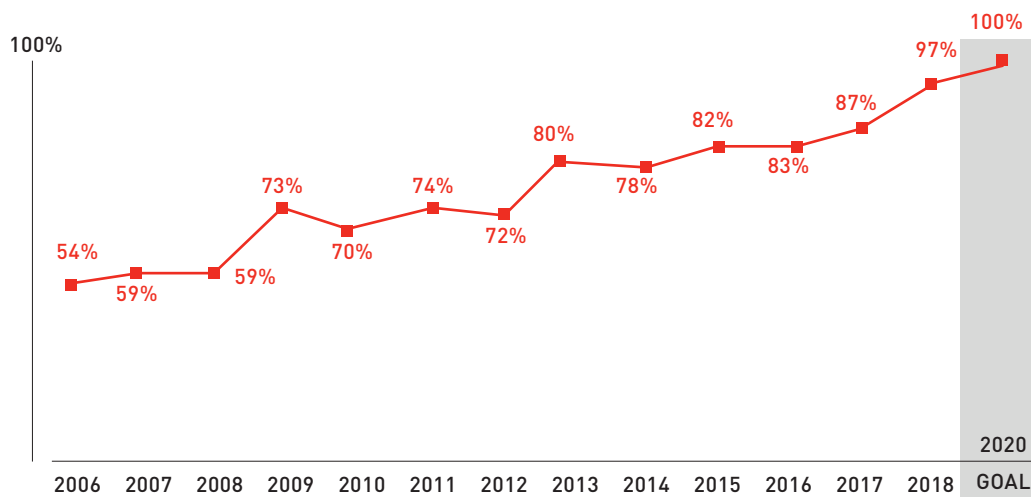
In the US, Canfor Southern Pine does not manage forest lands directly. We deliver on our commitment to sustainable forestry through our fibre-sourcing practices — 100% of Canfor Southern Pine’s raw material meets the requirements of the SFI Fiber Sourcing Standard. As members of SFI Implementation Committees 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.

Across the company we are currently transitioning to SFI certification from CSA and this should be completed in mid-2019. SFI is a North

American standard with greater international recognition so it offers more benefits and opportunities. Since Canfor Southern Pine is certified to SFI, it also means that our Canadian and US operations will have the same certification, improving administrative efficiency.

We did not renew our International Organization for Standardization (ISO) 14001 certification after September 15, 2018 because it is no longer required as a result of our internal environmental policies and third-party sustainable forest management certification.

CERTIFIED FIBRE FOR CANFOR PULP



Canfor Pulp gives preference to suppliers that offer third-party certified fibre. In 2018, 97% of our fibre came from third-party certified sources by a chain of custody. This has exceeded our goal of 90% of fibre from certified sources by 2020. Canfor Pulp continues to strive for 100% certified fibre.

Canfor Pulp sources 97% 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 [Forest Stewardship Council](#) and [PEFC](#) chain-of-custody certificates.

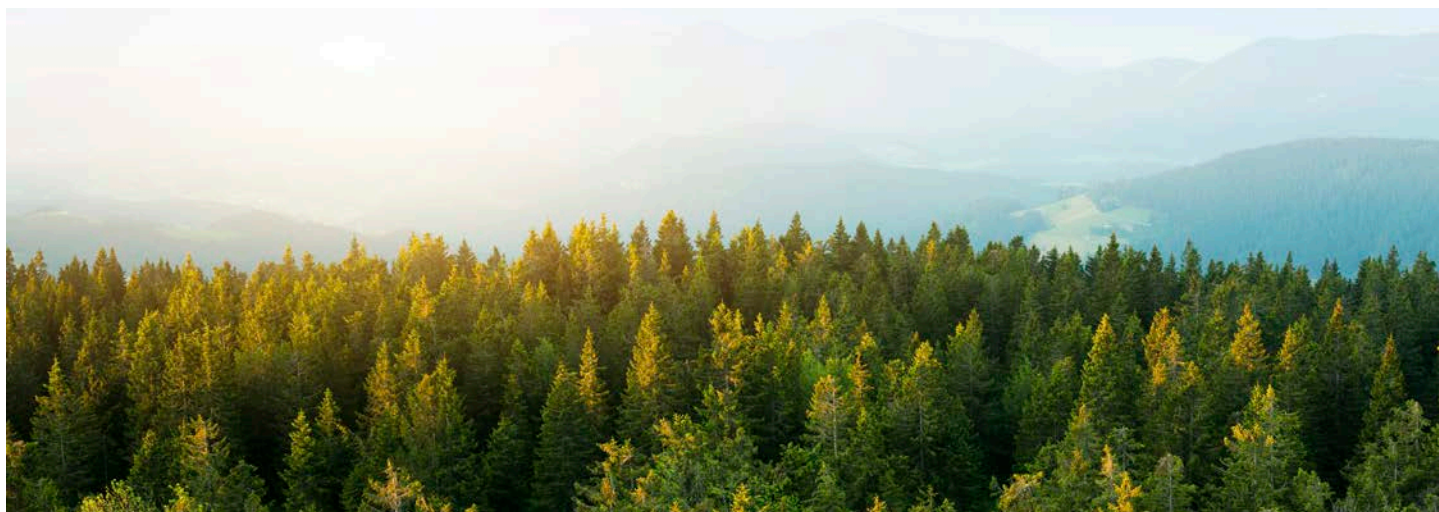
Canfor's Forest Management System ensures all woodland operations on company forest tenures are managed sustainably and environmental practices continue to improve. Our [Environment Policy](#) and [Sustainable Forest Management Commitment](#) hold us accountable for responsible stewardship of the environment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

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 anticipate needs for change as part of a continuous improvement cycle. Revisions to our existing environmental targets are proposed in the first woodlands management review meeting of 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. This includes topics such as Canfor's efforts to maintain priority status for the protection of the environment. The committee reports back at every board meeting and at least once a year it goes out in the field.





CANADIAN STANDARDS ASSOCIATION

Canfor has [CSA certification](#) for a large proportion of our operations in British Columbia and Alberta, with two separate certificates: one for [multi sites](#) in British Columbia and northern Alberta, and the other for [Fort St. John Pilot](#).

The [Fort St. John Pilot Project 2018 audit summary](#) and the [2018 CSA surveillance re certification audit summary](#) of Canfor's woodlands in British Columbia and Alberta found our sustainable forest management system complies with the CSA Z809 requirements.

THE AUDIT TEAM FOR THE FORT ST. JOHN PILOT IDENTIFIED A NUMBER OF GOOD PRACTICES, INCLUDING:



Canfor and BC Timber Sales have deferred harvesting and implemented interim measures while the BC government/First Nations Regional Strategic Environmental Assessment is underway.



A tree planting contractor conducted prompt safety and environmental briefings for site visitors.



A harvesting contractor developed an internal pre-work form allowing employees and visitors to track key issues of concern and operational requirements for the block.

The audit identified a minor non-conformance applicable to Canfor, related to the completion of final harvesting inspections on harvested blocks. It found an opportunity to better identify symbols to show Cultural Heritage Areas on operational maps.

THE MULTI-SITE AUDIT OF WOODLANDS IN BRITISH COLUMBIA AND ALBERTA NOTED A NUMBER OF GOOD PRACTICES SUCH AS:



A higher degree of protection for some forest values on the CSA-certified portion of the Radium plan due to requirements in a joint CSA-FSC sustainable forest management plan.



A gap analysis by the Mackenzie operation to ensure that all new mandatory discussion items had been covered with the public advisory group for transition to new CSA Z809-16 standards.



The use of a tethered harvester by the Vavenby division, which allows Canfor to access timber on steeper ground where there are visual constraints while maintaining high levels of tree retention. It also minimizes the visible roads throughout these harvested blocks.

The audit closed two of three open minor non-conformities, and downgraded one related to a weakness in the implementation of Canfor’s Fuel Management Guidelines to an opportunity for improvement.

TWO NEW MINOR NON-CONFORMANCES WERE IDENTIFIED:



Issues with the implementation of some operational controls of the forest management system that provide guidance to staff and contractors.



Weaknesses related to procedures and forms for monitoring key characteristics or aspects of our operation that can impact the environment.

There were eight new systemic opportunities for improvement cited related to contractor training, sustainable forest management annual reports, mandatory discussion topics with public advisory groups, tenure tracking for certified volumes, various operational control implementation, and some site specific requirements for contractors and knowledge of site plan and pre-work information.

Canfor expects to transition to SFI certification in all areas certified to CSA by mid-2019. Our certifying body will ensure that all CSA findings related to non-conformance and opportunities for improvement are addressed through the SFI certification audit.



A tethered harvester outside of Prince George provides access to timber on steeper ground.

SUSTAINABLE FORESTRY INITIATIVE

Canfor's WynnWood woodlands operations in southeast British Columbia are certified to the [SFI Forest Management Standard](#). An [audit in May 2018](#), which included forest operations and fibre sourcing for our WynnWood sawmill, found that action plans were in place to address earlier non-conformities. It also identified one new opportunity for improvement where there was inadequate communication for an incident that would have prevented the recurrence of the event.

Our operations in the Alberta Forest Management Area, held by Mercer International Inc. (Mercer), are also certified to the SFI standard. The 2018 audit found that the Mercer sustainable forest management system and fibre sourcing program were in full conformance with the requirements of the SFI 2015-2019 forest management and fiber sourcing standards. There were no findings that pertained to Canfor's embedded conifer quota within Mercer's forest management area.

FOREST STEWARDSHIP COUNCIL

Canfor is the only major license holder in British Columbia with operations certified to the FSC forest management standard. The 2018 annual audit found that Canfor's East Kootenay operations met the requirements of FSC's [BC Standard](#).

The audit showed that Canfor had addressed the non-conformances identified in previous evaluations and identified one new minor non-conformance related to management strategies for cultural and conservation value areas. The report noted three issues where there were opportunities for improvement.

The [FSC Certificate](#), which is renewed every five years, expires in 2019. The region will undergo a full re-certification audit in June 2019 allowing us to continue offering products with both SFI and FSC certifications.

As part of our FSC certification, Canfor's East Kootenay operations completed an update of its High Conservation Value Areas for

ecological values in collaboration with conservation groups, government and wildlife experts. These areas of exceptional significance for biodiversity, species and ecosystems-at-risk, and large landscape level forests, were first identified 15 years ago and were revised to incorporate new knowledge and data. Special forest management strategies have been developed to maintain or enhance the values within them. A monitoring program to ensure these strategies are effectively maintaining values has been ongoing since 2012. For the last three years, the focus has been on partnering with the local Ktunaxa First Nations to conduct this monitoring.



PRODUCT CERTIFICATION

All Canfor Southern Pine facilities have achieved certification to SFI's 2015-2019 Standard. The Arkansas and Alabama area mills were audited in 2018, with no non-conformances reported. In 2019, the audit will focus on our four mills in North and South Carolina. We will work toward certification of newly acquired Elliott Sawmilling once Canfor assumes full ownership in 2020.

In Canada, Canfor and Canfor Pulp carry chain-of-custody certification on our facilities, which requires tracking of forest products through all stages of production to the consumer. We offer lumber products with PEFC, FSC and SFI chain-of-custody certification and pulp and paper products with PEFC and SFI certification to customers worldwide. Our WynnWood mill in British Columbia is certified to SFI [chain-of-custody](#) and [fibre sourcing](#).

Canfor's FSC chain-of-custody certification includes a [multi-site chain-of-custody and controlled wood certificate](#) and a [forest management and chain-of-custody certificate](#) for our mills in British Columbia's East Kootenay region. The rest of our Canadian facilities are chain-of-custody certified to the [Programme for the Endorsement of Forest Certification \(PEFC\)](#).

An independent PEFC and FSC risk assessment conducted in 2018 for our BC and Alberta operations found there was low risk of wood harvested illegally. The risk assessment looks at the possible violation of traditional and civil rights, from forests where high conservation

values are threatened by management activities, from areas being converted from forests, or from forests in which genetically modified trees have been planted.

The majority of the pulp and paper fibres used by Canfor Pulp originates within British Columbia, and all the forest operations we source from are in full legal compliance with provincial forest laws. In 2018, 97% of this fibre supply was certified to the CSA, SFI or FSC standard.

All the products made by Canfor Pulp are eligible to be treated as FSC-controlled wood if the customer purchasing them has FSC chain-of-custody certification. Sawmill residuals, which we treat as basic raw materials, are covered by our chain of custody. Both FSC and PEFC require that we have audited risk assessments at all the locations where we source our fibre. These are publicly available through the FSC website's public certificate search function.

REGENERATING FORESTS

Our silviculture program is responsible for creating the forests of tomorrow. Prompt reforestation is the key to sustainable forest management. It ensures forest productivity is maintained and gives young trees a head start against competing vegetation to reduce the need for brushing treatments. It helps limit invasive non-native plants, which can be difficult to control, can significantly impact timber production and can threaten biodiversity.

Once a new crop is established through natural regeneration or planting, treatments like fill planting, brushing or spacing are sometimes required. We are responsible for the new forest until it is free growing, which means stands of appropriate species and density have reached a minimum height above brush and are free from insects and disease. This generally takes 10 to 20 years.

Canfor uses ecologically suitable species to promptly regenerate all harvested areas. We determine the species before we harvest, basing our choice on ecosystem type, forest health issues and potential regeneration risks such as frost, flooding or heavy snow. In 2018, we planted 65 million seedlings on our tenures, primarily a mix of spruce and lodgepole pine as well as a mix of western larch, Douglas-fir, western white pine, ponderosa pine and black spruce where ecologically appropriate.

Canfor owns and operates the JD Little Forest Centre near Prince George, British Columbia. Each year, the nursery grows roughly nine million hybrid spruce trees used in reforestation programs at our Prince George, Vanderhoof, Houston, Mackenzie, Chetwynd and Fort St. John operations, representing 15% of our total seedling needs.

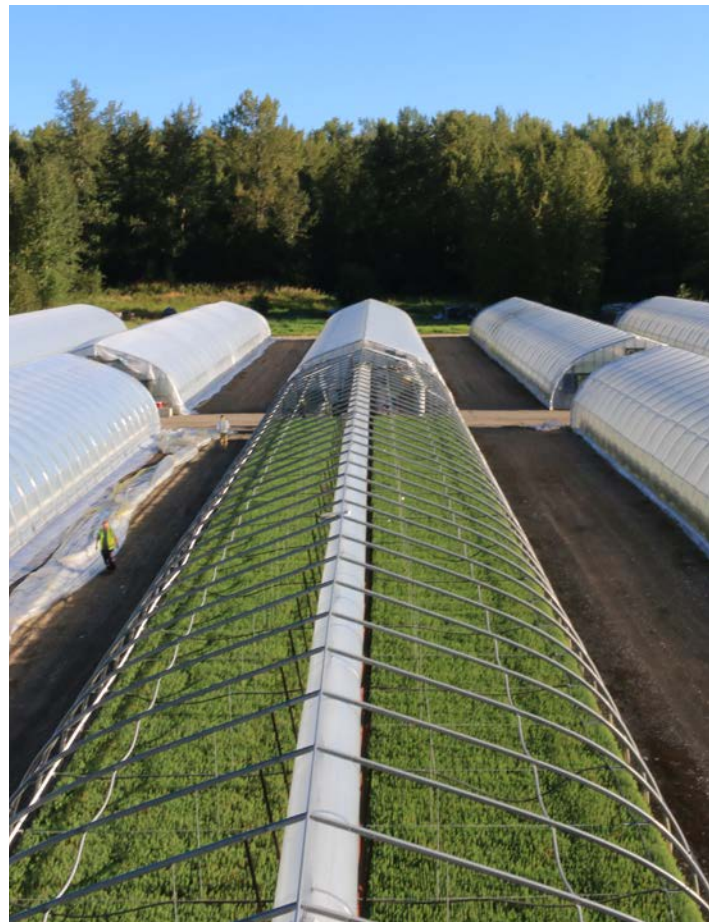
Seeds are sown in greenhouses in March, they grow until July when shade cloths are used to restrict daylight, encouraging them to set bud. In mid-October they are lifted, packaged in bundles and frozen. They are thawed in the spring and planted within a week. About 93% of the seedlings survive planting in the bush and we replant to ensure 100% reforestation success on all sites.

