

# Building a Better Future

Canfor 2022  
Sustainability  
Report



# Messages from our Leadership



**DON KAYNE**  
PRESIDENT & CEO, CANFOR

## Introduction

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This is our third year of reporting against our elevated sustainability framework, through the pillars of People, Planet and Products. We've made advances in our sustainability journey and remain steadfast in our pursuit of a high standard of leadership in our sector.

The forestry industry has always been cyclical in nature and in 2022 we experienced both the highs and lows. We began the year with record lumber prices and high demand for our low-carbon products, and finished the year with escalating interest rates, low housing starts, and fibre constraints in Western Canada. With our diversified operations and strong balance sheet, we are well positioned to weather these headwinds, grounded by our focus on the long term. This underscores our decision to prioritize sustainability – protecting our planet, caring for our people and producing renewable, sustainable low-carbon products – over the long term.

Last year, Canfor set a climate change goal to become a net-zero carbon company by 2050 and committed to investing at least \$250 million in decarbonization projects. The planning

for these projects continues and we remain committed to investing in infrastructure and operating initiatives to reduce our scope 1 and 2 emissions to achieve our targets. The growing recognition of the climate benefits of forestry products and the developing opportunities in bio-innovation are proof that, to achieve our global climate goals, we need these renewable products. Our Canfor-managed forests are certified to the Forest Stewardship Council® (FSC®) or Sustainable Forest Initiative® (SFI®) standards, and our Vida operations have PEFC Forest Management certification. We also are certified to the SFI Fibre Sourcing Standard for our Canadian and U.S. wood products operations, and will continue to be a leader in sustainable forestry through our operations in North America and Sweden.

Our company values act as a compass to ensure we are all aligned on what is most important. In 2022 we refreshed our values, with clear statements around safety, sustainability, diversity and inclusion, and communities. While these have always been core to our operations, we wanted to be more explicit in our statements. As always, safety comes first.

We recognize that sustainability is a journey. Moving forward, we will continue to mature our commitments, formalize our measurement structures and increase engagement across the business. With the dedication and support of our people and the sustainability of our products, we will continue to deliver on our commitments while providing the low-carbon products that are in demand around the world.

Don Kayne  
President & CEO, Canfor

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**KEVIN EDGSON**  
**PRESIDENT & CEO,**  
**CANFOR PULP**

A deep commitment to sustainability has long been embedded in Canfor Pulp and is well aligned with the role our climate-friendly products are playing in the global transition to a low-carbon economy. With renewed focus, clear goals and unrelenting effort, we are building on our strong foundation to secure the long-term future for our people, our partners, our communities and the planet.

Our specialty pulp and paper products are used in everything from food packaging to consumer goods, displacing the use of plastics and other fossil fuel-based products. Global demand for our renewable products is expected to continue to grow as customers seek low-carbon alternatives. We remain fully committed to embedding and improving our practices that benefit our people and the planet while continuing to innovate and identify new opportunities.

This year, we continued our sustainability journey by reporting against specific pulp and paper manufacturing targets for Air Quality, Water Management and Waste Management that go well beyond compliance requirements. We set these targets with meaningful dialogue to ensure we have the resources and processes in place to achieve them. Likewise, we

continue to advance on our commitment to diversity and inclusion, and we are focused on increasing engagement with all employees across the business.

Delivering against our commitments across all 13 topics within People, Planet and Products remains a key priority. We jointly report on our progress with Canfor in reflection of the deep connection between the companies.

Sustainability is not a concept or an initiative; it's what and how we approach everything we do. With a dedicated team and an operational footprint aligned with the available fibre, we are confident that we are in a strong position to contribute to our sustainability goals and targets.

Kevin Edgson  
President & CEO, Canfor Pulp



**PAT ELLIOTT**  
**CFO, CANFOR & CANFOR PULP**  
**SVP, SUSTAINABILITY, CANFOR**

As we continue our sustainability journey, we are learning more about how best to embed sustainability into our business. In 2022 we set additional performance targets, while clarifying others, to reflect changes, both in our business and in stakeholder needs. The act of setting and disclosing targets motivated us to examine our priorities and set challenging but achievable targets. These efforts ensure we have the methodology in place to collect and interpret the data while adopting best practices – all with a commitment to deploy the capital and resources to achieve our goals.

This is the first year we have included data from the Vida Group, where we have a 70% ownership. Vida is progressing its sustainability strategy, and we are working to advance reporting across both our organizations. We will be including more information on Vida in our reporting going forward as they align into our sustainability strategy. We will also continue to carefully monitor the development of new sustainability regulations in both North America and Europe, and we are ready for the new protocols when they become applicable in the future.

Investors, customers, employees and other stakeholders are asking for more

disclosure and are looking to us for leadership in sustainable practices. We take this responsibility seriously. To better understand our stakeholders' needs, we will review our material topics through a formal assessment in 2023. This ensures those focus areas set in 2020 continue to be appropriate, going forward.

Sustainability will continue to be a strategic priority, as it's not only the right thing to do, but it also makes Canfor a stronger and more resilient organization.

