A black and white photograph of a mountain landscape. In the foreground, several evergreen trees are silhouetted against the lighter background. The middle ground shows a valley with rolling hills and more trees. In the background, a range of mountains is visible under a cloudy sky. The overall tone is serene and natural.

CANFOR CORPORATION SUSTAINABILITY REPORT 2009



An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a large area. The trees are tightly packed, creating a textured green canopy. The lighting is even, highlighting the natural beauty of the forest.

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A Message the Vice President, Forestry and Environment

As a forestry company dependent on a renewable natural resource for our products, sustainability underlies everything we do. From the forest to the customer, we have taken this approach and integrated it in every aspect of our business.

The sustainability of our natural resource, the timber supply and associated plants and animals is of course paramount, considering we have been entrusted with co-management of 13.4 million hectares of public forestland in Canada. However, equally important is the health and safety of our employees, the quality of the air, land and water around our manufacturing facilities, and the support we provide to our operating communities.

By its very nature, wood is one of the most environmentally sound building products. Trees continually store carbon in the form of cellulose throughout their lifetime. When a tree is harvested and turned into a wood product much of that carbon continues to be stored.

At Canfor, we are committed to utilizing as much as we possibly can from every tree that is harvested. Our primary focus is of course the manufacture of lumber. However, we also fuel our energy systems with residual fibre stemming from the lumber manufacturing process. Pulp and paper manufacturers, of which we own or partially own four mills, use our wood chips.

We also have a well-established safety program that continues to improve each year. We are industry leaders in this category. All safety-related incidents are investigated thoroughly and we seek to learn from all of them. Every year we set new safety targets and continually challenge ourselves to improve on an already impressive record.

We appreciate that, as a large company, various communities have come to depend on us. First and foremost, we provide much-needed employment for these communities. The last three years of terribly depressed markets have forced Canfor to make some very difficult decisions, which have resulted in the indefinite closure of some of our operations. This was done to ensure that the Company as a whole managed to survive the prolonged downturn. We look forward to a time when these mills can reopen; in the meantime, we are ever mindful of the overall health of the Company. We must ensure that we are economically viable and capable of restarting operations when markets improve.

Canfor has also been forced to reduce the number of donations it provides in its operating communities. We are still supporting key charities like the United Way, and our employees have shown an equal spirit of generosity through their own efforts to raise funds for this charity. When this downturn comes to an end, Canfor looks forward to providing greater support for worthy endeavours. We appreciate the patience organizations that depend on our contributions have shown throughout these challenging times.

The publication of our Sustainability Report is in keeping with our commitment to be transparent about the way we conduct ourselves while carrying out our business operations. This includes reporting on our commitment to operate in an environmentally responsible manner, our initiatives to create a safe work environment for employees and our contributions to enhance the communities where we live and work.



Keneth Q. Higginbotham

Ken Higginbotham
VP, Forestry and Environment

FORESTRY REPORT

At the heart of Canfor's forestry operations is its forest management system (FMS). The FMS is a systematic means of identifying, addressing and managing environmental impacts and sustainable forest management commitments within Canfor's Woodlands operations.

The goal of the system is to maintain and enhance the long term health of forest ecosystems, for the benefit of all living things both locally and globally, while providing environmental, economic and social opportunities for the benefit of both present and future generations.

All of our practices in the forests that we manage are covered by our FMS, which is independently certified to the latest version of the International Organization for Standardization (ISO) Environmental Management System (EMS) standard CAN/CSA-ISO 14001:04.

SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

Canfor continues to be a leader in sustainable forest management certification. In addition to its EMS certification, 97.5% of our allowable annual cut under forest tenures is independently certified to the Canadian Standards Association (CSA) standard for Sustainable Forest Management (CAN.CSA-Z809-02).

As of 2009, Canfor has 16 facilities certified to the Programme for the Endorsement of Forest Certification Schemes (PEFC): Chain of Custody of Forest Based Products – Requirements Standard.