Canfor is part owner in Vernon Seed Orchard Company and Huallen Seed Orchard Company. Both companies supply select seeds for our reforestation programs. In British Columbia, more than 60% of our seedlings are grown from improved seed and in Alberta almost half of our harvested sites are planted with improved stock.

Using select 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. It increases genetic diversity on the landscape because the trees come from a wide geographic area. The parents are tested to ensure the progeny are suited biologically for the areas where they will be planted. Genetic diversity allows trees to adapt to changes in their current environmental conditions.

One example is the use of weevil resistant spruce in the Prince George area. Weevil infestation in spruce trees kills the leader or top of the tree and degrades the health of the tree. Planting weevil resistant seed results in improved health of future trees.





THE PAST, PRESENT AND FUTURE OF FORESTRY

Canfor marked its 80th anniversary in 2018 with an employee photo contest. Field Assistant Jesse Seniunas from the Prince George Woodlands team won with this shot of a spruce seedling at JD Little Nursery, which he says,

“REPRESENTS THE PAST, PRESENT AND FUTURE OF FORESTRY BECAUSE THE TREES THAT ARE GROWN TODAY ARE USED TO REPLACE THE TREES THAT WERE HARVESTED YESTERDAY. THE TREES PLANTED TODAY WILL GROW UNTIL ONE DAY THEY CAN BE HARVESTED AGAIN AND THUS, THE SUSTAINABLE CYCLE CONTINUES.”



CONSERVING BIODIVERSITY AND PROTECTING HABITAT

Canfor has detailed Sustainable Forest Management Plans for each of our operations. They include plans, measures and activities that conserve and protect areas with high conservation values such as riparian (streamside or lakeshore) areas and old growth forests.

These plans outline our strategies for managing biodiversity at species, stand and landscape levels. Examples include strategies for riparian reserves, rare ecosystems and species at risk.

We update our management plans to incorporate new information, including the results from monitoring programs. We prioritize retention in areas with the greatest diversity and with unique features such as dying trees with cavities suitable for owl or woodpecker nests. We also consider climate change in our management of forest ecosystem resilience.

Ducks Unlimited Canada (DUC) and forest sector leaders, including Canfor, are sharing knowledge and resources to advance sustainable forestry management and wetland stewardship in Canada's boreal forest. Over the past three years, they have worked collaboratively through the Forest Management and Wetland Stewardship Initiative to

develop products to assist with the integration of wetland and waterfowl conservation into forest management planning and operations. Guiding principles for wetland stewardship and forest management are posted on the [Ducks Unlimited Boreal Canada](#) website.

In the McGregor Valley northeast of Prince George, we have taken the lead on an old growth forest recruitment strategy that involves spatial identification of areas to be retained for old forest values so we can better manage stands infested by the spruce beetle. In the absence of spatial retention, harvesting would not be permitted in the unit for many years. The areas include old forest and younger stands, and were designed with input from biologists, guides and trappers, recreationalists, other forest professionals and government representatives. The plan was submitted to the BC government in 2017 and we are honouring the proposed boundaries in our operational plans while waiting for government approval.

In Alberta, we are a shareholder with fRI Research, a non-profit corporation that is a leader in science for land and resource management. Through fRI, we financially support integrated land management programs and research related to caribou, grizzly bears, watersheds, mountain pine beetle, stream crossings and healthy landscapes.

Our operational plans contain conservation measures to protect habitat for species of management concern, which include species at risk as well as those of high concern to the public such as moose, marten and mule deer. Each division has detailed standard work procedures for caribou habitat, including instruction to protect stands with high amounts of forage (lichen), minimize the number of new

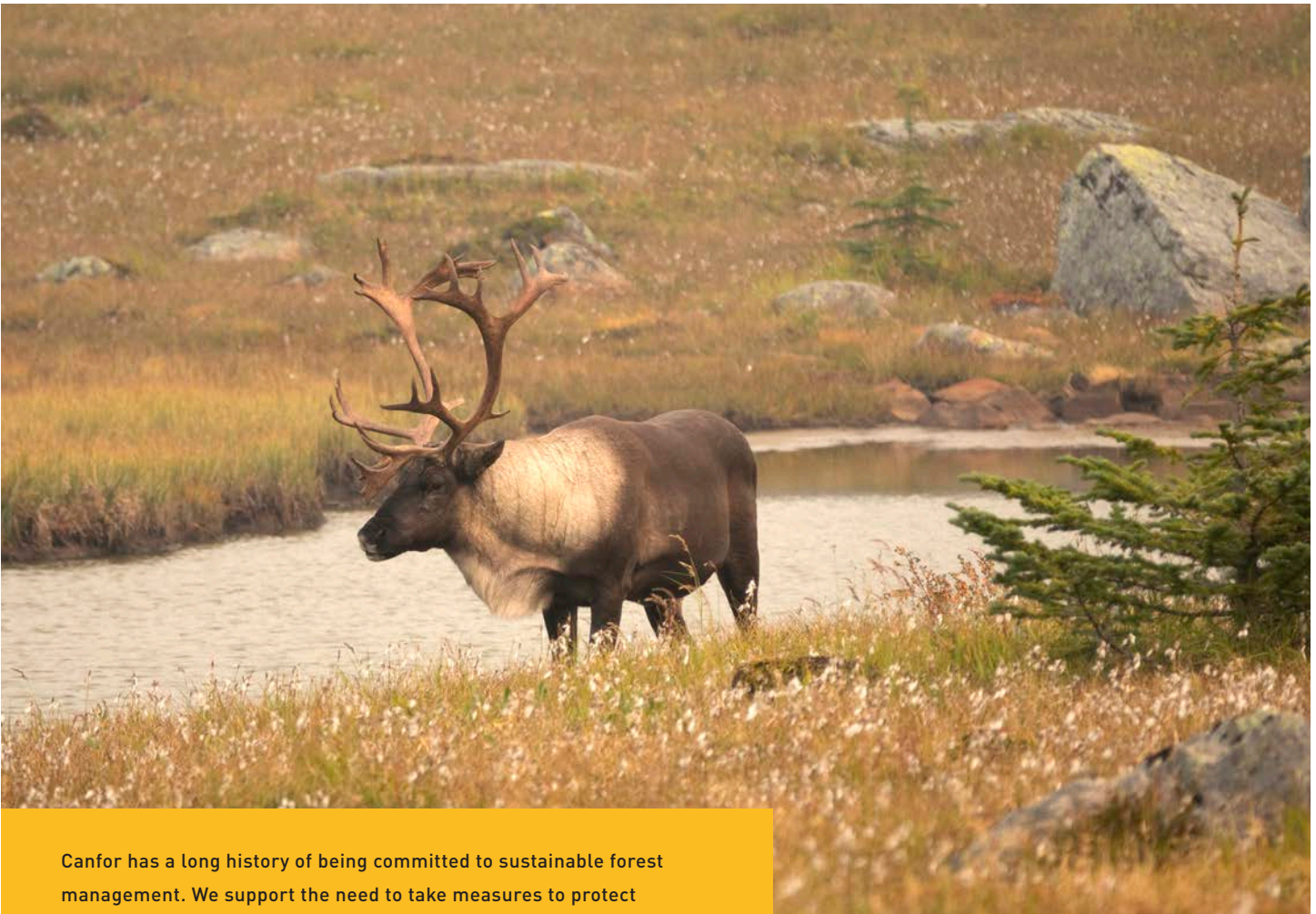
roads created and employ access management on roads within or leading to high-value caribou habitat. These measures are applied in areas adjacent to the millions of hectares of land legally protected for caribou in BC, increasing the available habitat for these wide-ranging and sensitive animals.

There are 356 species listed under Canada's *Species at Risk Act* and on the IUCN Red List occurring within our operating areas that may be impacted by forestry, including southern mountain caribou, the western screech owl, Williamson's sapsucker, American badger, whitebark pine and Rocky Mountain tailed frog. We use special management practices to address the habitat requirements of species at risk in our operating areas.



Whitebark pine is an endangered, high-elevation tree species with large, nutritious seeds that provide an important food source for grizzly bears and birds. The trees are also important to many First Nations. Whitebark pine populations are threatened by many factors, but primarily the white pine blister rust.

Canfor has developed special operating procedures for stands where whitebark pine occurs, which include marking and leaving all healthy trees. In 2018, Canfor also planted blister rust-resistant whitebark pine seedlings in cutblocks where diseased pine had been removed. These seedlings will be monitored for survival and growth over the next 10 years. Planting rust-resistant seedlings is considered to be the most important component of whitebark pine recovery and Canfor is pleased to be part of the solution.



Canfor has a long history of being committed to sustainable forest management. We support the need to take measures to protect southern mountain caribou. We are asking government to adopt a science-based approach that also considers socio-economic impacts.

RESPONDING TO CLIMATE CHANGE

Actively growing, healthy forests absorb carbon dioxide and convert it to stored carbon in the tree. 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.

Advances in wood science and building technology, adopted through modern building codes, allow wood to be used in an increasingly broad range of non-residential, multi-storey and longer-span buildings and applications.

ENVIRONMENTAL BENEFITS OF WOOD

THE FIGHT AGAINST CLIMATE CHANGE



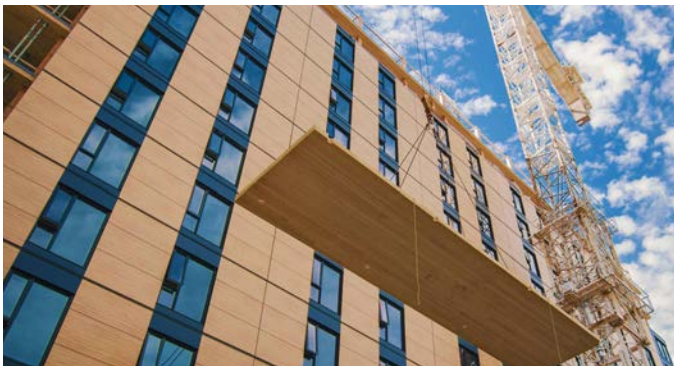
In developed countries, buildings represent about 35% to 40% of the total national energy consumption and a similar percentage of total national carbon emissions. Greening our buildings is a critical element in the quest for sustainability and the fight against climate change.

WOOD IS NATURAL

Wood is the only major building product that is natural, renewable and stores carbon throughout its lifecycle. The environmental benefits are strengthened when the wood comes from a company like Canfor that uses sustainable forest practices, backed by third-party forest certification.



NEW OPPORTUNITIES FOR SOFTWOOD LUMBER



Canfor is a leader in finding new ways to build with wood supports in the evolution of building codes to encourage the use of wood products. We support the work of the Softwood Lumber Board, which expands markets by creating new opportunities for softwood lumber, including more non-residential and multi-family structures and mass timber buildings.

MANAGING FORESTS TO MITIGATE CLIMATE CHANGE

Canfor's forest management practices play a key role in helping to sequester carbon by reducing greenhouse gas emissions. Warmer and drier summers and winters have increased the risk of drought, wildfires and insect infestations like bark beetles. These dead and dying trees 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 higher carbon sequestration properties. We continue to monitor developments in carbon sequestration modelling both at the provincial and regional level and use this 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 fertilization and increased planting densities help promote the carbon storage capacity of forest ecosystems.

In central British Columbia, where the fibre supply is decreasing due to wildfires and insect infestations, we have begun a commercial thinning program in young stands that involves removing the lowest quality timber through selective harvesting. This gives the remaining trees 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 with newly created corridors and excellent foraging opportunities.

Our Prince George Woodlands division reported excellent results when it applied this commercial thinning technique to a 47-hectare area, with support from FPInnovations and a progressive local contractor. There is potential to create an additional one million cubic metres beyond the allowable annual cut.

Forest management activities that determine the composition of our future forests will play a significant role in determining the impact of climate change. The British Columbia 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 suitable seed that can adapt to a changing climate will be available for our operating areas.

An aerial view of a commercially thinned area. Lower-quality trees were harvested to improve conditions for higher-quality trees and wildlife.



ADDRESSING THE WILDFIRE CONCERN

The changing climate is one factor leading to the growing number and severity of wildfires experienced in British Columbia. In 2018, the province experienced its worst wildfire season on record. Harvesting operations in many areas of the province, including our operations between Houston and Prince George, were shut down due to extreme fire hazards and many communities were evacuated.

Wildfire severity is also impacted by the buildup of fuel in the forest largely resulting from the mountain pine beetle epidemic that killed several million hectares of pine-dominated forests, the historical practices of aggressive wildfire response and control, and the reduction of prescribed burning.

We are working with the BC government to reduce the risk of fire and improve communication to respond to fires when they occur.



CREATING A FUEL BREAK

Through our wildland-urban interface treatment, we create a shaded fuel break with enough overstorey to minimize brush and understory growth, while maintaining enough space between the trees to ensure a crown fire could not be sustained.

As an example, we are working with the BC government to identify opportunities to reduce the risk of wildfire near four East Kootenay communities by logging in the wildland-urban interface, the transition zone between the forest and human development. When we held public meetings in each community to explain our planned interface treatments, the reaction initially was mixed. Public sentiment was more positive when we began operations. The community was impressed by our planning process and commitment to public safety.



COMBATting FOREST PESTS

Milder winters and warmer summers have contributed to the mountain pine beetle epidemic, which has caused significant impacts on forests in British Columbia and Alberta over the last 20 years. Although the epidemic is over in BC, its impacts will be felt for decades to come.

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

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 on 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 and harvesting objectives are now focused on salvage rather than spread prevention.