Pat Elliott  
CFO, Canfor & Canfor Pulp  
SVP, Sustainability, Canfor

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**Obtained third-party assurance over our 2020 and 2022 Scope 1 & 2 GHG emissions**



**79%**  
employee engagement score




**\$2.2M**  
donated through Canfor's Good Things Come From Trees



**50%**  
of our North American new hires are from under-represented groups



**92%**  
of our salaried employees in North America have completed our Inclusion & Diversity awareness training



**3.5%**  
of total Canadian operations spend with Indigenous vendors



**100%**  
of our Canfor-managed forests are certified to SFI® or FSC® Forest Management Standards




**100%**  
of all sourced wood in our North American wood products operations are certified to the SFI Fibre Sourcing Standard



**100%**  
of our Swedish woodlands operations are certified to the PEFC Forest Management standards



**64M**  
seedlings planted; more than one billion seedlings have been planted over the last 20 years



**76%**  
of our energy is from renewable sources



**95%**  
of our salaried employees in Canada have completed our Indigenous Cultural Awareness and Understanding training



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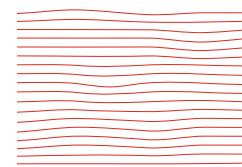
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# About Canfor

**Canfor is a global leader in the manufacturing of low-carbon forest products, including lumber, pulp, paper, wood pellets and green energy.**






We embrace innovation in our industry and provide high-quality products to global markets. With our dedicated employees, we demonstrate leading environmental practices and are committed to the communities that host our operations. Through our solid wood operations, pulp mills and other facilities, we use timber and associated residuals to create products we all use every day. We're continuously looking for new ways to apply sustainability innovation for low-carbon solutions.



## Our Values

Canfor's values are at the core of who we are and how we work. They act as a compass to ensure that we all know what is most important. We regularly review our values and ensure they continue to reflect our deepest held beliefs and commitments.

These values were refreshed in 2022 to reflect an increased focus on sustainability, inclusion, diversity and respect.

-  Safety comes first
-  We foster a diverse workforce that is inclusive, productive and respectful at all times
-  We protect our planet by doing everything with sustainability at the forefront
-  We are resilient, resourceful and succeed when our customers succeed
-  We are a good neighbour in our communities and demonstrate integrity in everything we do

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# Our Operations

Canfor manufactures forest products in three countries: Canada, the United States and Sweden.

## Canada

As of December 2022, our Canadian operations include four<sup>1</sup> pulp mills and one paper mill in British Columbia (B.C.). We have 13 sawmills: 10 in B.C. and three in Alberta.

We also have one specialty lumber facility in Alberta and two pellet mills in Chetwynd and Fort St. John, B.C. We are a majority partner in the Houston Pellet Limited Partnership (HPLP) plant in Houston, B.C.<sup>2</sup> In Alberta, we have a green energy biomass cogeneration facility that provides renewable heat and electricity. In addition, we have a pulp research and design centre, a tree nursery and corporate head offices in Vancouver and Prince George, B.C.

## United States

As of December 2022, we have 15 manufacturing facilities, one trucking fleet (New South Express) and two corporate offices in Mobile, Alabama and in Myrtle Beach, South Carolina. In April 2022, we started construction of our new DeRidder sawmill in Beauregard Parish, Louisiana.

## Sweden

As of December 2022, our Swedish operations include 12 operating sawmills and 10 value-added facilities.



## Our Operations in Sweden

Canfor owns 70% of the Vida Group, a global supplier of manufactured forest products based in Alvesta, Sweden. Vida Group ("Vida") includes five divisions; Vida Forest, Vida Wood, Vida Building, Vida Energy and Vida Packaging.

Vida Forest is Vida's purchasing company. The majority of raw material used in Vida operations is purchased from private forest owners in southern Sweden. Vida Forest also offers a full range of forestry and professional advisory services to forest owners.

Vida Wood sells and supplies solid wood products that are processed at the Group's 12 sawmills.

Vida Building is a supplier of wood building elements and finished modules. Customers include building contractors, developers

and architects, mainly in Sweden, Germany, England and the Netherlands.

Vida Energy is a leader in Sweden's biofuel market. Through use of biomass, Vida Energy converts these residuals into value-adding, energy-efficient products such as chips and pellets.

Vida Packaging is the Nordic region's leading manufacturer of wood packaging, which includes pallets, pallet collars and cable drums.



1. Unless otherwise noted, data for the 2022 Sustainability Report includes facilities that were in operation during the year. For operational changes and announcements subsequent to December 2022, see [media releases](#) for more details.  
2. We do not have operational control over Houston Pellet Limited Partnership. Therefore, it has been excluded from the reporting boundaries for this report.

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## Our Customers

Canfor markets wood and lumber products throughout North America and overseas through our sales teams in Canada, the United States, Sweden, the United Kingdom, Denmark, the Netherlands, Japan, South Korea and Australia.

We market our pulp products across North America, Asia and Europe, with sales teams in North America, Asia and Europe.

Canfor is focused on increasing our building products and pulp and paper business globally by offering innovative, high-quality sustainable wood and fibre products for specific customer needs.

Our market segments include:

- Building materials suppliers to commercial and residential construction
- Repair and remodelling retailers
- Mass timber and factory-built construction manufacturers
- Industrial remanufacturing facilities
- Wholesale distributors
- Lumber-treating plants
- Paper, board and tissue producers
- Specialty and niche paper producers (e.g., eco-friendly packaging, low basis weight filtration papers and electrical insulation papers)

## Our Products

We produce a variety of products across our global operations, including high-value lumber to meet the growing demand for low-carbon building products, mainly for construction and industrial uses. Customers primarily use these products to service the new home construction and industrial markets.