WILDLIFE AND HABITAT MANAGEMENT

In 2009, Canfor continued conservation planning for species at risk by participating with provincial governments in both BC and Alberta, key environmental groups and other stakeholders. Key initiatives designed to assist with the recovery of Woodland Caribou continue to be implemented at our Grande Prairie operations in Alberta.

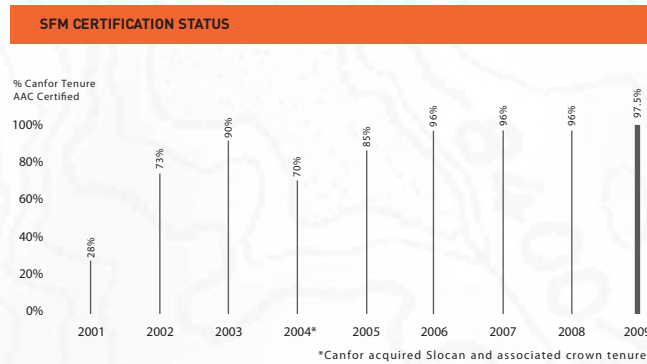


COMPLIANCE WITH REGULATIONS

Canfor is committed to maintaining a transparent system for environmental reporting, including compliance reporting. During 2009, Canfor's forestry operations had a total of 2 non-compliance incidents on the company's forest tenures. In each case, the company took the necessary actions to mitigate any environmental consequences and correct conditions that may have led to the incidents.

Canfor forestry operations also had one minor spill, which was promptly reported to the appropriate government agencies. The spill was immediately contained and properly cleaned up.

Canfor's external 2009 surveillance audit indicated 7 minor non-conformities across the entire multi-site EMS and SFM certification. Action plans have been developed by Canfor and reviewed and approved by the external auditor.



97.5%
**OF OUR FOREST TENURES
ARE CSA SFM CERTIFIED**

MANUFACTURING

COMPLIANCE REPORT

Canfor's commitment to transparency also extends into our manufacturing processes. The following is an inventory of compliance for Canfor's wholly-owned manufacturing operations.

In 2009, Canfor had the following non-compliance situations (reported in accordance with government non-compliance reporting criteria):

AIR

At one wood products operation, a burner operated below compliance temperature for a portion of two days due to reduced mill production following a mill fire; at another operation, an hydraulic oil spill was cleaned up with wood residue and subsequently burned in a standby beehive burner without prior approval of the Ministry of Environment (MOE). Temperature charts for the same burner were not changed and submitted to the MOE as required.

EFFLUENT

No issues in 2009.

LANDFILL

In 2009, two operations submitted late annual landfill reports, another operation submitted an incomplete report, and another operation deposited volumes to their landfill in excess of the annual permitted limit.

SPILLS

Canfor manufacturing operations had 4 reportable spills in 2009. All were contained, cleaned up and preventive actions taken. The spills all involved hydraulic oil, one due to a ruptured hose on a piece of mobile equipment, another due to a valve accidentally struck and opened, and two due to damage to hydraulic hoses on mobile equipment by wood debris. One of the spills was reported late to the MOE.

PERFORMANCE VERSUS OBJECTIVES IN 2009

AIR QUALITY

In BC, we will continue to work towards phasing out Canfor's remaining Tier 2 burners. Canfor currently has one operating Tier 2 burner.

PERFORMANCE

We are evaluating several options for phasing out the one operating burner including utilization of the surplus wood residue for combined heat and power generation.

AUDITS

We will conduct corporate environmental audits of five sawmills and one remanufacturing plant.

PERFORMANCE

Three sawmill audits were completed. One of the sawmills that was to be audited was indefinitely closed. The other sawmill and remanufacturing plant will be audited in 2010.