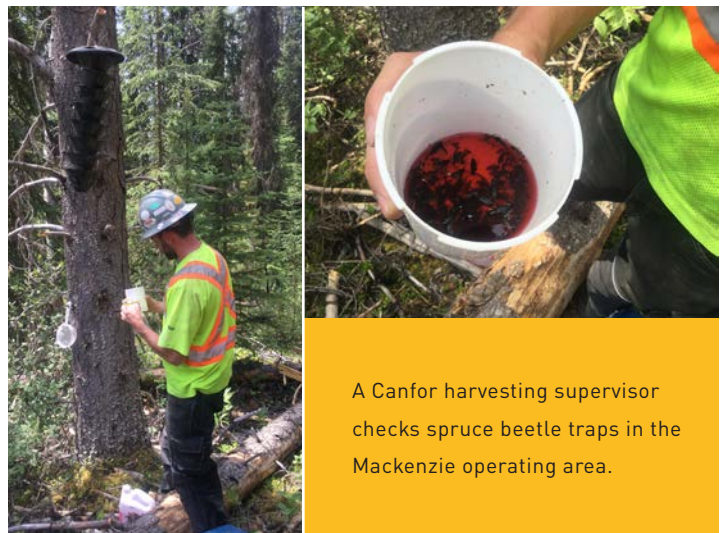
In Jasper National Park where the mountain pine beetle outbreak has increased the risk of wildfire to the Town of Jasper, we have been working with Parks Canada since 2018 to develop a unique forest management solution. One of the challenges faced was to ensure the plan's logging component was economic given the minimal disturbance allowed to the park's soils, wildlife and recreation trails. It is an innovative example of how operational forestry and adaptive management can enhance forest resilience and public safety within Canada's national parks.

The trend of warmer temperatures followed by drought have subjected forests to additional stresses and are allowing other forest pests to thrive, including an outbreak of spruce beetle in central British Columbia.

We are working collaboratively with other forest companies and with local and provincial government agencies to develop planning and harvesting tactics and strategies to stop 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 harvest (focused on leading-edge attack zones) and salvage harvest. Canfor is also moving swiftly in ramping up our capacity to harvest steep slopes where much of the spruce beetle outbreak currently exists.



Pyramid Bench on the northwest side of the Jasper townsite shows the level of the dead pine stands and increased fire fuel loading.



A Canfor harvesting supervisor checks spruce beetle traps in the Mackenzie operating area.

ALTERING OPERATIONAL ACTIVITIES

With winters being warmer and shorter, we are employing measures to make the best use of our traditional winter hauling season. This includes building permanent roads with more durable standards so they 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.

We also transport logs to satellite storage yards and temporary storage areas during optimal hauling times so they can be delivered more steadily to our mills throughout the year. As a result, the logs are less exposed to adverse weather and road conditions.

We are increasing our deployment of larger nine-axle trucks to enable longer haul distances, reduce fuel costs and greenhouse gas emissions, improve safety, address the issue of driver shortages, and lower pavement impacts. The British Columbia government has approved the use of the larger trucks on designated provincial highways. In addition, 10-axle chip vans are currently being tested.

Canfor is involved in collaborative industry actions that mitigate the impact of climate change and increase the amount of carbon stored in the forest, such as the Forest Products Association of Canada's ["30 By 30" Climate Change Challenge](#). We contributed to the [forest sector's feedback](#) to the BC government's climate leadership team recommendations, which offered advice on ways to help the province achieve its carbon goals through green biomass energy, forest management practices, transportation and increased use of wood products in construction.



DEVELOPING INNOVATIVE LOW-CARBON PRODUCTS AND TECHNOLOGIES

Through a joint venture agreement with Licella Holdings, Canfor Pulp continues to explore the potential to use unique technology developed by Licella to convert waste from kraft pulp mill production processes into a low-cost biocrude oil that could be refined into next-generation biofuels and biochemicals. In 2018, our work focused on developing the product's technical specifications and de-risking with our off-take

partner. This process has been successful and is proceeding well. In addition, life-cycle studies have shown that our pathway represents a significant positive step change in reducing the carbon intensity of transportation fuels. We are on track to establish a commercial-scale demonstration facility by 2025.

COMPLIANCE – FORESTRY

Canfor monitors incidents of non-compliance and categorizes them by severity according to the following criteria:



HIGH SIGNIFICANCE:

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



MEDIUM SIGNIFICANCE:

- Has caused moderate environmental damage; or
- Will negatively impact public trust locally; or
- 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 (FMS) processes or procedures.

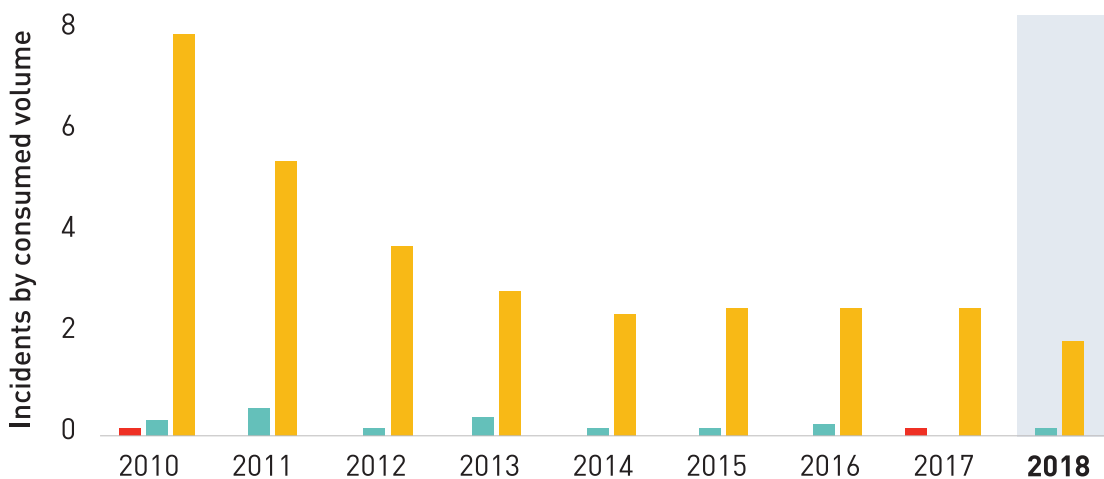


LOW SIGNIFICANCE:

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

INCIDENT REPORT

In 2018, our forestry operations recorded the following occurrence of non compliance: high severity: none; medium severity 1 or 0.1 incidents per million m³ of delivered volume; and low severity: 28 or 1.9 per million m³ of delivered volume.



Over the years, we have seen a decreasing trend in non compliance.

OUR OPERATIONS



HIGH QUALITY
AND EFFICIENCY

We strive for high quality and
efficiency in all of our operations.

OUR OPERATIONS

STRIVING FOR HIGH QUALITY AND EFFICIENCY

In 2018, we entered into agreements to purchase 70% of the Vida Group of Sweden, which closed in February 2019, and Elliott Sawmilling in South Carolina, of which the first phase closed in May 2019.

Canfor and Canfor Pulp continue to invest in our operations. We have made a number of targeted strategic capital initiatives at our sawmills since 2010. In 2018, we invested a total of \$272.3 million in our lumber segment, including major upgrades at our sawmills in Arkansas, Alabama and Georgia. We also invested in smaller projects aimed at increasing drying capacity and productivity.

In 2018, Canfor Pulp invested a total of \$120.5 million in capital projects at all of our pulp mills to improve environmental and economic performance and enhance the quality of our products. We completed two significant energy projects — the start-up of a 32-megawatt condensing turbo-generator at our Northwood mill and an energy reduction project at our Taylor mill.



Low consistency refiners were installed at Taylor pulp mill as part of the \$40-million upgrade.



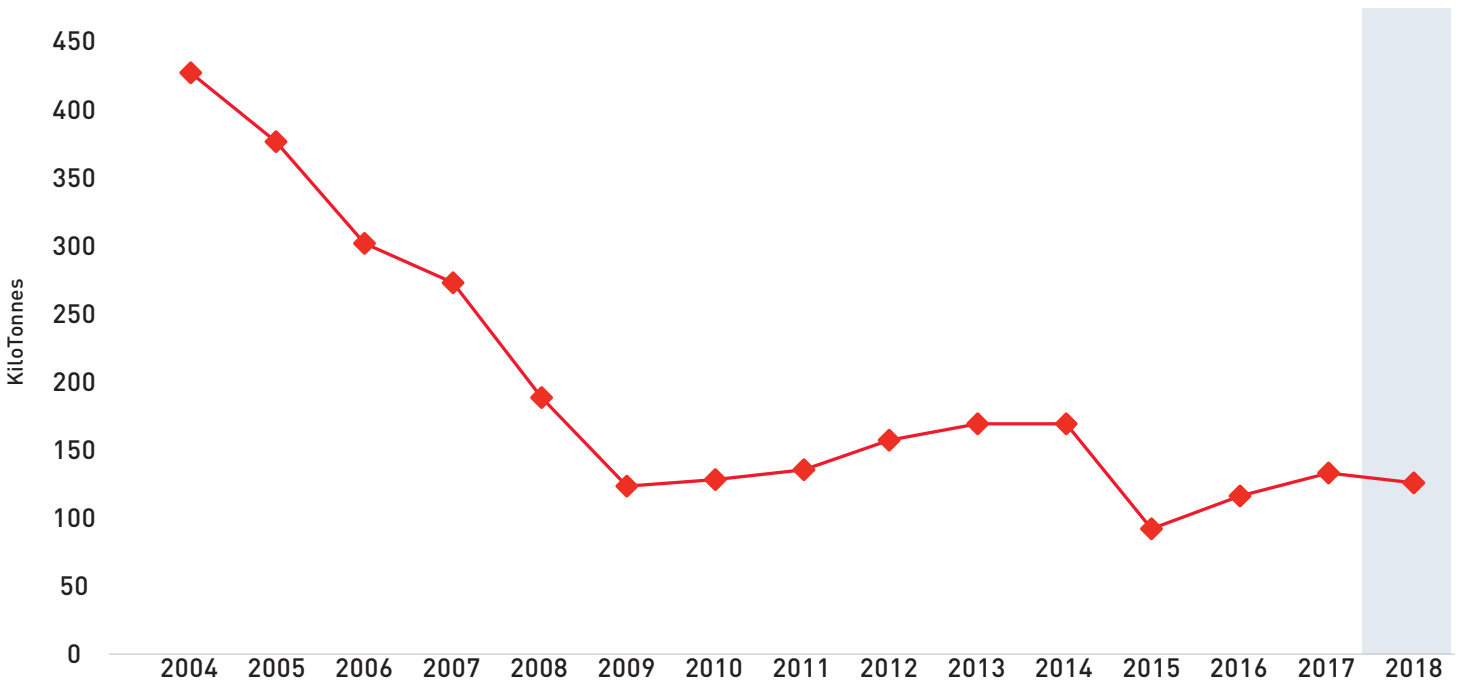
CARBON FOOTPRINT

Canfor and Canfor Pulp continue to look for ways to combat climate change by improving our manufacturing processes, regenerating forests, reducing our greenhouse gas emissions, and increasing our use of sustainable biomass for power and heating. Using biomass in place of fossil fuels reduces our operating costs, yielding economic and environmental benefits.

We have set goals at all of our manufacturing plants to further reduce greenhouse gas emissions — adopting operating practices that increase overall energy efficiency and investing in technologies that use biomass instead of fossil fuel.

In 2018, this included commissioning a \$40-million Superline project at our Taylor pulp mill, which will reduce electrical energy by 17% and greenhouse gas emissions by 40%. These reductions will be achieved from the capture and reuse of the thermal energy from the refining process, which will reduce the amount of natural gas needed in the pulp drying stages. The project also includes low consistency refiners and modifications to the pre-refining equipment that reduce the electrical energy needed to refine the pulp. The team at Taylor is meeting regularly to track its target of reducing natural gas consumption by 40% and expects to fully achieve this by 2020.

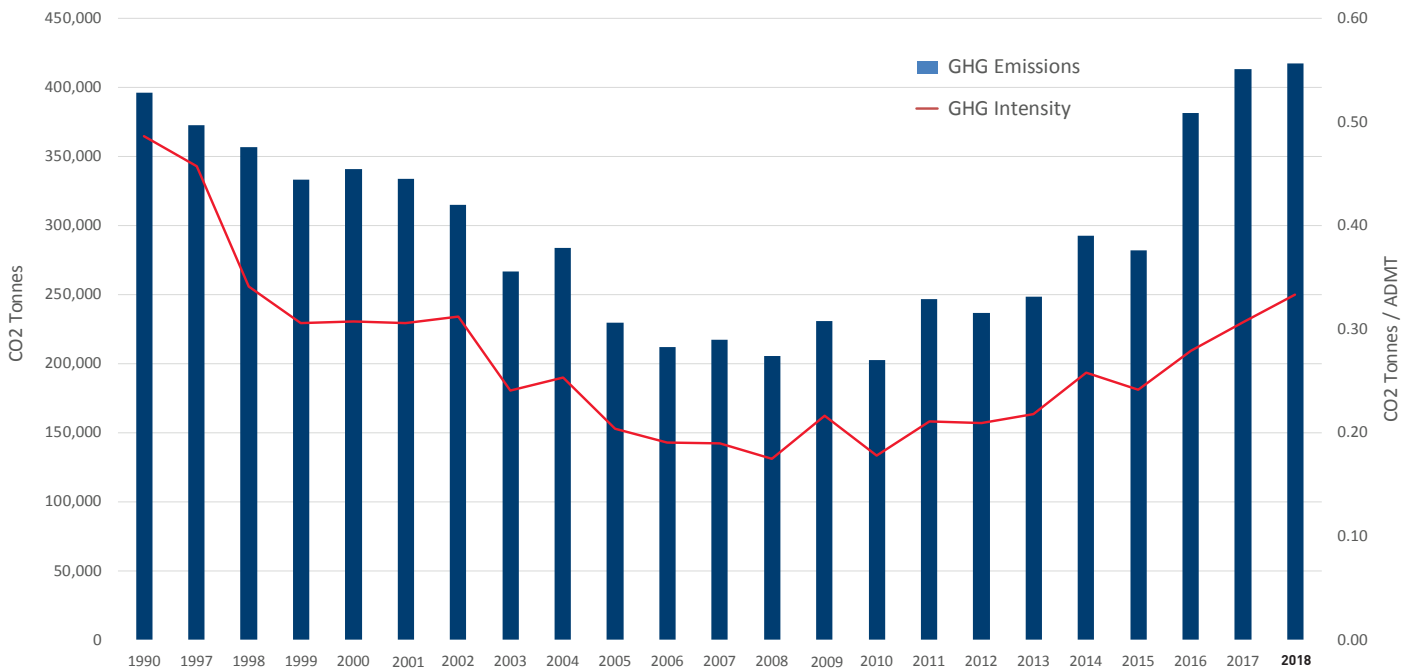
CANFOR GREENHOUSE GAS EMISSIONS



Overall greenhouse gas emissions were reduced slightly from 2017 due to seasonal changes and production curtailments at a number of BC sawmills.



CANFOR PULP GREENHOUSE GAS EMISSIONS 1990 - 2018



Canfor Pulp's greenhouse gas emissions experienced an increase in 2016 due to the inclusion of the Taylor mill. The operation was previously reported under Canfor Corporation. The company's natural gas consumption in the boilers increased slightly from 2016 to 2018 due to mechanical reliability issues in the biomass feed system and boiler operations. The goal for our four pulp mills in 2019 is to increase biomass energy production to support our path to reducing our carbon footprint.

ENERGY MANAGEMENT

Canfor is currently saving 14,900 MWh of electricity annually — enough to power 1,040 homes each year — thanks to efforts of employees across the company.