We also produce numerous high-value appearance-grade lumber products, including square edge dimension for the North American market and J-grade lumber for the Japanese market. High-value specialty appearance products also include one-inch boards as well as several decking and fencing product lines. High-value grades of machine stress-rated (MSR) lumber are used in engineered applications such as roof trusses and floor joists.

We are a leading supplier of market northern bleached softwood kraft pulp and high-performance kraft paper. Our high-quality premium reinforced pulp and paper products are ideal for specialty end-use applications, tissue, packaging, printing and writing market segments worldwide.

Our expanded product offering includes engineered wood products such as glulam beams. Additionally, we have an array of custom specialty products that includes packaging, housing and building components originating from our Vida operations. We also sell a range of residual products such as sawdust, shavings, wood chips and pellets from all our operations, and we are developing biobased products.

## Our People

**Canada**

**4,153 employees**

**U.S.**

**2,267 employees**

**Sweden**

**1,426 employees**

**Asia**

**17 employees**

**Rest of the World**

**45 employees**

**Canfor Total Employees<sup>1</sup>**

**1,147 Women**  
**6,761 Men**  
**7,908 Total**

1. Total employees includes permanent, temporary and casual employees, including employees of our Vida operations as of December 31, 2022.



# About This Report

## Canfor and Canfor Pulp's joint 2022 Sustainability Report demonstrates our continued commitment to creating a future as sustainable as the forests.

In this year's report, we continue to evolve our reporting on environmental, social and governance (ESG) activities and approaches by providing increased transparency and disclosure, including defining additional goals and targets for our material topics. Our Sustainability Framework provides a road map to a more sustainable future for our people, our communities and the planet.

### External Assurance

We have engaged KPMG LLP as an independent third party to provide limited assurance over our greenhouse gas (GHG) emissions. See [page 129](#) for their assurance reports over our scope 1 and 2 GHG emissions for 2022, and our [website](#) for the assurance reports over our baseline scope 1 and 2 GHG emissions for 2020.

### Global Reporting Initiative

This report is in accordance with the Global Reporting Initiative (GRI) Standards for the period January 1 to December 31, 2022. Our GRI Index can be found on [page 115](#) in the Appendices.

This report has been reviewed by our senior management and Board of Directors.

### Task Force on Climate-related Financial Disclosures

We are actively assessing the changing landscape of ESG reporting regulations, and this report includes our response to the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). A detailed disclosure of our responses to each TCFD recommendation can be found in our Climate Change section on [page 73](#) and in our TCFD index on [page 124](#).

### Sustainability Accounting Standards Board Standards

We have prepared disclosures recommended by the Sustainability Accounting Standards Board (SASB) Standards. For 2022, we referenced the Pulp and Paper Products industry standards and Forest Management industry standards (only for Canadian operations), as these are the Global Industry Classification Standard sectors that are applicable for our company. A detailed SASB Standards index is on [page 120](#).

### Alignment with Sustainable Development Goals

Established by the United Nations, the Sustainable Development Goals (SDGs) comprise 17 internationally recognized

goals. Each is designed to be actionable for both private and public sector stakeholders, with specific targets to achieve by 2030. The SDGs serve as a blueprint for a sustainable, resilient and inclusive future for all.

Our sustainability strategy supports the SDGs to further embed sustainability within the forest sector and in the context of global development. Our strategy makes the most meaningful contributions to five of the 17 SDGs, which align with our three sustainability pillars of People, Planet and Products.

<b>People</b>	<b>Planet</b>	<b>Products</b>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	 <p><b>13</b> CLIMATE ACTION</p>	 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>
 <p><b>5</b> GENDER EQUALITY</p>	 <p><b>15</b> LIFE ON LAND</p>	 <p><b>SUSTAINABLE DEVELOPMENT GOALS</b></p>

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**Reporting Period, Organizational Boundaries and Methodology**

The reporting period for our 2022 Sustainability Report covers the fiscal year ending December 31, 2022, unless otherwise stated. The scope of this report covers Canfor Corporation and Canfor Pulp Products Inc. ("Canfor Pulp"), including all consolidated subsidiaries (hereinafter referred to as "Canfor" or "the Company"). The report also includes data of controlled subsidiaries on a 100% ownership basis (e.g., for a 51%-owned entity, we report 100% of the data) for the reporting period.

Throughout the report, we may refer to the Canadian wood products operations, which are also known as "Wood Products Canada"; to the U.S. wood products operations, which are also known as "Canfor Southern Pine"; and to Vida operations, which refers to

our 70%-owned subsidiary Vida Group ("Vida") in Sweden. This is our first year including data from Vida's operations. We have indicated in footnotes when prior year data is also available to be restated for the inclusion of Vida. We have included our new Alberta facilities Fox Creek, Spruceland and Whitecourt in our Canadian wood products operations figures. These Alberta sawmills were acquired on March 1, 2022. We have incorporated data for the full year where available, unless otherwise stated. However, this report excludes:

- Canfor's 60% interest in Houston Pellet Limited Partnership (HPLP)
- Canfor's associates or investments

Data is reported using the metric system and in Canadian dollars unless otherwise stated. Certain data tables have exclusions that differ from the above consolidation approach and are outlined in footnotes. For more sustainability data, including comparative information where available, please see our 2022 Sustainability Report Data Pack, which can be downloaded from [sustainability.canfor.com](https://sustainability.canfor.com).