OBJECTIVES AND TARGETS FOR 2010

AUDITS

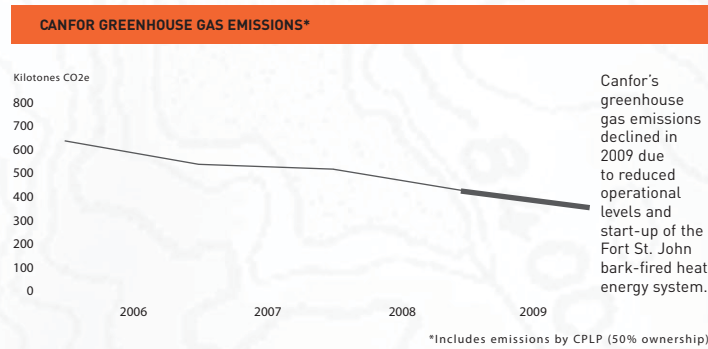
We will conduct corporate environmental audits of five wood products facilities.

GREENHOUSE GASES

We will update our company greenhouse gas strategy.

IMPROVING OUR PERFORMANCE

Canfor's greenhouse gas emissions (GHG's) were less in 2009 than prior years due in part to reduced operational levels and related reduced fossil fuel use. Start-up of the \$11.2 million Fort St. John sawmill bark-fired heat energy system, in April 2009, has resulted in a substantial reduction in natural gas purchases previously used for mill heat and lumber drying. This will reduce Canfor's annual GHG emissions by an estimated 12,000 t CO₂e/year on an ongoing basis, and contributed to the 2009 emission reductions. A second new energy system under construction at Mackenzie, virtually identical to the Fort St. John system, will start up in May 2010 and will also substantially reduce natural gas purchases and GHG emissions.



Fort St. John Energy System - Fort St. John, B.C.

CANFOR NATURAL GAS USE

TeraJoules

Year	TeraJoules
2006	10,000
2007	8,500
2008	7,000
2009	6,000

Natural gas use was less in 2009 due to reduced operational levels and start-up of the Fort St. John energy system.

CANFOR ELECTRICITY PURCHASES

GWh

Year	GWh
2006	1,500
2007	1,200
2008	1,000
2009	900

Electricity purchases were less in 2009 due primarily to reduced operational levels.

CANFOR WOOD RESIDUE UTILIZATION

% Utilized

Year	% Utilized
2006	70
2007	85
2008	95
2009	93

Close to 100% of wood residues generated at our mills as a manufacturing by-product are utilized to produce renewable heat and power, wood pellets and other value-added products.

93%
WOOD RESIDUE UTILIZATION

FPAC SUSTAINABILITY INITIATIVE REPORT - INDUSTRY COMMITS TO CARBON NEUTRALITY

As active members of the Forest Products Association of Canada's (FPAC) Sustainability Initiative, Canfor is committed to its principles of operating in a manner that is environmentally responsible, socially desirable and economically viable. As a participant in this initiative, Canfor will integrate these principles in our business practices and contribute to sustainable development through continual improvement.

The industry has set a number of targets for itself, including carbon neutrality by 2015 (a target the Canadian forest products industry established under an ambitious new climate change plan unveiled by FPAC at the end of October 2007). The industry has pledged to accomplish its goal without resorting to the purchase of offsets.

To meet the 2015 target, FPAC members will seek to minimize their carbon footprint by reducing direct and indirect emissions, increasing the carbon sequestration potential of forests and products and increasing avoided emissions. Specifically, efforts will focus on:

- Becoming energy self-sufficient—switching from fossil fuels to renewable energy sources
- Adopting new, more energy-efficient technologies
- Increasing diversion of used products from landfills
- Increasing the use of landfill capping systems (to prevent methane leaks)
- Increasing cogeneration opportunities
- Identifying opportunities to maintain and enhance carbon storage in forests through landscape planning and sustainable forest management practices
- Maximizing recycling of paper and wood products



J.D. Little Forest Centre, Prince George, B.C.