Our current target to reduce electricity per unit of production by 10% at our BC and Alberta sawmills is benchmarked against the electricity consumption from 2011. Since this benchmark was created, there have been changes to our business including processing a greater volume of greener fibre, which has higher moisture content. These products require longer drying times and have increased our energy intensity, which is the amount of energy it takes to produce a certain volume of finished lumber. In 2018, the energy intensity was 122.6 kWh/Mfbm, 3.4% greater than 118.5 kWh/Mfbm in our baseline year of 2011.

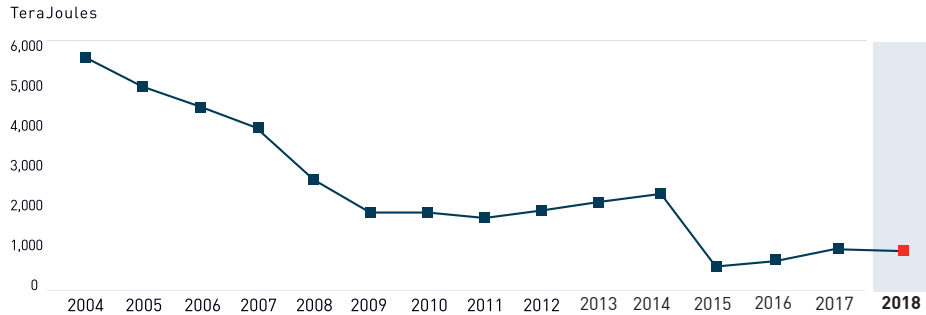
To address the increased demand for drying, one of our priorities is to increase kiln capacity at several of our facilities that will lead to higher natural gas and electricity consumption. We continue to use biomass and associated residuals to generate electricity and we have also installed high-efficiency natural gas burners for incremental heat capacity.

In 2019, our focus will be on aligning existing maintenance initiatives with energy management and encouraging all employees to look for ways to save energy every day. Conducting annual site visits at each division and creating energy models to support operational changes will enable audits of both behavioural actions and capital projects in order to sustain the energy savings.

We are resilient and resourceful and always find a way forward. Despite the changes to our business and the challenges we encounter, we are committed to sustainable use of energy resources and will continue to look at practices that further increase our energy efficiency. In 2019, we will be focused on establishing a new goal that aligns with our 2025 strategy and will help drive our sustainability targets.

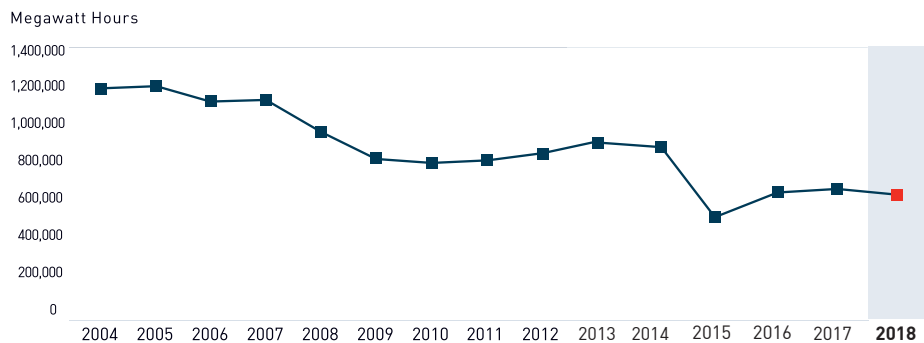
The Canfor Green Energy LP's Organic Rankine Cycle generator (ORC) in Chetwynd generated 21,100 MWh above its baseline in 2018 – enough to power 1,470 homes. The ORC converts biomass (a by-product of the sawmilling process) into green electricity.

CANFOR NATURAL GAS USE



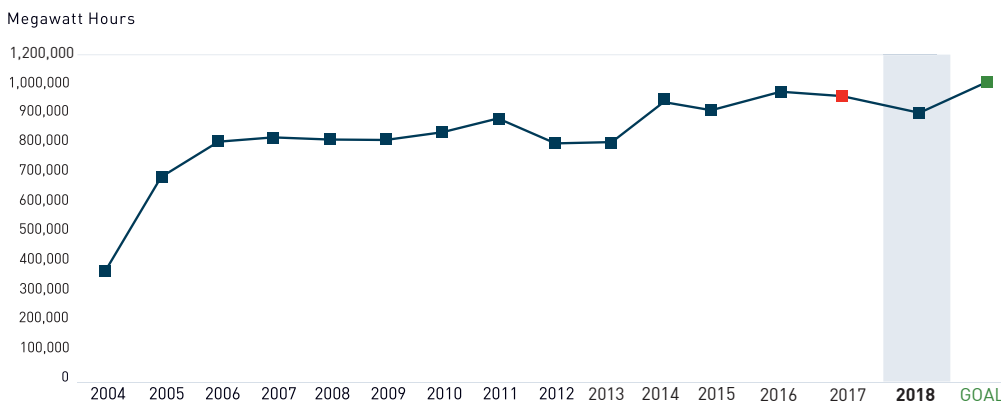
From 2015 to 2017, natural gas purchases increased slightly at both our Canadian and US operations due to adverse weather and a shift to greener fibre, which requires more drying capacity and heat to dry. Natural gas purchases slightly decreased from 2017 to 2018 due to seasonal changes and production curtailments at a number of BC sawmills.

CANFOR ELECTRICITY PURCHASES INCLUDING PELLET AFFILIATES



In 2018, we saw improvements in electrical consumption as a result of better use of the Canfor Energy North Organic Rankine Cycle generator at the Chetwynd Pellet Plant and internal energy management activities.

CANFOR PULP BIOMASS ELECTRICITY GENERATION



Canfor Pulp generated 887,571 MWh of power from our three Prince George mills in 2018. Our performance was down compared to 2017 due to mechanical problems with our No.5 recovery boiler at the Northwood mill that were addressed in late 2018. We expect to achieve our target of one million MWh/yr in 2019.

Canfor Pulp's modern kraft mills operate as large-scale biorefineries, allowing us to efficiently manufacture premium pulp products while producing clean energy. We use steam from our boilers to generate electricity and heat our operations. We export surplus power to the British Columbia electricity grid. In 2018, we generated 887,571 MWh of power from our three Prince George pulp mills.

AIR AND WATER 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.

In Prince George, we draw water for our mills from the Nechako and Fraser Rivers. During 2018, our mills used 88 cubic metres of water per air dry metric tonne of pulp and paper produced. This number was higher than the previous year due to production issues at the Northwood mill that operated at 50% production capacity during most of the fourth quarter as a result of mechanical issues on the No.5 recovery boiler. Approximately 98% of the water we process is cleaned and discharged to the river, and only 2% is actually consumed in the process.

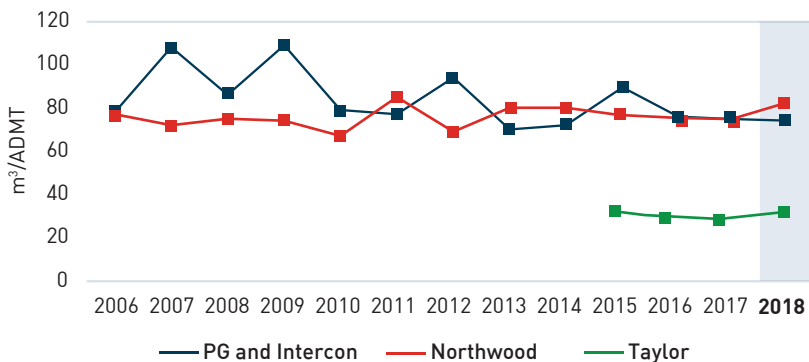
The dark blue areas denote the water sheds that are impacted by Canfor Pulp operations.



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, its Environmental Effects Monitoring has 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.

We finalized work on raising the berm at our Northwood mill’s outfall lagoon in 2017. It now meets a 200-year flood level, avoiding overflows into the Fraser River. In 2018, the raised berm maintained a controlled level throughout freshet. We also built new fish habitat as part of the project. The outflow lagoon receives treated effluent from the Northwood mill and releases it into the Fraser River through a submerged diffuser.

MILL WATER USAGE INTENSITY



PRINCE GEORGE AIRSHED

Canfor Pulp continues to focus on improving ambient odour conditions in the Prince George air shed. In 2018, we spent more than \$1.5 million to reduce the generation and discharge of odorous gases. Projected benefits were supported by preliminary testing in the third quarter of 2018.

MANUFACTURING COMPLIANCE – CANFOR

Canfor was in substantial compliance with regulatory requirements at its manufacturing facilities with the following exceptions:

CANADIAN OPERATIONS

AIR - A pellet plant energy system significantly exceeded the permitted particulate discharge during an emissions test. The system was shut down for inspection and repairs. It was then retested and found to be operating within compliance limits.

A combined heat and power facility in Alberta briefly exceeded carbon monoxide emissions due to high fuel moisture content, likely due to snow entering the system. It also reported two opacity exceedances caused by high oxygen in the flue gas. Further investigation found that components responsible for cleaning the pollution control equipment were not functioning properly and were replaced.

One sawmill received an advisory notice from the BC Ministry of Environment for minor administrative errors related to documentation and notification requirements of the air permit.

EFFLUENT - Total extractable hydrocarbon levels from oil-water separators at one sawmill exceeded permit limits. The system was cleaned out and retested twice, while there was some improvement it still exceeded permit limits. Discharge from the system was shut down for the winter. Additional maintenance was completed on oil water separator and associated equipment in spring 2019. Discharge resumed and samples were taken in May 2019 and results were in compliance with regulatory requirements.

WASTE - One sawmill received an advisory notice under the Hazardous Waste Regulation following a routine inspection by the BC Ministry of Environment. The minor issues involved waste drums, some lids were not secure or had missing labels. All drums have been properly sealed and labelled.

SPILLS - There were three reported spills in 2018. In all cases, appropriate regulatory agencies were notified promptly upon discovery and cleanup efforts were completed.

At one sawmill, a 180-litre spill of aviation fuel was discovered on the helicopter pad in the spring during routine yard inspections. A fuel barrel was likely impacted by mobile equipment during snow clearing, causing a leak from a small puncture. The spill was cleaned up and material disposed of offsite. Lock blocks were placed on both ends of the helicopter pad as protective barriers for the fuel drums.

At another sawmill, a hydraulic line failed on a piece of mobile equipment causing a 500-litre spill of hydraulic fluid. The machine was removed from service and repaired. Impacted soils were removed and disposed of offsite.

At another sawmill, a piece of logyard mobile equipment struck overhead power lines, which brought down the poles and lines to the roadway and damaged the transformer. This resulted in a transformer fluid leak of approximately 90 litres. This was below the reportable threshold unless PCB contamination is suspected. BC Hydro reported the spill as a precaution and a test later confirmed there were no PCBs. The contaminated soil was excavated and disposed of offsite.

US OPERATIONS

All of our US locations have achieved compliance for the Boiler Maximum Achievable Control Technology, an Environmental Protection Agency (EPA) standard aimed at reducing emissions of hazardous air pollutants from industrial boilers. We have opted to install continuous dry kilns (CDKs) and direct-fired batch kilns at many of our US locations. While CDKs negate the need for biomass-fueled boilers, overall emissions from CDKs and batch kilns are currently under review by the EPA. Canfor has prepared detailed work practices and operating parameters to meet and exceed anticipated upcoming regulatory standards. Canfor continues to operate biomass-fueled boilers, which meet regulatory limits and customer-specific product needs. In 2018, one location operating a biomass-fueled boiler had two minor opacity exceedances, which were remedied by adding additional monitoring practices.

MANUFACTURING COMPLIANCE – CANFOR PULP

Canfor Pulp’s commitment to transparency includes reporting on our manufacturing processes.

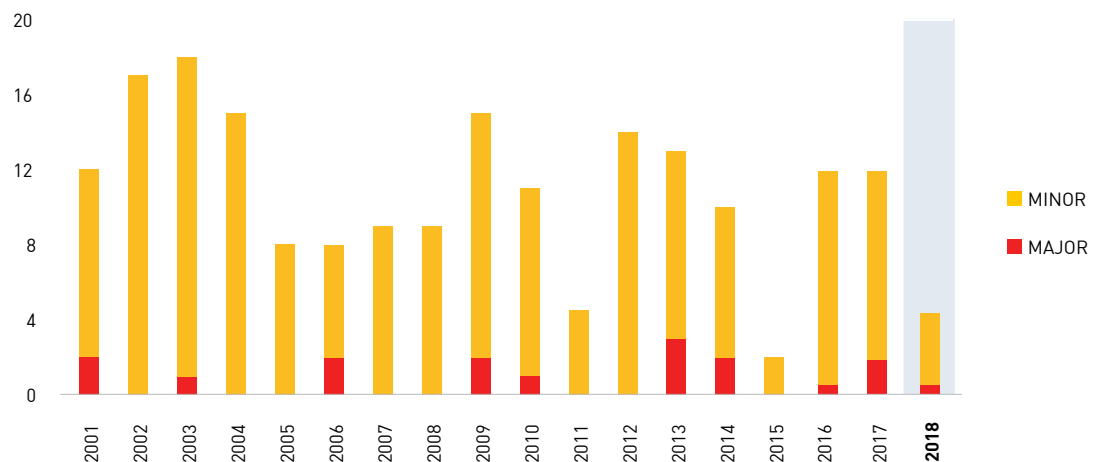
MINOR

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

MAJOR

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

ENVIRONMENTAL INCIDENTS



Canfor Pulp reported four minor incidents in 2018. These included three small effluent spills at our Northwood pulp mill and one failure for a permitted effluent test at the Taylor pulp mill:

- Two spills, totalling about one cubic metre each, involved escapes from our spill containment system and were promptly reclaimed and disposed of in the mill’s wastewater treatment system.
- The third was the result of maintenance activities during our fall turnaround. Following operational downtime, upset conditions in the effluent treatment system resulted in a failed effluent parameter. Follow-up sampling per the regulation commenced immediately and no further concern was identified.
- In November, the Prince George pulp mill discharged effluent that exceeded regulated parameters following upset process conditions. Effluent quality returned to normal after corrective actions were implemented. The BC Ministry of Environment presented Canfor Pulp with a warning letter given the company’s transparency and indications of future compliance with no further regulatory activity expected.

OUR PEOPLE



ENGAGED AND EVOLVING

We value our people and are focused on fostering their continued engagement and ongoing development.

OUR PEOPLE

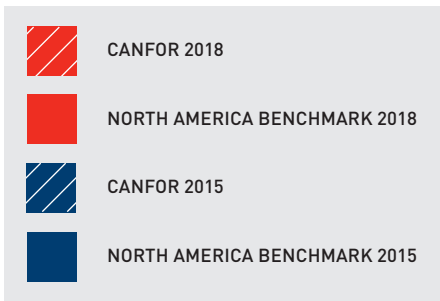
ENGAGED AND EVOLVING

To provide employees with an opportunity to share their opinions regarding their jobs and Canfor's work environment, in 2018 we launched our own version of an employee engagement survey – the employee check-in survey. The survey was an interactive, web-based platform that provided salaried employees an opportunity to share their opinions on topics such as career professional development, manager quality, rewards and recognition.