Where available, we include comparative data to demonstrate trends. Historical data is reported based on the scope of the report for the respective fiscal year. The scope of the report can change from year to year, depending on acquisitions or sales of assets.

Any forward-looking information should be read together with the cautionary note on [page 113](#).

All photos and images used in this report were taken either prior to the COVID-19

+ **We are on a journey to expand our sustainability strategy, actions and associated reporting.**

pandemic or under appropriate safety protocols.

All featured employees are wearing the personal protective equipment applicable for that location and activity.

**Changes to Reporting in 2022**

We actively monitor the changing landscape of ESG reporting regulations and consider applying new standards as they become available.

In 2022, we continued to align disclosures with the recommendations from the TCFD and with the SASB Standards. Certain comparative amounts for prior years have been reclassified or restated to conform with updated reporting criteria. We have also included our Vida operations where data is available; we have noted differences from our reporting boundaries for each data table in footnotes. If prior years' data is restated, it is indicated within this report in footnotes.

**Third-Party Information**




This report contains hyperlinks to websites operated by parties other than Canfor. These are provided for reference

**Read More**




This report, as well as past sustainability reports, are available on our [website](#). As we continue our sustainability journey, we welcome your feedback and suggestions at [info@canfor.com](mailto:info@canfor.com).

The 2022 Sustainability Report is part of Canfor's annual reporting suite, which includes the following documents:

**Canfor Pulp**

-  [2022 Annual Report](#)
-  [Annual Information Form](#)
-  [Information Circular](#)


**Canfor Corporation**

-  [2022 Annual Report](#)
-  [Annual Information Form](#)
-  [Information Circular](#)

**Vida Operations**

-  [Sustainability Report](#)

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**SPOTLIGHT ON VIDA**

## Update to our Reporting Boundaries

This marks our first year including information from Vida, our Swedish operations, in our Sustainability Report. The 'Spotlight on Vida' highlights featured within this report provides context on our Vida operations. Our goal is to continue to integrate and improve our Vida disclosures; this is the start of a multi-year journey to align our reporting. Vida also publishes a stand-alone Sustainability Report, which is available on [their website](#).

# Performance at a Glance

We are committed to continuous improvement and reporting out on our progress. Our Performance at a Glance summarizes our progress against our goals, targets and metrics. We are currently working on refining our goals and targets for the remaining topics and will include them in future reports.

● Achieved   
 ◐ On Track   
 ! ○ Monitoring   
 ○ Data Collection in Progress

Material Topic & Goal	Target	Metric	2022 Results	Status
<b>Safety, Health &amp; Wellness</b> Goal: We are committed to a zero-incident workplace and supporting the health and wellness of our people.	<b>North America</b>			
	10% improvement year over year on our total recordable incident frequency <sup>a</sup>	Total recordable incident frequency (TRIF)	TRIF reported per OSHA: 2.26 <sup>b</sup>	! ○
	Achieve and maintain the National Standard of Canada for Psychological Health and Safety in the Workplace by 2024 <sup>c</sup>	To be determined	New target for 2022; we will report progress in future reports	○
<b>Inclusion &amp; Diversity</b> Goal: We will foster a more inclusive and equitable culture and increase the diversity in our workforce.	<b>North America</b>			
	30% under-represented <sup>d</sup> groups in executive leadership positions by 2030	% of executive leadership	25%	◐
	30% under-represented groups in all other senior leadership positions by 2025	% of all other senior leadership positions	15%	◐
	50% of under-represented groups for new hires annually by 2030, with an interim target of 33% by 2025	% of new hires in under-represented groups	50%	●
	Availability of personal protective equipment (PPE) for everyBODY at operations in North America by 2023	Availability at operations	Available at all operations	●
	Maintain a 95% completion rate of Inclusion and Diversity Awareness training for new hires within four months of hire	% of completion by new hires with four months tenure	50% <sup>e</sup>	! ○
<b>Indigenous Relations</b> Goal: We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs.	<b>Canada</b>			
	100% of operating area covered by agreements with willing Nations by 2030	% of area covered by agreements	46%	◐
	5% of total spend with Indigenous vendors for Canadian operations by 2025	% of spend with Indigenous vendors <sup>g</sup>	3.5%	◐

a. To calculate TRIF, Canfor uses 200,000 hours to normalize the total hours worked, and incidents only include work-related injuries. Recordable incidents are tracked per Occupational Safety and Health Administration (OSHA) definitions for 2022. Prior years have not been restated and are presented as Medical Incident Rate (MIR) as defined by Manufacturing Advisory Group (MAG) guidelines. For comparative purposes, MIR for 2022 is 1.65.

b. Vida is excluded from 2022 result as transition to TRIF per OSHA is in progress. As a result, we did not calculate our performance relative to a three-year rolling average due to the change in methodology for 2022. We are reviewing our target relative to available data.