OCCUPATIONAL HEALTH AND SAFETY

Challenging market conditions forced Canfor to indefinitely close three operations and curtail others for short periods of time. This uncertainty in the lives of our employees is an unwelcome distraction and poses a potential concern for the safety of our workforce. It is with pride that Canfor can report, despite these market conditions, the Company has yet again improved on its already industry-leading safety record. In 2009, the injury rate at our sawmills was one third the rest of the industry.

In 2009, the Company had six operations exceed expectations by achieving a medical incident rate (Medical Incident Rate) below the company-wide target MIR of 2.0. The annual President's Safety Awards, in its 59th year, recognized two operating divisions for their exceptional health and safety performance. The winners of this year's President's Safety Awards produced impressive performance results, considering the very difficult operating environment. One division in particular, Polar Sawmill, not only achieved the lowest MIR for the year but has also had the lowest overall MIR for the last three years. In remanufacturing, our Marion operation had the lowest MIR.

Building on 2008's excellent results, Canfor recorded a record-low MIR of 2.39 company-wide, down from 2.84 in 2008. This improvement year over year is evidence of an entrenched effort to run as safely as possible at all times.

Implementing initiatives that drove consistent best safety practices across the organization was a key focus for the year. Sharing of best practices between our operations, including safety plans, training, policy development, root cause analysis and safety committee programs all contributed to the continued reduction in MIR.

The commitment all of our employees showed in 2009 and the results that they produced is proof of our unwavering focus on safety at the workplace. "Safety Comes First at Canfor".

COMPANY-WIDE MEDICAL INCIDENT RATE

2.39

CORPORATE CITIZENSHIP

2009 marked the third year of market turmoil for the forest industry. Housing starts plummeted, forcing the indefinite closure and curtailments of many operations in the industry. Despite these challenges, Canfor continued with its strategy of maintaining key commitments and long-term agreements only.

Canfor's corporate giving focuses on the areas of youth and education, community enhancement, forestry and environment, amateur sport and health and wellness. The allocation of funding is coordinated through Canfor's head office with consultation and input from local employees to ensure that spending is made to meet the specific needs of individual communities.

FOCUS ON PARTNERSHIPS – UNITED WAY

Canfor took part in the United Way's annual campaign raising money that funds various member agencies and programs that ensure there are support systems in place for children, families, seniors and new Canadians.

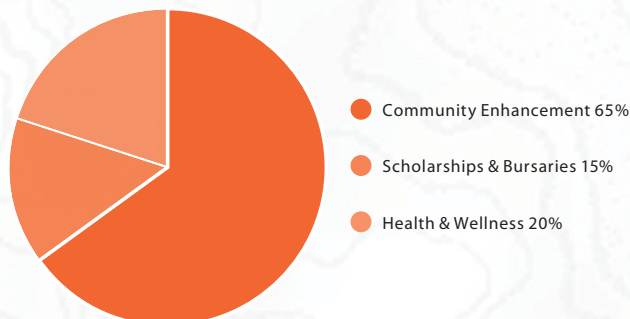
Donations from Canfor employees in Northern BC exceeded last year's totals, despite adverse economic conditions. Canfor and its employees also participated in United Way campaigns in the Lower Mainland of BC, the Kootenays, Alberta, and North and South Carolina.

FOCUS ON COMMUNITY ENHANCEMENT – CHARLES JAGO NORTHERN SPORTS CENTRE

In 2009, Canfor made the third of five payments as part of its partnership with the University of Northern British Columbia in the construction of the Charles Jago Northern Sports Centre. The 145,150 square foot facility sits at the entrance of the UNBC campus, providing training opportunities for high-performance athletes and much needed rental space for minor sport groups. In addition, the facility houses state-of-the-art fitness equipment available for public use through individual memberships.