The check-in survey allowed employees to help shape Canfor's culture and work environment. The inputs from the survey were used to make key decisions that will impact our employees. For example, in 2015, our survey identified the need to focus on learning and development and as a result, Canfor College was created. Canfor College offers a wide variety of learning, development, leadership and business acumen courses throughout the company.

CHECK-IN SURVEY RESULTS

Our 2018 Employee Engagement Index came in at 81%, significantly higher than our 2015 survey at 66% and above the industry benchmark set for our sector (70%) and North American companies (65%).



CANFOR EMPLOYEE ENGAGEMENT INDEX



OVERALL SATISFACTION



RECOMMEND AS AN EMPLOYER



VALUED AND RECOGNIZED



ALIGNED VALUES



ADDITIONAL HIGHLIGHTS FROM THE EMPLOYEE CHECK-IN RESULTS



85%

Recommend Canfor as an employer to friends and family



95%

Committed to helping Canfor achieve its objectives



94%

Go beyond what is normally required in the job description for Canfor to succeed



92%

Get a sense of personal accomplishment from doing their job well



92%

Feel their job is important



87%

Proud to work at Canfor



Though our results showed that we had improved across the board, we continue to address opportunities for improvement in all areas. We developed a corporate action plan to respond to the feedback we received and we continue to report out internally on progress as we move forward.

CHECK-IN SURVEY ACTION PLAN



01. BENEFITS

Review our benefits plans and make adjustments where we see fit.



02. CORPORATE GIVING

Update our approach to corporate giving that connects our employees to causes that matter to them.



03. WORK-LIFE BLEND

Gather information about day-to-day workloads using surveys, focus groups and team discussions to ensure there is a good work-life balance.

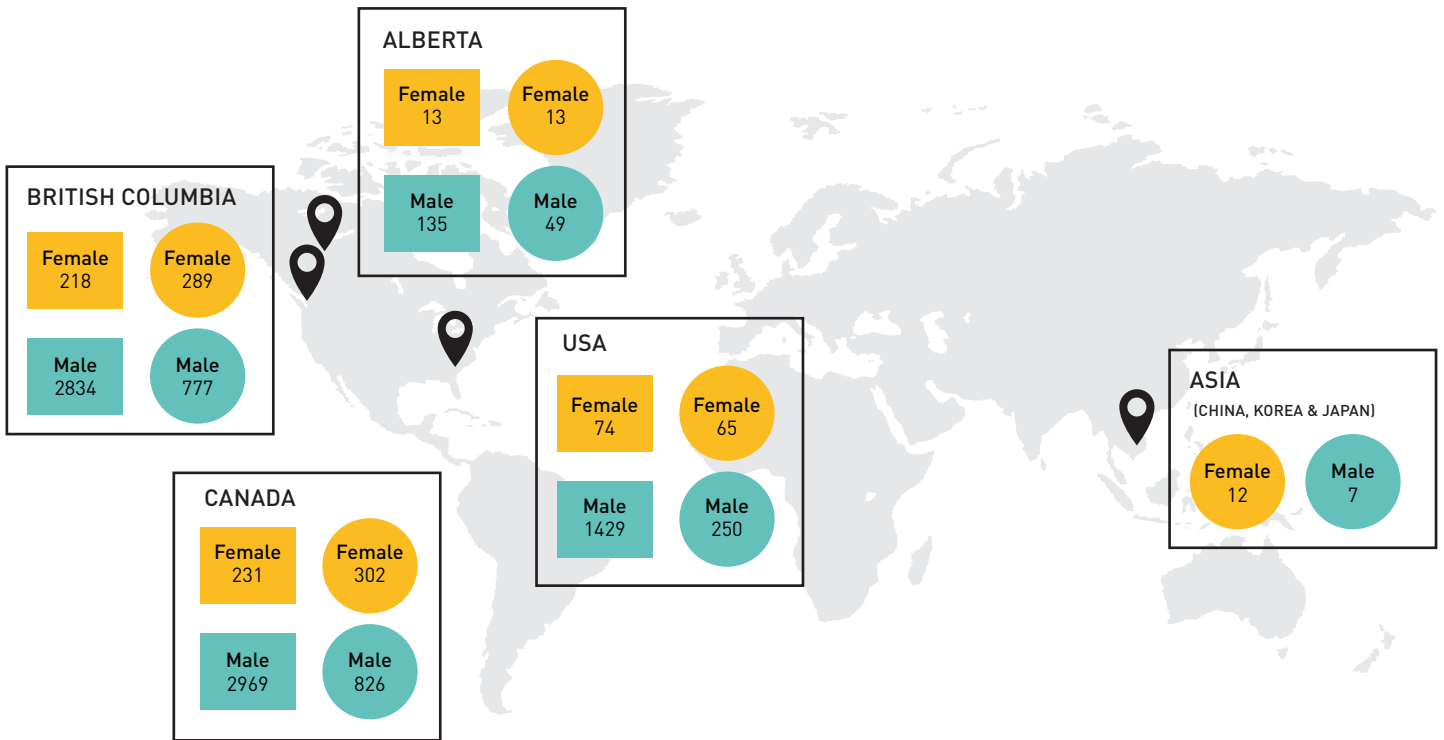


04. CAREER DEVELOPMENT

Conduct training sessions to improve understanding of our career development planning process and expanding access to our Canfor College training and development programs.

OUR WORKFORCE

The people of Canfor and Canfor Pulp are split into two categories: employees that are paid on a salary basis and employees that are paid on an hourly basis. We have 4,744 employees who are paid on an hourly basis, most in mill production positions, and an additional 1,497 employees in salaried positions. The hourly employees include 4,427 men and 317 women; the salaried employees include 1,102 men and 395 women.



FULL TIME HOURLY

Total Employees = 4700



PART TIME HOURLY

Total Employees = 3



TEMPORARY

Total Employees (full- and part-time) = 75



FULL TIME SALARIED

Total Employees = 1459



PART TIME SALARIED

Total Employees = 4



TOTAL

Total Employees = 6241



SAFETY

Our most important core value is: Safety comes first, and our goal is to have zero safety incidents. Thanks to the strong performance by employees across all business units, our company-wide Medical Incident Rate (MIR) has dropped steadily for four years in a row standing at 1.40 for 2018 — far below our target of 2.0. We are among the leaders in BC's forest sector when it comes to safety, with an MIR substantially below the industry average. Canfor Pulp's MIR was 0.71, the lowest in 15 years and we are proud to have our pulp mills among Canada's top 10 safest mills in 2018.

Operations with zero safety incidents throughout 2018 include our Prince George pulp and paper mill, Taylor pulp mill, Prince George chip plant, Chetwynd pellet plant and Canfor Green Energy in Grande Prairie. Safety milestones achieved in 2018 included our Chetwynd sawmill, which celebrated one year without a recordable incident and our Graham plant in North Carolina, which marked three years without an incident and achieved four years in early 2019.

A broad range of activities helps us create a world-class safety culture. We share and implement best practices, using our safety hazard alert processes to let managers and safety leaders know about incidents and key learnings so they can assess and address risks proactively.

Across the company, we help employees establish a personal and emotional connection to safety. In 2018, all Canfor Southern Pine (CSP) employees signed a pledge to be safe at home and work, making a commitment to never compromise safety, to report hazards and to be a safety role model. In conjunction with this, CSP rolled out safety absolutes, which outline safety work practices that are

absolutely essential to prevent serious injuries, related to things such as lockouts, falls from elevations, electrical safety and personal protective equipment.

In 2018, our Wood Products Canada divisions began a partnership with DuPont Sustainable Solutions to identify ways to assess our progress so we can conduct a safety culture measurement in 2019. We also advanced our efforts to modernize our Environmental, Health and Safety (EHS) and Learning Management Systems (LMS) so we can better align and standardize safety processes and share best practices.

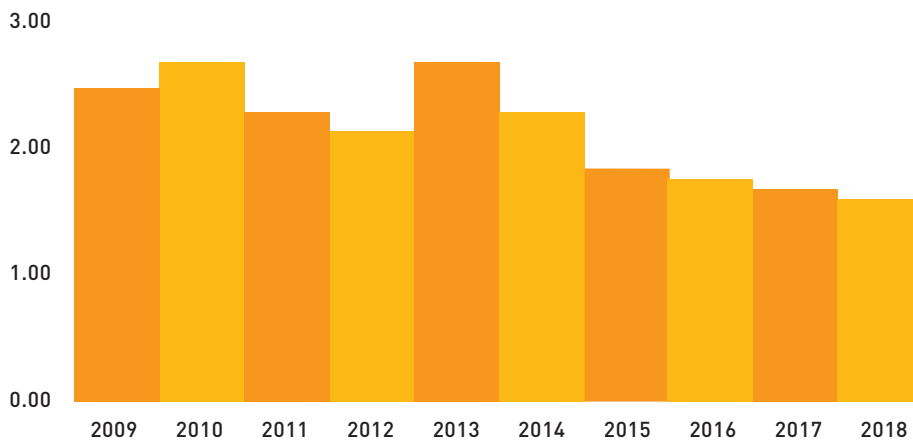
Thirty managers from our Canadian and US operations met in 2018 to discuss and develop fire prevention strategies for our kilns, both conventional batch and continuous drying kilns. When these managers discovered there were no industry standards for sprinkler systems in kilns, they created one for Canfor that will be used going forward when we upgrade our kilns or build new ones.



Jamison O'Neal and LB Jackson, both log scalers at our Hermanville, MS, operation, both made their safety pledge to family members.

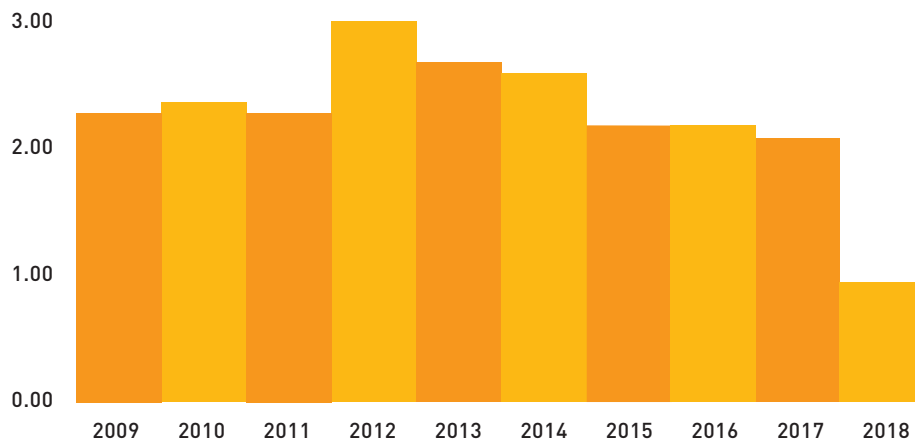


TEN-YEAR MEDICAL INCIDENT RATE TREND - CANADIAN WOOD PRODUCTS



The 10-year trend for our Wood Products Canada divisions shows steady progress over time. We reached our company-wide MIR target of 2.0 in 2015, and continue to improve.

TEN-YEAR MEDICAL INCIDENT RATE TREND - CANFOR PULP



Canfor Pulp marked the lowest MIR in 15 years in 2018, substantially lower than past years.

In 2018, Canfor Pulp began field risk assessments and supervisor audits against leading and lagging indicators to forecast areas that need more attention. For example, if the MIR is dropping but the total incident rate (TIR) is increasing, action may be needed before a significant event occurs. Typically, more risk assessments and audits lead to a drop in the TIR.

TRAINING

As our workforce changes and competition for talent increases, we see the benefit of hiring for ability and training for skills. Our strength comes from our skilled and dedicated employees and we work hard to support their ongoing development as we grow as a company.

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 to recognize the best places to work in British Columbia.

01

CANFOR COLLEGE

Canfor College, a virtual and nomadic training and development institution was launched in 2015. Today it has become a valuable in-house resource with targeted programs that meet our specific operational needs and support employee development. Canfor College offers 15 on-line courses giving employees the opportunity to access subjects such as coaching, listening skills and performing under pressure. Additionally, Canfor College offers specific in-person and online intensive leadership programs, technical and operationally required training. In 2018, a total of 414 employees in Canada and the United States attended at least one of our in-house programs.

Two of our marquee programs are the Strategic Leaders Program and the Accelerated Leaders Program.

In 2018, we ran a pilot of a six-month Strategic Leadership Program for General Managers, Plant Managers and Directors. This six-month leadership development program consists of a set 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.

The nine-month Accelerated Leaders Program (ALP) includes leadership training, in-house designated mentors and external coaches. Participants solve real-life Canfor business case challenges and present their recommendations to our executive team. 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.

Anna Schulz, Offshore Sales Manager, who works out of our Mobile, AL, office graduated from the Accelerated Leaders Program in the spring of 2018 and said:

"IT WAS ONE OF THE BEST PROGRAMS I'VE EVER BEEN TO."



Graduates of the 2017-18 Accelerated Leaders Program.

02

RIPPLE TOURS

Corporate office staff can contribute more effectively if they understand our business so every quarter we take a number of new corporate office employees on tours of our sawmills, pulp mills and forestry operations.



On the February 2019 Ripple Tour, a group representing four departments at Vancouver's head office travelled to the Prince George region and visited Canfor's solid wood and pulp facilities, including JD Little Nursery, the CN reload facility and an active harvesting area.

03

APPRENTICESHIPS AND SKILLED TRADES TRAINING

Apprenticeship programs are an important part of our culture and Canfor continues to invest in the trades in both formal and informal capacities.

04

COLLEGE OF NEW CALEDONIA (CNC) INTERNSHIP PROGRAM

The goal of the CNC–Applied Business Technology (ABT) program is to create an introduction to the office environment at Canfor and allow people to learn a skillset that is in high demand. The ABT program requires the students to have three weeks of work experience, one week each month for three months. The work experience portion of the program allows students to have an opportunity to apply the skills they have developed during the course.

DEVELOPMENT

01

CAREER DEVELOPMENT PLANNING

Our main goal is to have the right people in the right place at the right time. We function best as a company and our people function best in their roles when this is true.

We are taking steps to better understand the talent that we have and what we need to invest to meet new challenges. Each year, we ask our salaried employees to complete talent development profiles highlighting their career goals, long-term aspirations, areas for improvement and alignment to Canfor leadership capabilities to name a few.

OUR LEADERSHIP PRINCIPLES



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

02

TALKING TALENT

In 2018, we formally launched a robust talent management cycle and are in the process of communicating and putting this into practice across Canfor. We heard from employees across the company that they are committed and proud to work at Canfor, but it is not always clear what their specific career path is or could be. Recognizing that people are most engaged when they are involved and understand their own development and potential, we released a series of training opportunities to guide them on how managers and employees can be more active in planning and executing their career goals.

INCLUSION AND DIVERSITY

Canfor recognizes the value of diversity among our employees, our Indigenous relationships, our customers and our stakeholders. We promote diversity by valuing the unique strengths and experiences in all of our employees and partners; this encourages a wider choice of qualified candidates to explore employment opportunities at Canfor.

We have identified workforce diversification as a strategic priority. In 2018, we created a diversification blueprint as a step toward building a more inclusive and diverse company. Our goal is to include, attract, develop and retain a diverse employee base that reflects the demographics of the communities where we operate.