c. [National Standard of Canada for Psychological Health and Safety in the Workplace](#) by the Mental Health Commission of Canada, Bureau de normalisation du Québec and CSA Group.

d. Under-represented groups include women, non-binary people, Indigenous Peoples, visible minorities, people living with disabilities, LGBTQ2S+ individuals, and veterans. Individuals who identify in multiple groups are only counted once. We are in the process of improving our data collection; currently, our data only represents women, Indigenous Peoples and visible minorities.

e. This is a new target established in 2022; we are monitoring our performance and continue to review the frequency of our course offerings to encourage timely completion of training for our new hires.

f. This target and metric also apply to our Indigenous Relations material topic in Canada, but only appears once in this table for clarity.

g. Initial target was set only for Canadian wood products operations. We have updated our data to include spend from both our Canadian pulp operations and wood products operations.

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Material Topic & Goal	Target	Metric	2022 Results	Status	
<b>Community Resilience</b> Goal: We will contribute to community resilience by being a good neighbour focused on supporting our employees and communities in building a sustainable future.	<b>North America</b>				
	Contribute a minimum of \$2 million annually through Canfor's Good Things Come From Trees community giving program to our operating communities in North America	Total Good Things Come From Trees donations	\$2.2 million	●	
	Establish Good Things Come From Trees Foundation in Canada and the U.S. by 2023	Completion status	Established in Canada; will establish in U.S. by 2023	●	
<b>Sustainable Forestry</b> Goal: We are committed to practising world-class sustainable forestry that will result in resilient, productive and biodiverse forests. We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.	<b>Canada</b>				
	Maintain 100% certification to Sustainable Forestry Initiative® (SFI®) or Forest Stewardship Council® (FSC®) Forest Management Standards and the SFI Fibre Sourcing Standard for all Canfor-managed forests	% certified	100%	●	
	<b>United States</b>				
	Maintain 100% certification to the SFI Fibre Sourcing Standard for all sourced wood	% certified	100%	●	
	Support willing timberland owners to achieve the SFI Forest Management Standard or American Tree Farm System® certification and have 30% of purchased fibre be from certified lands by 2030 <sup>h</sup>	% of volumes certified	15%	●	
	<b>Canadian Woodlands Operations</b>				
	Enhance the climate change resilience and future productivity of our forests by implementing credible, science-based sustainable forest management practices	Reforest 100% harvested areas within four years of harvest start; 100% of reforested areas to be monitored and tended until the stand has achieved a specified state of health and growth		Achieved for 2022	●
		Less than 5% (three-year rolling average basis) of gross cut-block area is occupied by permanent roads		Data collection in progress	○
	<b>North American Woodlands Operations<sup>i</sup></b>				
	Maintain biodiversity and habitat for wildlife by employing ecosystem-based management and collaborative partnerships, with special consideration for species-at-risk	Develop and implement wildlife habitat features management program across all tenured woodlands		73% of our updated Wildlife Habitat Features Program have been developed and implemented	●
Establish and implement a species-at-risk management program for key species across all tenured woodlands			71% of our updates Species-at-Risk Program have been developed and implemented	●	
Conserve water quality and fish habitat by implementing best management practices to minimize erosion and sedimentation	Erosion and sediment control training delivered at each operation at least every three years for all tenured woodlands		All locations have received virtual training; we are in the process of delivering in-person training.	●	

h. The American Tree Farm System® is a program of the American Forest Foundation. In 2022, we have updated this target to reflect the current landscape of certification in the United States.

i. The targets are applicable to North America, but the metrics reported above are only applicable to B.C. woodlands operations; metrics for Alberta and U.S. are under development.

Material Topic & Goal	Target	Metric	2022 Results	Status
<b>Climate Change</b> Goal: We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.	Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year	Scope 1 and 2 GHG market-based emissions	Scope 1 (non-biogenic): 719,465 tCO <sub>2</sub> e Scope 2 (non-biogenic): 132,076 tCO <sub>2</sub> e 2% reduction from 2020	◐
	Measure our scope 3 emissions and establish a science-based reduction target by 2024	Scope 3 GHG emissions	Refinement of scope 3 calculation in progress	◐
<b>Air Quality</b> Goal: We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.	<b>North American Wood Products Operations</b>			
	Pave 50% of unpaved high-frequency-use roads in our facilities and lumber yards to reduce fugitive dust generation by 2030	Area paved	Baseline under development	○
	Improve key business processes to reduce particulate matter across wood products operations	To be determined	Evaluation in progress	○
	<b>Pulp Operations</b>			
	Reduce the total loading of particulate to the airshed by 10% by 2030 from a 2020 baseline year	Amount of particulate matter from stacks	908 tonnes of PM <sup>i</sup> -11% from 2020	◐
	Achieve Pulp and Paper Air Emissions Code of Practice for SO <sub>x</sub> discharge while reducing total reduced sulphur (TRS) emissions by 20% by 2030 from a 2020 baseline year	Amount of SO <sub>x</sub>	2,793 tonnes of SO <sub>x</sub> ; -5% from 2020 <sup>k</sup>	◐
Amount of TRS emissions		115 tonnes of TRS; -19% from 2020	◐	
Reduce the loss of ozone-depleting substances from refrigeration units by 50% by 2030 from a 2020 baseline year	Amount of ODS	458 kilograms; -24% from 2020 <sup>l</sup>	◐	
<b>Water Management</b> Goal: We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.	<b>North American Wood Products Operations</b>			
	Reduce water usage by 10% by 2030	Total water usage	Baseline under development	○
	<b>Pulp Operations</b>			
	Reduce the water intensity of pulp and paper production by 10% by 2030 from a 2020 baseline year	Water intensity (m <sup>3</sup> /ADt)	101 m <sup>3</sup> /ADt; +7% from 2020	⚠
Reduce the biological loading intensity of pulp and paper production by 25% by 2030 from a 2020 baseline year	Amount of biochemical oxygen demand (BOD) (kg/ADt)	2.7 kg/ADt; +5% from 2020	⚠	