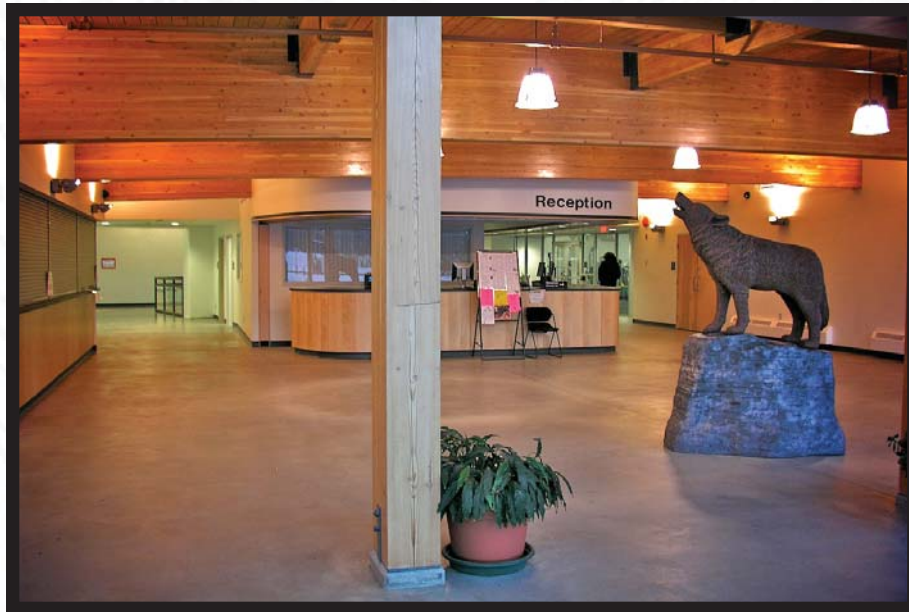
Canfor partnered with the District of Houston in support of the new Aquatic Leisure Centre. The Centre provides a venue for swimming lessons and an exercise room for weight training and aerobic activity.

CORPORATE SUPPORT BY SEGMENT 2009



BELOW ARE JUST SOME OF THE ORGANIZATIONS WE HAVE SUPPORTED IN THE PAST

- BC Children's Hospital Foundation
- Houston – Aquatic & Leisure Facility
- Association of BC Forest Professionals
- STARS – Alberta Shock Trauma Rescue Society
- United Way of Lower Mainland
- Vanderhoof Public Library
- Prince George United Way
- VGH & UBC Hospital Foundation
- Quesnel & District Palliative Care Association
- Theatre Under The Stars
- Pacific Assistance Dog Society (PADS)
- Canadian Northern Children's Festival (Prince George)
- Theatre North West Society (Prince George)
- Prince George Public Library Reading Club
- Fort Nelson Fire Fighters
- Chilliwack Rugby Society
- Columbia Valley Gymnastics Association (Radium)
- Taylor Minor Hockey
- Crime Stoppers - Vavenby
- Mackenzie Moose Hockey Team
- Blue Lake Forest Education Society
- Myrtle Beach Chamber of Commerce – 2007 Canadian-American Days
- BC Sports Hall of Fame
- Chetwynd Youth Soccer Association
- Big Brothers / Big Sisters of Prince George
- United Native Nations Youth Hockey
- Aboriginal Business Development Centre
- Fort Nelson Trappers
- CIFAR
- Canadian Breast Cancer Foundation
- Junior Achievement of BC
- Girl Guides of Canada – Isle Pierre
- Chetwynd & District Minor Hockey
- Vanderhoof Air Cadets Squadron 899
- Prince George Chamber of Commerce
- Houtson Minor Hockey Association – 2007 Northern BC Winter Games
- Univeristy of Northern British Columbia
- University of British Columbia
- BCIT
- College of New Caledonia
- Northern Lights College



Charles Jago Sports Center - Prince George, B.C.

Please visit www.canfor.com/community to find out more about Canfor's community investment programs.