Part of the blueprint is our people diversification action plan, which includes 21 actions for our company and employees, in the following areas:



ATTRACT

We will do a better job at telling our story.



RECRUIT

We will take steps to actively recruit a diverse group of candidates and avoid bias in how we search for candidates.



HIRE

We will look at our systems and processes for hiring to uncover and address bias.



CULTURE

We will look at our culture and make intentional adjustments to ensure it is inclusive for everyone.



DEVELOP

We will look at our systems and processes for development to uncover and address bias.



DATA

We will measure and report our progress.

In 2018, we created a Diversity Council sponsored by the CEO. This gender-balanced group of Canfor people meet quarterly to inform, guide and advise our gender diversity programming, planning and training.

We are 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 relationship, which continues informally if both agree.

We will track results through surveys and benchmarks so we can monitor progress toward our goal of having a diverse workforce that is reflective of the communities we operate.

DIVERSITY PERFORMANCE

26%

The percentage of females in leadership development programs

12.3%

The percentage of females in management and senior management roles

24%

The percentage of females on executive level succession plans

42

The number of Indigenous applicants hired in 2018

CANFOR'S INDIGENOUS ENGAGEMENT STRATEGY

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

Our engagement with Indigenous peoples is guided by the following principles:

GUIDING PRINCIPLES



01. 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.



02. 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.



03. 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 well-being of Indigenous peoples through shared principles that ensure the sustainability of the forests for current and future generations.

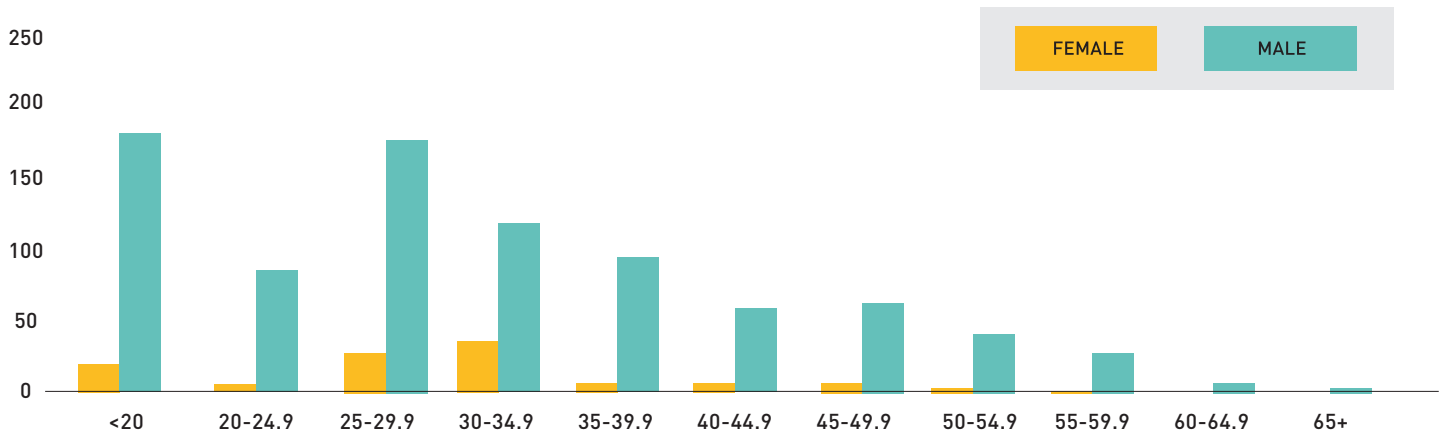
CANFOR'S LEADERSHIP COMMITMENT TO DIVERSITY

Our approach to diversity is designed to attract, develop and advance the most talented employees regardless of their ethnicity, gender, age, sexual orientation, religion or any other dimension of diversity.

Our senior officers of the company, we are personally accountable for advancing diversity within Canfor and will ensure it is a priority objective in every division and department. We expect all our employees to contribute to an inclusive workplace culture and we will provide the tools and training to support them.

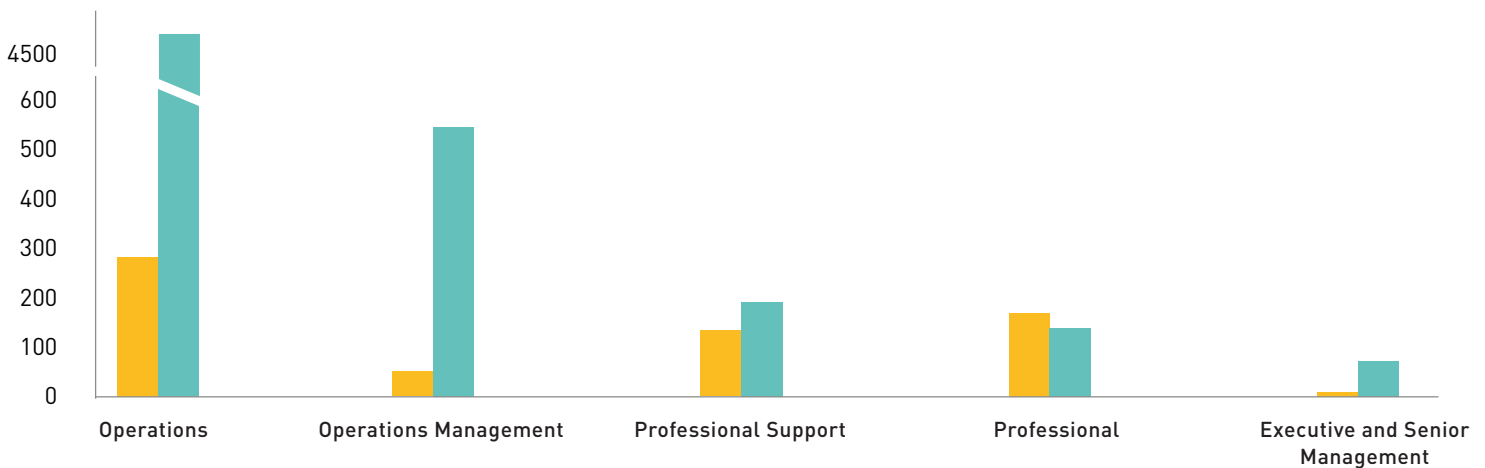
We will monitor progress by reporting on key metrics and regularly reviewing and revising our strategies to drive continual improvement. Our goal is to create a diverse workforce with a specific focus on diversity in the following areas: gender, Indigenous people and visible minorities. Our ultimate goal is to have a diverse workforce that is reflective of the communities we operate in by 2030.

2018 NEW HIRES BY AGE BAND AND GENDER



The above chart excludes temporary, seasonal and casual employees.

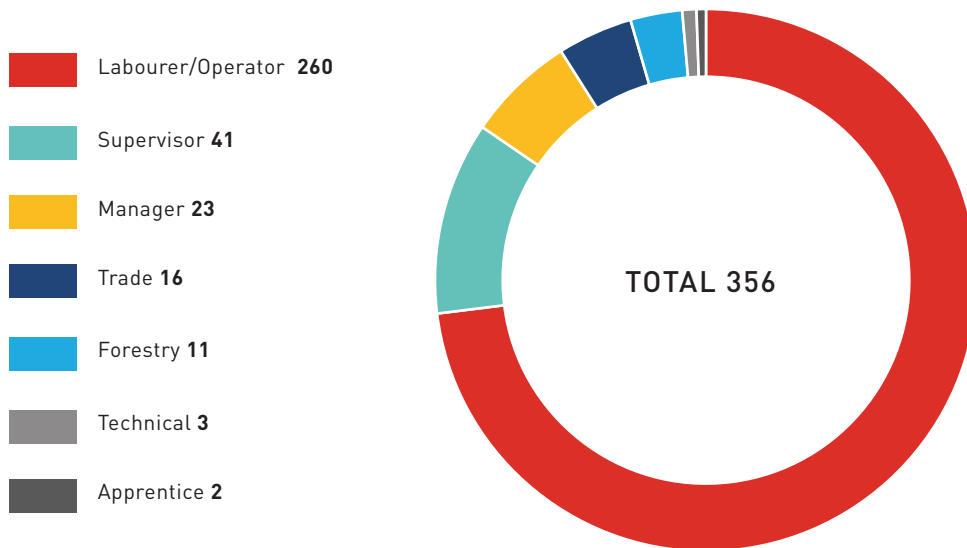
2018 WORKFORCE BY GENDER AND JOB CATEGORY



Operations – Labourers, Operators and Trades; Operations Management – Supervisors, Superintendents and Managers; Professional Support – positions within operations business units; Professional – positions within corporate business units; Executive and Senior Management – Executives, General Managers and Directors.

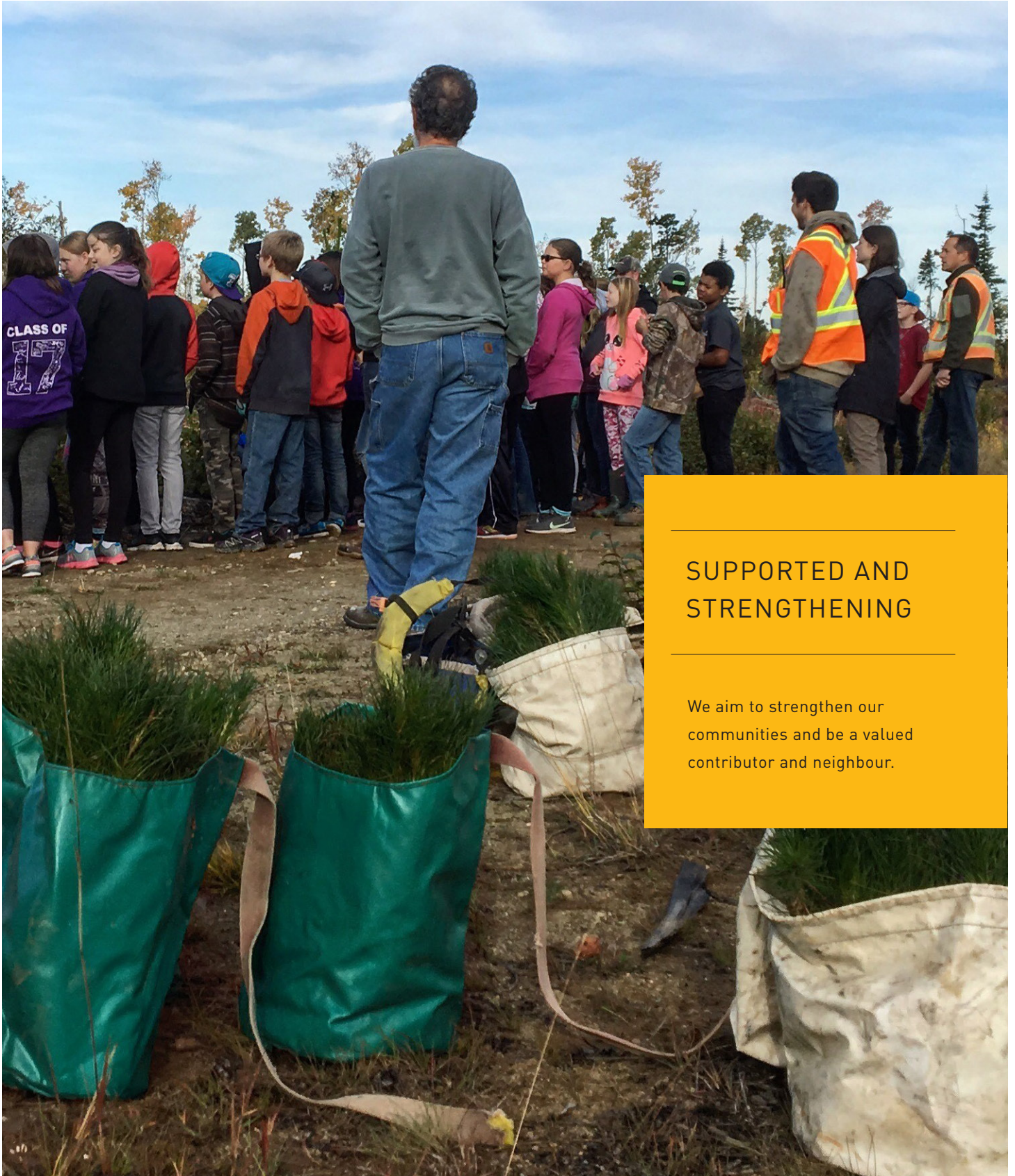


WOMEN IN OPERATIONAL OR TECHNICAL ROLES



This chart excludes temporary, seasonal and casual employees with less than one year of service.

OUR COMMUNITIES



SUPPORTED AND STRENGTHENING

We aim to strengthen our communities and be a valued contributor and neighbour.

ENGAGING STAKEHOLDERS AND WORKING WITH INDIGENOUS COMMUNITIES

Canfor and Canfor Pulp work with a wide range of individuals and organizations who have an interest in our operations. Where our operations overlap with Indigenous territories in Canada, we recognize and respect the constitutionally protected rights and treaty rights of Indigenous peoples.

We rely on the knowledge of our people, public advisory groups, open houses and presentations to local government, associations or interest groups to create a comprehensive list of stakeholders.

There has been significant public involvement in the development of our Sustainable Forest Management Plans under CSA, and Canfor will continue with public outreach opportunities as we transition and are certified to the SFI standard. Under our SFI certification, our commitment is to provide the public with 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 with 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.

Our corporate strategy is built on a foundation of respect for Indigenous peoples and an interest in growing their involvement in the resource sector by opening up opportunities through training, employment, business activities and resource stewardship. We support the commitment by the Canadian, British Columbia and Alberta

governments to adopt the United Nations Declaration on the Rights of Indigenous Peoples and the Truth and Reconciliation Commission of Canada's Recommendations Report.

Canfor aims to be the forest sector partner of choice for Indigenous peoples within whose traditional territories we operate. 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.

Examples of successful business arrangements with Indigenous communities include those with Takla, Ktunaxa, Shuswap, Lheidli T'enneh, Moricetown, Cheslatta, McLeod Lake, Bonaparte, Blueberry River, Doig River, Halfway River, Prophet River, Saulteau, Wet'suwet'en and West Moberly First Nations. Our Indigenous engagement working group continues to make progress in expanding partnerships with Indigenous communities.

Our Indigenous Relationships Manager is working with Indigenous groups, the British Columbia government and others in the resource sector to align efforts which, among other things, encourage Indigenous involvement in forest sector careers and help industry-Indigenous best practices. Our operational teams undertake significant on-the-ground work to consult with Indigenous groups and involve them in our business forestry activities.

We developed a three-month Indigenous work experience program at our Fort St. John and Prince George sawmills in 2018 to include more Indigenous people in our workforce. It includes training in workforce readiness, Canfor classroom training and job shadowing with mill supervisors.



Participants in Canfor's Indigenous work experience program at Prince George.



The JD Little Forest Centre hired 18 Indigenous employees for seasonal fall positions.

The Diversity section of this report shows our commitment to increasing the diversity of our workforce and the opportunities this presents for Canfor. In the Fall of 2018, we worked with the Prince George Nechako Aboriginal Employment and Training Association (PGNAETA) to support our recruiting efforts for seasonal hires at the JD Little Forest Centre. With PGNAETA's support, we hired 18 Indigenous employees for seasonal positions. They came from 10 local bands and represented more than one-third of the new hires.