j. Our current data only includes particulate matter emissions from stacks and does not include fugitive emissions.  
 k. We are also looking at projects to reduce SO<sub>x</sub> emissions to meet the Code of Practice.

l. Ozone-depleting substances (ODS) are defined as refrigerants releases that are estimated based on recharge amounts for the year, which can fluctuate depending on timing of maintenance. We are tracking R410A, R438A, R404A, R422D, R22, R407C.

Material Topic & Goal	Target	Metric	2022 Results	Status
<b>Waste Management</b>  Goal: We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.	<b>North American Wood Products Operations</b>			
	Reduce the volume of log yard debris generated by 15% by 2030	Volume of log yard debris	Baseline under development <sup>m</sup>	○
	Recover 40% of Canadian wood products operations' ash and log yard debris through beneficial use programs by 2030	Recovery rate of log yard debris and ash	57% <sup>n</sup>	●
	Support and promote waste reduction and recycling programs to reduce domestic waste to landfill	To be determined	Programs under development	○
	<b>Pulp Operations</b>			
	Create beneficial use projects for process wastes that reduce the volume to landfill by 10% by 2030	To be determined	Projects under development	○
	Eliminate the landfilling of wood, pulp and paper waste generated at the facilities	To be determined	Projects under development	○

m. Baseline is under development, as we are improving data collection for log yard debris in the U.S.

n. The numerator of this recovery rate includes seven facilities where we track our ash and log yard debris processed for beneficial use. The denominator is based on information where available, which may be incomplete and may rely on estimation methods. We will continue to improve data tracking for material waste streams.



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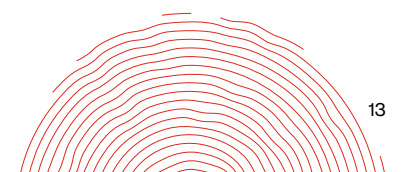
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**We work with a diverse range of individuals and organizations that have an interest in our operations.**

We identify stakeholders and partners based on how they are impacted by, or how they have an impact on, Canfor's business activities. Our list of stakeholders and partners is created through consultation with our employees, Indigenous communities (in Canada), public advisory groups and open houses,

and through engagement with local government, associations and special interest groups. Identifying and engaging with these key stakeholders and partners allows us to understand their interests, identify risks and opportunities, and gauge the effectiveness of our management actions. We adapt our methods of

engagement based on each Indigenous community, stakeholder or partner group's unique interests and involvement in our business activities. Canfor recognizes that Indigenous Peoples are rights-holders and title-holders, not stakeholders. Indigenous communities are included in this section to highlight our common interests.

# Outreach & Engagement

As the COVID-19 pandemic extended through 2022, we continued to follow the health and safety protocols outlined by health authorities when engaging with Indigenous communities, stakeholders

and partner groups. We are committed to providing opportunities to discuss local forest management issues. Employees at all Canadian locations meet with local and regional representatives and other forest users to ensure all needs and concerns are considered when developing management plans. As part of the permitting process, information is

shared with stakeholders for comment and feedback on our plans. For Canadian Woodlands operations, we use Creating Opportunities for Public Involvement (COPI), a proprietary database that tracks communications, actions and issues with stakeholders and other interested parties. It also includes spatial information that identifies areas of geographic interest and

links to overlapping tenure holders such as guide outfitters, trappers and mineral tenure holders.

In the U.S., we work in close partnership with timberland owners. We are working with timberland owners to help them obtain forest certifications.

Stakeholder, Partners and Special Interest Groups	Interests <sup>1</sup>		
Employees and Unions	<ul style="list-style-type: none"> <li>• Safe working conditions</li> <li>• Competitive wages and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce diversity</li> <li>• Employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Advancement opportunities</li> <li>• Training and development</li> </ul>
Indigenous Communities	<ul style="list-style-type: none"> <li>• Cultural heritage, traditional use, treaty rights, Indigenous rights and title</li> <li>• Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Business-to-business opportunities</li> <li>• Community investment</li> <li>• Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Cross-cultural understanding opportunities</li> <li>• Employment and training opportunities</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Community enhancement</li> <li>• Environment</li> <li>• Safety on community roads</li> </ul>	<ul style="list-style-type: none"> <li>• Economic stability</li> <li>• Responsible forest management</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Water and air quality (community watersheds, local airsheds)</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Stable supply of quality products</li> <li>• Competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Responsible forest management</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient delivery</li> <li>• Sustainable manufacturing</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Economic stability</li> <li>• Market development</li> </ul>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Product development</li> <li>• Responsible operations</li> </ul>
Governments (Municipal, Provincial, State, Federal)	<ul style="list-style-type: none"> <li>• Responsible forest management</li> <li>• Timely regeneration</li> <li>• Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws</li> <li>• Forest health</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Market development</li> <li>• Economic stability and safe working conditions</li> </ul>
Environmental Groups and Recreationalists	<ul style="list-style-type: none"> <li>• Responsible forest management</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of species-at-risk and habitat</li> <li>• Maintenance of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Safe forest roads and access</li> </ul>
Certification Organizations	<ul style="list-style-type: none"> <li>• Certification requirements</li> <li>• Impact on forest management</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of species-at-risk and habitat</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible procurement</li> </ul>
Local Public Advisory Groups	<ul style="list-style-type: none"> <li>• Responsible forest management</li> <li>• Forest health</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of species-at-risk and habitat</li> <li>• Responsible operations</li> </ul>	<ul style="list-style-type: none"> <li>• Management of local issues</li> </ul>
Post-Secondary Institutions	<ul style="list-style-type: none"> <li>• Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Career opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment</li> </ul>
Timberland Owners	<ul style="list-style-type: none"> <li>• Economic stability</li> <li>• Business-to-business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible forest management</li> <li>• Responsible operations</li> </ul>	<ul style="list-style-type: none"> <li>• Certification requirements</li> </ul>

1. This list of interests is non-exhaustive and is a representation of actual and potential interests identified from past materiality assessments and stakeholder engagements.

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# Memberships & Associations

We are members or partners of various industry associations, non-governmental organizations and local community groups.

We have listed our main memberships where we play an active role in the organization through projects, initiatives or committees or where the organization has strategic alignment with Canfor. We are also part of a number of municipal chambers of commerce and collaborate with educational institutions. We have highlighted additional key initiatives, partnerships and projects within our report. We participate in working groups in many of the listed industry associations to provide technical expertise and industry perspectives, and to draw on their expertise to help improve our operating practices.

A number of externally developed economic, environmental, social charters, principles or other initiatives, such as the Global Reporting Initiative (GRI) and the International Organization for Standardization (ISO), are also referenced for best practices.

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# Our Materiality Assessment

**We engage with our stakeholders in defining our material sustainability topics.**

During our extensive assessment in 2020, we included internal and external groups and partners to clarify where we should focus to deliver on our sustainability vision. We plan to undertake a comprehensive materiality assessment every three years, with our next one in 2023.

We define materiality with the guidance from the Global Reporting Initiative (GRI). Because material topics don't tend to change annually, we follow a multi-year approach to assessing our focus areas and identifying potential new topics.

Over the last two years, we conducted an extensive assessment of our material sustainability topics. We further defined our material topics through workshops with data owners and subject matter experts. We refined our goals and established targets for several material topics, and we are now in the process

of developing activation strategies and implementation plans.

Our 13 material topics are featured in Our Sustainability Framework as:

- Safety, Health & Wellness
- Inclusion & Diversity
- Indigenous Relations
- Human Rights
- Community Resilience
- Sustainable Forestry
- Climate Change
- Air Quality
- Water Management
- Waste Management
- Residuals Management
- Supply Chain Management
- Energy Management

## Our Approach

Our materiality assessment involves four steps:

### 1. Identification

We begin with a full list of topics relevant to the solid wood and pulp and paper industries, based on globally recognized sustainability standards. After consultation, we prioritize the most material topics for our business.

### 2. Validation

The topics are validated through:

- A survey of salaried employees on the importance of the topics
- Interviews with a subset of our stakeholders, including a selection of a cross-section of employees, communities, Indigenous Nations, municipalities, customers and certification organizations to understand which topics were of most concern for their interests and priorities
- A materiality assessment workshop with Canfor business leaders and executives, using established criteria such as the risk of inaction, our ability to influence the topic and our ambition to lead in the area

### 3. Approval

The prioritized material topics, including topic boundaries and definitions, are approved by internal subject matter leaders, the Sustainability Working Group, the executive team, the Canfor Board of Directors and the Canfor Pulp Board of Directors.

### 4. Evaluation

The sustainability team regularly monitors emerging matters raised by internal and external stakeholders, partners and special interest groups to evaluate how matters might impact our material issues.



## Vida's Materiality Assessment

In 2022, Vida completed its own materiality assessment. This work was carried out with an external consultant, representatives from the Vida's management team, and the sustainability reporting working team. To work strategically in the short, medium and long term, Vida prioritized significant risks.

The starting point was to maximize the opportunities in sustainable operations while minimizing any negative effects of the business. Any significant, non-financial aspects were assessed and may affect Vida's value creation based on available data and feedback from stakeholders. Environmental, social and governance (ESG) aspects were prioritized based on the level of risk.

We will review and integrate the outcomes of Vida's materiality assessment into the consolidated assessment as part of the in-depth review in 2023.

# Our Approach to Sustainability

Sustainability is integral to all our operations, processes and products.

Through our value-added approach, we take a renewable resource and turn it into high-quality, climate-friendly sustainable products. One of our core values is to protect the planet by doing everything with sustainability at the forefront. We are working on integrating sustainability – one of the five pillars of our business strategy – into all areas of our company. We maintain a deep respect for the communities and people our business touches, the products we create and the natural environment we rely on to thrive.