Canfor's work with Indigenous communities also includes creating employment opportunities with our contractors. As the number of certified log truck drivers declines, we are training Indigenous people to fill these positions. To support these efforts, we have partnered with PGNAETA, which provided up to 200 referrals to support our workforce needs through joint career fairs, workshops and other activities.

SPONSORSHIP OF BC INDIGENOUS ACTIVITIES

We share common goals in conserving, promoting and sustaining the environmental, social and cultural values of forests. Through open communication with Indigenous groups, we benefit from local and traditional knowledge and ensure areas of cultural importance are managed in a way that retains Indigenous traditions and values. Through these discussions, we identify and track culturally important, sacred and spiritual sites so they can be managed appropriately in our forestry planning.



SPONSORSHIP OF BC INDIGENOUS ACTIVITIES

- 1 **Yaqa Nukiy** School's Outdoor Education Program
- 2 **Lheidli T'enneh** First Nation's Youth Gathering Our Voices Conference
- 3 **McLeod Lake** Indian Band's Career Fair
- 4 **Akisqnuq** First Nation's Community Enhancement Event
- 5 **Tobacco Plains** Indian Band's National Aboriginal Day Celebration
- 6 **Ktunaxa's** Annual Elders Gathering
- 7 **Babine Lake** First Nation's Drum Group Dinner

The above list includes some of the Canfor-sponsored activities in 2018.

CARING FOR OUR COMMUNITY

At the end of 2018, we launched *Good Things Come in Trees*, an updated approach to our corporate giving, recognizing that community and sustainability are at the core of everything we do. Our business relies on a resource; we understand the importance of taking care of what keeps us in business and our efforts don't stop in the forest.

This commitment and understanding of the importance of looking after tomorrow is evident in everything we do within Canfor and in our communities.

The *Good Things Come in Trees* plan strives to align our social mission with our business vision. It seeks to support our business goals, connect our diverse employees to causes that are important to them and contribute to our communities through causes that align with our vision and values as an organization.

The plan organizes our giving into three areas:



SUSTAINABILITY



COMMUNITY



LEGACY

2018 COMMUNITY IMPACT

Canfor and Canfor Pulp are active members of the communities where we operate. We not only provide jobs and other economic benefits, we also support events and organizations that complement our business activities or provide broad local value.

Canfor and our employees once again made annual donations during the holiday season to local food banks, the Salvation Army and Christmas Bureaus in each of our 29 operating communities in Canada and in the United States. Our Canadian operations raised \$331,000 for the United Way and we are proud to note most of this came from employee fundraising activities.

Through our *Good Things Come in Trees* program, our companies donated over \$1.03M for community causes in 2018. We support activities of all sizes – from the BC Children’s Hospital Foundation’s Miracle Weekend and the United Way, to local sports events and community fairs and fundraisers. **Highlights from 2018 include:**

\$71,500

SUPPORT SERVICES

\$69,000

YOUTH SPORTS

\$53,600

HEALTHCARE

\$36,500

PRODUCT DONATIONS

\$30,900

DISASTER RELIEF

\$43,000

ARTS AND CULTURE

\$57,000

INDIGENOUS CULTURAL EVENTS
AND PROGRAMS

\$231M

TAXES

In 2018, Canfor’s paid \$231M in taxes which consisted of \$203.2M in Canada, \$26.8M in the US and 1.0M overseas. The tax payments included income tax, property tax, sales tax, carbon tax and severance tax.



Canfor employees personally delivered annual donations to local organizations that support people in need.

Canfor Southern Pine demonstrates its commitment to being an employer of choice in the US South by being part of local events such as MusicFest and the Dragon Boat races held in Mobile, Alabama. Canfor also donated \$60,000 to three hospitals in Georgia that serve our operating communities.

We donated lumber to several local fundraisers and school carpentry programs including the Canfor Elementary Trades Program in Prince George.



Employees from our Washington, Georgia plant presented Wills Memorial Hospital CEO Tracie Haughey with our donation.

CONTINUOUS IMPROVEMENT



PERFORMANCE AND FUTURE TARGETS

We are committed to continuous improvement in order to maintain our position as a world leader in our industry.

CONTINUOUS IMPROVEMENT

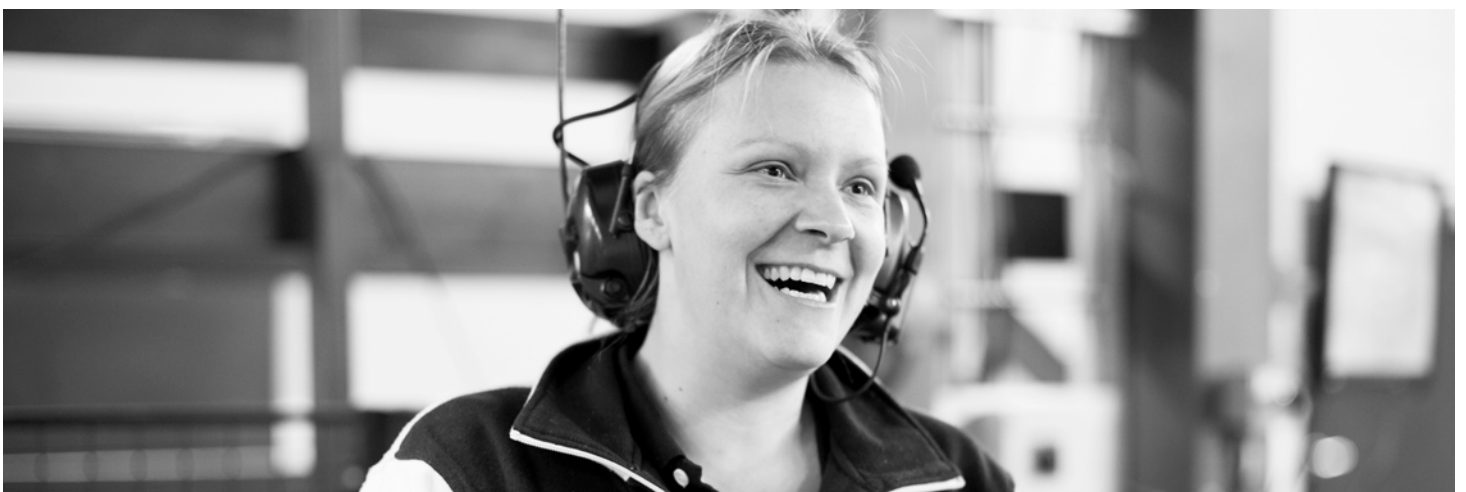
CANFOR AND CANFOR PULP'S PERFORMANCE AGAINST 2018 TARGETS

Our actions demonstrate our commitment to sustainability in our daily operations and business responsibilities. The following shows our performance from our 2018 targets.

CANFOR'S 2018 PERFORMANCE

FORESTRY AND MANUFACTURING

OBJECTIVE	PERFORMANCE
Reduce the number of block harvest and road trespasses to six incidents or 0.37 per million metres of total delivered volume.	Achieved. Five harvest trespasses or 0.34 incidents per million cubic metres delivered volume.
Reduce the number of fuel management guidelines incidents by 10%, which equates to nine incidents or 0.56 per million cubic metres of total delivered volume.	Achieved. Six incidents or 0.40 per incidents per million cubic metres delivered volume.
Maintain a target of less than three incidents where herbicide is applied outside of a treatment area per million cubic metres of delivered volume.	Achieved. Two incidents or 0.02 incidents per million cubic metres delivered volume.
Continue root cause analysis process at additional facilities to identify systemic process issues and solutions to prevent wood residue accumulations.	Achieved. We invested in solutions such as conveyor modifications and implemented a residuals management procedure.





ENERGY EFFICIENCY

OBJECTIVE	PERFORMANCE
Increase mill awareness of energy-efficiency opportunities through implementation of an energy audit process.	In progress. The energy audits will begin in 2019.
Roll out the energy audit process to three more divisions.	Achieved in early 2019.

SAFETY

OBJECTIVE	PERFORMANCE
Meet the company-wide Medical Incident Rate (MIR) below 2.0.	Achieved. Company-wide MIR of 1.40 for 2018.
Continue to focus on leveraging best practices and learnings across the company to enhance safety performance.	Achieved. Safety hazard alert process used to share incident details and key learnings. Continue to align and standardize safety program.
Continue to focus on activities and initiatives that contribute to the creation of a world-class safety culture and shift our organization's thinking to one of safety interdependence.	Achieved.
Select and implement a new electronic Environmental, Health and Safety Management System for the organization.	In progress. A vendor has been selected and an implementation plan has been developed.

COMMUNITY AND PEOPLE

OBJECTIVE	PERFORMANCE
Promote success of Indigenous candidates by providing 200 individuals with resume and career advice through career fairs and other conversations, including up to 50 from 2016 to 2020 through a partnership with the Prince George Nechako Aboriginal Employment and Training Association.	Achieved.
Create a procurement strategy to support Indigenous businesses.	Achieved.
Create Indigenous Cultural Competency Training modules that will become a part of Canfor's orientation program.	In progress. Held Indigenous cultural awareness workshops and will use the external teachings and internal feedback to create training modules.
Launch the Indigenous Work Experience Pilot Program.	Achieved. Two pilot programs conducted in Fort St. John and Prince George mills.
Launch the Human Resources Indigenous Internship Program.	In progress. Hired a new Indigenous employee to specifically drive Indigenous employment as part of Canfor's Talent Acquisition team.
Expand community and employee outreach in the US South.	Achieved.
Establish scholarships for forestry and trades related studies at relevant schools associated with our US operations.	In progress. Current Canfor scholarships now available to US students.
Brand Canfor Southern Pine as the employer of choice throughout the US South.	In progress. The engagement score of US employees in the 2018 employee check-in survey was 93%.
Launch enhanced respectful workplace training.	In progress. Training was created in 2018 and is in process of being rolled out to the company.
Expand inclusive leadership training and enhanced diversity focus of development programs.	Achieved.
Meet with mayors of all operating communities, with a focus on opportunities for collaboration and enhanced information sharing.	In progress. Met with the majority of mayors in 2018.

CANFOR PULP'S 2018 PERFORMANCE

GREENHOUSE GAS EMISSIONS AND RENEWABLE ENERGY

OBJECTIVE	PERFORMANCE
Reduce power boiler natural gas usage at the Intercontinental pulp mill by 10%.	Not achieved. The major natural gas line disruption in the Prince George region and power boiler operational issues prevented us from reaching this goal.
Modernize pulping process at the Taylor pulp mill to reduce greenhouse gas emissions by 25%.	In progress. New process achieved improvements; work continues to meet target.
Increase biomass energy generation to 1 million MWh.	In progress. Mechanical issues on Northwood's recovery boiler restricted biomass power generation in the fourth quarter.
Start up the third turbine at the Northwood pulp mill to increase renewable energy generation.	Achieved.

ENVIRONMENTAL

OBJECTIVE	PERFORMANCE
Reduce water usage at all mills by 5%.	In progress. Water use at Taylor and Northwood mills increased due to the start-up of a major capital project and limited production in the fourth quarter from mechanical issues on Northwood's recovery boiler. Prince George and Intercontinental achieved a 0.7% reduction.
Improve washpress operation at Northwood pulp mill to reduce biochemical oxygen demand (BOD) loadings to the effluent treatment system.	In progress. Further work is scheduled for 2019.
Improve non-condensable gas (NCG) collection systems to reduce odourous emissions to the Prince George airshed.	Achieved.
Reduce particulate emissions by 5% at the Prince George pulp and paper mill recovery boiler.	Testing unable to determine if target achieved.

FIBRE EFFICIENCY

OBJECTIVE	PERFORMANCE
Improve fibre recovery at the Prince George and Intercontinental pulp mills by 1.0 bone dry tonnes per day.	Achieved. Further work underway.
Begin plans to improve fibre recovery in the brown stock screening area at the Prince George pulp and paper mill.	Not achieved. Project development delayed due to operational priorities.
Reduce brown stock screen rejects by 2 kg per air dry metric tonnes at the Northwood pulp mill.	Achieved. Further testing planned to support continuous improvement.

CERTIFIED PRODUCTS

OBJECTIVE	PERFORMANCE
Maintain an overall certified fibre supply level of 87%.	Achieved. Exceeded target with fibre supply at 97%.

SAFETY

OBJECTIVE	PERFORMANCE
Achieve a company-wide Medical Incident Rate (MIR) of less than 2.0.	Achieved. Canfor Pulp achieved all-time best MIR of 0.71. Canfor achieved a MIR of 1.40.



LOOKING AHEAD

CANFOR AND CANFOR PULP'S 2019 OBJECTIVES AND TARGETS

We are committed to maximizing our resource utilization and to maintain our position as a world leader in our industry. With our 2018 Sustainability Report, we are shifting to longer-term goals for both Canfor and Canfor Pulp that align with our corporate strategy. Continuous improvement in sustainability is a journey and by providing a longer-term outlook to our goals and areas of focus, we are providing greater transparency into our efforts to improve.

STEWARDS OF THE FOREST & ENVIRONMENT

PROGRESS AREA	GOAL	METRIC	STATUS & NEXT STEPS
Reduce impact to the environment	Reduce our impact per delivered volume by 10% on a three-year rolling average.	<p>Reduce the number of block harvest and road trespasses to five incidents or 0.32 per million metres of total delivered volume.</p> <p>Reduce the number of fuel management guidelines incidents to six incidents, or 0.38 per million metres of total delivered volume.</p> <p>We will 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 metres of delivered volume.</p>	On track



PROGRESS AREA	GOAL	METRIC	STATUS & NEXT STEPS
Achieve timberlands sustainability standards	100% certified	Percentage of Canfor timberlands that are certified by an independent third party.	On track
Address climate change	Lead the development of innovative low-carbon products and technologies to reduce greenhouse gas emissions.	Establish a commercial-scale demonstration facility at a pulp mill to produce low-carbon-intensity biocrude by 2025.	On track
Improve energy consumption and reduce carbon emissions	Decrease energy consumption by 5% by 2025.	<p>Bi-annual site energy audits to find opportunities to reduce energy consumption and sustain behavioural changes.</p> <p>By 2020 have all sites with an Energy Model to track reduced energy consumption.</p> <p>Natural gas used as an incremental instead of a primary heat source to ensure the lowest possible carbon emissions while maintaining product quality in our kilns.</p>	On track
Improve fibre utilization	Improve fibre utilization by 20% by 2025.	<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>	On track



SAFETY

PROGRESS AREA	METRIC	GOAL	STATUS & NEXT STEPS
Continue to lower Medical Incident rate (MIR) across all operations	Decreasing MIR rates.	Be injury free	On track

COMMUNITY & PEOPLE

PROGRESS AREA	METRIC	GOAL	STATUS & NEXT STEPS
Strengthen the diversity of our workforce	Track diversity statistics using our newly established people diversity dashboard. Increase Indigenous representation over the next two years by 6%.	Have a workforce that represents the communities in which we operate.	On track
Corporate giving	Focus corporate funding on opportunities that support sustainability, community and legacy.	Align our corporate giving with our business vision.	On track

GRI CONTENT INDEX

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

GENERAL DISCLOSURES

SR Sustainability Report

MDA Management's Discussion and Analysis

AIF Annual Information Form

- **Reported**
- ◐ **Partially Reported**

ORGANIZATIONAL PROFILE		REPORTED	LOCATION
GRI 102-1	Name of the organization	●	Canfor Corporation (Canfor)
GRI 102-2	Activities, brands, products and services	●	SR: Global Company Overview (Page 10) Canfor 2018 Annual Report : Company Overview (Page 6) Canfor Pulp 2018 Annual Report : Company Overview (Page 6)
GRI 102-3	Location of headquarters	●	Vancouver, British Columbia, Canada
GRI 102-4	Location of operations	●	Major operations are in Canada and the United States. Sweden also included as of February 2019, as a result of Canfor's majority acquisition of Vida. SR: Global Corporate Overview (Page 10) Canfor MDA : Company Overview (Page 4) Canfor 2018 Annual Report : Business Segments (Page 7) Canfor Pulp MDA : Company Overview (Page 2) Canfor Pulp 2018 Annual Report : Company Overview (Page 4)
GRI 102-5	Ownership and legal form	●	Canfor AIF : Incorporation (Page 2)
GRI 102-6	Markets served	●	SR: We Succeed when our Customers Succeed (Page 11) Canfor MDA : Business Strategy (Page 5) Canfor Pulp MDA : Company Overview (Page 2) Canfor AIF : Lumber Markets and Distribution (Page 13) Canfor Pulp AIF : CPPI Markets and Distribution (Page 8)

GENERAL DISCLOSURES

ORGANIZATIONAL PROFILE		REPORTED	LOCATION
GRI 102-7	Scale of the organization	●	Canfor 2018 Annual Report : Company Overview (Page 6) Operating Results by Business Segment (Page 17) Canfor Pulp 2018 Annual Report : Company Overview (Page 6) Operating Results by Business Segment (Page 9)
GRI 102-8	Information on employees and other workers	●	SR: Our People (Page 43); Our Workforce (Page 47)
GRI 102-9	Supply chain	●	SR: Our Approach to Sustainability (Page 12) SR: Legal, Sustainable Source of Fibre (Page 17) SR: Product Certification (Page 23) Canfor AIF : Wood Supply (Page 8) Canfor Pulp AIF : Fibre Supply)
GRI 102-10	Significant changes to the organization and its supply chain	●	SR: About Canfor (Page 6) SR: Our Operations (Page 35) Canfor AIF : Other Significant Events (Page 4) Canfor Pulp AIF : Significant Events (Page 4)
GRI 102-11	Precautionary principle or approach	●	SR: About Canfor (Page 6) SR: Our Approach to Sustainability (Page 12) SR: Legal, Sustainable Source of Fibre (Page 17) SR: Conserving Biodiversity and Protecting Habitat (Page 26) SR: Responding to Climate Change (Page 28) Canfor AIF : Environment (Page 16) Canfor Pulp AIF : Environment (Page 9)
GRI 102-12	External initiatives	●	SR: Legal, Sustainable Source of Fibre (Page 17) SR: Environmental Benefits of Wood (Page 29) Canfor AIF : Research and Development (Page 18) Canfor Pulp AIF : Research and Development (Page 10)
GRI 102-13	Membership of associations	●	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

GENERAL DISCLOSURES

STRATEGY		REPORTED	LOCATION
GRI 102-14	Statement from senior decision-maker	●	SR: A Message from the CEO (Page 3)
GRI 102-15	Key impacts, risks and opportunities	●	Canfor 2018 Annual Report : 2018 Highlights (Page 4); Risks and Uncertainties (Page 40) Canfor Pulp 2018 Annual Report : Overview of 2018 (Page 5); Risks and Uncertainties (Page 24)

ETHICS AND INTEGRITY		REPORTED	LOCATION
GRI 102-16	Values, principles, standards and norms of behavior	●	Canfor Governance Manual : Code of Conduct (Page 37) Canfor Board Mandate : Ethics and Integrity (Page 1) Canfor Whistleblowing Policy

GOVERNANCE		REPORTED	LOCATION
GRI 102-18	Governance structure	●	Canfor AIF : Directors and Officers (Page 18) Canfor Pulp AIF : Directors and Officers (Page 11) SR: Our Approach to Sustainability (Page 12); Legal, Sustainable Source of Fibre (Page 17) Canfor Board Mandate : Governance (Page 2) Canfor Pulp Board Mandate : Governance (Page 2)
GRI 102-19	Delegating authority	●	Canfor Board Mandate : Delegations and Approval Authorities (Page 4) Canfor Pulp Board Mandate : Delegations and Approval authorities (Page 3)
GRI 102-22	Composition of the highest governance body and its committees	●	Canfor AIF : Directors and Officers (Page 18) Canfor Pulp AIF : Directors and Officers (Page 11)
GRI 102-23	Chair of the highest governance body	●	Conrad Pinette is Chair of the Canfor and Canfor Pulp boards. Canfor AIF : Directors and Officers (Page 18) Canfor Pulp AIF : Directors and Officers (Page 11)
GRI 102-24	Nominating and selecting the highest governance body	●	Canfor Governance Manual : Joint Corporate Governance Committee (Page 20)

GENERAL DISCLOSURES

GOVERNANCE		REPORTED	LOCATION
GRI 102-24	Nominating and selecting the highest governance body	●	Canfor Governance Manual : Joint Corporate Governance Committee (Page 20)
GRI 102-25	Conflicts of interest	●	Canfor Board Mandate : Ethics and Integrity (Page 2) Canfor Pulp Board Mandate : Ethics and Integrity (Page 2)
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	●	Canfor Board Mandate : Leadership (Page 1); Strategy (Page 4) Canfor Pulp Board Mandate : Leadership (Page 1); Strategy (Page 4)
GRI 102-27	Collective knowledge of highest governance body	●	Canfor Board Mandate : Orientation/Education (Page 5) Canfor Pulp Board Mandate : Orientation/Education (Page 4)
GRI 102-28	Role of highest governance body in setting purpose, values and strategy	●	Canfor Board Mandate : Board Performance (Page 5) Canfor Pulp Board Mandate : Board Performance (Page 5)
GRI 102-30	Effectiveness of risk management processes	●	Canfor Board Mandate : Risk Management (Page 5) Canfor Pulp Board Mandate : Risk Management (Page 4)
GRI 102-33	Communicating critical concerns to highest governance body	●	Canfor Board Mandate SR: Forest Management (Page 16)

STAKEHOLDER ENGAGEMENT		REPORTED	LOCATION
GRI 102-40	List of stakeholder groups	●	SR: Major Stakeholder Groups (Page 13)
GRI 102-41	Collective bargaining agreements	●	74% 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. 66% of Canfor Pulp employees are covered by agreements with UNIFOR and PPWC.

GENERAL DISCLOSURES

STAKEHOLDER ENGAGEMENT		REPORTED	LOCATION
GRI 102-42	Identifying and selecting stakeholders	●	SR: Major Stakeholder Groups (Page 13)
GRI 102-43	Approach to stakeholder engagement	●	SR: Major Stakeholder Groups (Page 13) SR: Our Communities (Page 58)
GRI 102-44	Key topics and concerns raised	●	SR: Major Stakeholder Groups (Page 13) SFM Plans track responses to specific stakeholder interests and concerns.

REPORTING PRACTICE		REPORTED	LOCATION
GRI 102-45	Entities included in the consolidated financial statements	●	Canfor 2018 Annual Report : Overview of Consolidated Results – 2018 Compared to 2017 (Page 15) Canfor Pulp 2018 Annual Report : Overview of Consolidated Results – 2018 Compared to 2017 (Page 8)
GRI 102-46	Defining report content and topic boundaries	●	SR: Welcome to our Sustainability Report (Page 2)
GRI 102-47	List of material topics	●	SR: Welcome to our Sustainability Report (Page 2) SR: Major Stakeholder Groups (Page 13)
GRI 102-48	Restatements of information	●	SR: Looking Ahead (Page 71)
GRI 102-49	Changes in reporting	●	SR: Looking Ahead (Page 71)
GRI 102-50	Reporting period	●	Jan. 1, 2018 to Dec. 31, 2018
GRI 102-51	Date of most recent report	●	June 2019
GRI 102-52	Reporting cycle	●	Annual
GRI 102-53	Contact point for questions regarding the report	●	Canfor Communications
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

GENERAL DISCLOSURES

MANAGEMENT APPROACH		REPORTED	LOCATION
GRI 103-1	Explanation of the material topic and its boundary	●	SR: Welcome to our Sustainability Report (Page 2); Major Stakeholder Groups (Page 13); Looking Ahead (Page 71) SR: through reported indicators
GRI 103-2	The management approach and its components	●	SR: Welcome to our Sustainability Report (Page 2); Major Stakeholder Groups (Page 13); Looking Ahead (Page 71) SR: through reported indicators
GRI 103-3	Evaluation of the management approach	●	SR: Welcome to our Sustainability Report (Page 2); Major Stakeholder Groups (Page 13); Looking Ahead (Page 71) SR: through reported indicators

ECONOMIC

ECONOMIC PERFORMANCE		REPORTED	LOCATION
GRI 201-1	Direct economic value generated and distributed	●	Canfor 2018 Annual Report : Operating Results by Business Segment – 2018 Compared to 2017 (Page 17) Canfor Pulp 2018 Annual Report : Operating Results by Business Segment – 2018 Compared to 2017 (Page 9)
GRI 201-2	Financial implications and other risks and opportunities due to climate change	●	SR: Responding to Climate Change (Page 28); Canfor 2018 Annual Report : Risks and Uncertainties – Climate Change (Page 41), Forest Health (Page 44); Carbon Footprint (Page 39) Canfor Pulp 2018 Annual Report : Risks and Uncertainties – Climate Change (Page 24)
GRI 201-3	Defined benefit plan obligations and other retirement plans	●	Canfor 2018 Annual Report : Employee Future Benefits (Page 37) Canfor Pulp 2018 Annual Report : Employee Future Benefits (Page 26)
GRI 201-4	Financial assistance received from government	●	In 2018, Centree received \$1,892,447 from Sustainable Development Technology Canada.

ECONOMIC

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; few employees work for minimum wage Workforce (Page 47)
GRI 202-2	Proportion of senior management hired from the local community	●	Canfor AIF : Directors and Officers (Page 18) Canfor Pulp AIF: Directors and Officers (Page 11)

INDIRECT ECONOMIC IMPACTS		REPORTED	LOCATION
GRI 203-1	Infrastructure investments and services supported	●	SR: Our Operations (Page 35); 2018 Community Impact (Page 62) Canfor MDA : Overview of 2018: Solid Wood Operations (Page 11) Canfor Pulp MDA : Overview of 2018: Capital and Operations Review (Page 5)
GRI 203-2	Significant indirect economic impacts		SR: 2018 Community Impact (Page 62)

PROCUREMENT PRACTICES		REPORTED	LOCATION
GRI 204-1	Proportion of spending on local suppliers	●	SR: 2018 Community Impact (Page 62)

ANTI-CORRUPTION		REPORTED	LOCATION
GRI 205-1	Operations assessed for risks related to corruption	N/A	Canfor Governance Manual : Improper Payments and Corrupt Practices (Page 41)

ENVIRONMENTAL

MATERIALS		REPORTED	LOCATION
GRI 301-1	Materials used by weight or volume	●	Canfor AIF : Wood Fibre Supply (Page 11) 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: Energy Management (Page 38)
GRI 302-2	Energy consumption outside the organization	N/A	SR: 2018 Community Impact (Page 62)
GRI 302-4	Reduction of energy consumption	●	SR: Energy Management (Page 38)

WATER		REPORTED	LOCATION
GRI 303-3	Water withdrawal	●	SR: Air and Water Resources (Page 40)

BIODIVERSITY		REPORTED	LOCATION
GRI 304- 1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	SR: Conserving Biodiversity and Protecting Habitat (Page 26) Canfor does not hold tenures within protected areas.
GRI 304-2	Significant impacts of activities, products and services on biodiversity	●	SR: Forest Management (Page 16) SR: Conserving Biodiversity and Protecting Habitat (Page 26)
GRI 304-3	Habitats protected or restored	●	SR: Conserving Biodiversity and Protecting Habitat (Page 26)
GRI 304-4	IUCN red list species and national conservation list species with habitats in areas affected by operations	●	SR: Conserving Biodiversity and Protecting Habitat (Page 26)

ENVIRONMENTAL

EMISSIONS		REPORTED	LOCATION
GRI 305-1	Direct greenhouse gas emissions	●	SR: Carbon Footprint (Page 37)
GRI 305-2	Energy indirect (Scope 2) greenhouse gas emission		Not reported
GRI 305-4	Greenhouse gas emissions intensity	●	SR: Carbon Footprint (Page 37)
GRI 305-5	Reduction of greenhouse gas emissions	●	SR: Carbon Footprint (Page 37)
GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	●	Canfor Pulp Sustainable Product Declaration Sheets

EFFLUENTS AND WASTE		REPORTED	LOCATION
GRI 306-1	Water discharges by quality and destination	●	SR: Air and Water Resources (Page 40)
GRI-306-3	Significant spills	●	SR: Manufacturing Compliance – Canfor (Page 41) SR: Manufacturing Compliance - Canfor Pulp (Page 42)
GRI 306-5	Water bodies affected by water discharges and/or runoff	●	Canfor Pulp draws water from the Nechako and Fraser Rivers; 98% of it is processed and returned to the rivers. SR: Air and Water Resources (Page 40)

ENVIRONMENTAL COMPLIANCE		REPORTED	LOCATION
GRI 307-1	Non-compliance with environmental laws and regulations	●	SR: Canfor Compliance – Forestry (Page 34) SR: Manufacturing Compliance – Canfor (Page 41) SR: Manufacturing Compliance - Canfor Pulp (Page 42)

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	●	None

SOCIAL

EMPLOYMENT		REPORTED	LOCATION
GRI 401-1	New employee hires and employee turnover	●	SR: Our Workforce (Page 56)
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 401-1	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 plant or partial plant closures. Employment standards acts in BC and Alberta and the <i>US Adjustment and Retraining Notification (WARN) Act</i> 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: Safety (Page 48)
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	●	SR: Safety (Page 48)
GRI 403-5	Worker training on occupational health and safety	●	SR: Safety (Page 48)
GRI 403-8	Workers covered by an occupational health and safety management system	●	SR: Safety (Page 48)
GRI 403-9	Work-related injuries	●	SR: Safety (Page 48)

TRAINING AND EDUCATION		REPORTED	LOCATION
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	●	SR: Training (Page 50)

SOCIAL

DIVERSITY AND EQUAL OPPORTUNITY		REPORTED	LOCATION
GRI 405-1	Diversity of governance bodies and employees	●	SR: Workforce (Page 47)

RIGHTS 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: Canfor's Indigenous Engagement Strategy (Page 55); Caring for Community (Page 61); 2018 Community Impact (Page 62)

PUBLIC POLICY		REPORTED	LOCATION
GRI 415-1	Political contributions	●	\$25,700 (United States)