Our Sustainability Framework (see next page) illustrates how the three pillars of People, Planet and Products form our integrated approach, as well as the structure and content of our reporting.

By embracing these pillars, we position ourselves for sustainable, positive impacts and for the opportunity for significant long-term growth.

Each of the 13 material topics we identified is tied to one of the three pillars. We've reported on several management approaches and topic-specific disclosures for each material topic in accordance with relevant sustainability reporting standards and frameworks. This provides a transparent view of our current sustainability performance and progress towards our goals. This framework will guide our strategy, align our sustainability ambitions with actions and position us for success well into the future.



# Our Sustainability Framework

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<b>People</b>				
Our people and communities thrive because we are focused on safety, inclusion, equity and wellness every day.				
<b>Safety, Health &amp; Wellness</b>	<b>Inclusion &amp; Diversity</b>	<b>Indigenous Relations</b>	<b>Human Rights</b>	<b>Community Resilience</b>
We are committed to a zero-incident workplace and supporting the health and wellness of our people.	We will foster a more inclusive and equitable culture and increase the diversity in our workforce.	We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs.	We are committed to respecting human rights across our company, value chain and with stakeholders, partners and special interest groups in our communities.	We will contribute to community resilience by being a good neighbour focused on supporting our employees and communities in building a sustainable future.
<b>Planet</b>				
Our practices and products play an integral role in helping to protect the planet and mitigate climate change.				
<b>Sustainable Forestry</b>	<b>Climate Change</b>	<b>Air Quality</b>	<b>Water Management</b>	<b>Waste Management</b>
We are committed to practising world-class sustainable forestry that will result in resilient, productive and biodiverse forests. We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.	We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.	We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.	We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.	We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.
<b>Products</b>				
Our products are sustainable because our manufacturing and supply chain are optimized for responsible resource use.				
<b>Residuals Management</b>	<b>Supply Chain Management</b>	<b>Energy Management</b>		
We are committed to maximizing utilization by identifying the highest and best use, from the forest to the finished product, while supporting sustainable forests.	We are committed to embedding sustainability throughout our supply chain.	We will optimize energy intensity across our business while expanding utilization and production of low-carbon energy solutions.		

# Our Sustainability Governance

## Board Responsibilities

### Board Oversight

The Canfor and Canfor Pulp Boards meet quarterly and are updated on sustainability- and climate-related topics. This includes a review of our sustainability scorecard, which reports on progress towards achieving our targets for each material topic. The Canfor and Canfor Pulp Boards govern sustainability- and climate-related topics through the following three joint Board committees.

### Joint Governance & Sustainability Committee

The Joint Governance and Sustainability Committee provides overall strategic guidance on our sustainability program. The committee also supports compliance with best practices and relevant legal and regulatory requirements, and monitors emerging trends, changes and developments in the legal and regulatory landscape. Management regularly informs the committee on sustainability activities and external developments, and the committee approves recommendations from management on material sustainability matters. They are also responsible for approving the annual Sustainability Report.

### Joint Audit Committee

The Joint Audit Committee is responsible for ensuring that we have appropriate risk management processes in place and that we are in compliance with all legal and regulatory disclosure requirements, including monitoring evolving regulatory requirements around climate-related disclosures as they relate to public company reporting requirements. The committee also provides oversight of risks related to environmental, social and governance (ESG) issues, including climate-related risks, which are integrated into our enterprise risk management processes.

### Joint Environmental, Health & Safety Committee

The Joint Environmental, Health and Safety Committee is responsible for matters related to environmental, health and safety laws and regulations, and for reviewing company performance related to our Indigenous Engagement Strategy.

See our [Canfor Corporation Information Circular](#), and [Canfor Pulp Information Circular](#) for more details about our Board committees and governance practices.



Board of Directors		
Joint Governance & Sustainability Committee	Joint Audit Committee	Joint Environmental, Health & Safety Committee

Executive Management Team
President & CEO <sup>1</sup>
CFO & SVP, Sustainability <sup>2</sup>

Director, Environment & Sustainability	
Sustainability Working Group	Corporate Environmental Management Committee

### Sustainability Team and Operations Teams

1. Don Kayne is President & CEO of Canfor Corporation. Kevin Edgson is President & CEO of Canfor Pulp Products Inc.  
2. Pat Elliott is Chief Financial Officer (CFO) for Canfor & Canfor Pulp Products Inc, as well as Senior Vice President, Sustainability, Canfor.

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# Management Responsibilities

Management is informed and engaged on relevant ESG issues, including climate-related topics, through regular communication with business units. Canfor monitors ESG issues, including climate-related topics, through engagement with committees, business units and industry associations.

## President & CEO

Our President and CEO, for each respective entity, holds ultimate accountability for successful sustainability performance.

## Chief Financial Officer & Senior Vice President, Sustainability

This role is responsible for providing overall direction for the sustainability strategy and integration into the corporate

strategy. This role also oversees the development and execution of the sustainability strategy and disclosure across the business. The CFO & SVP, Sustainability, reports to the CEO and regularly reports to the Joint Governance and Sustainability Committee and the Board.

## Director, Environment & Sustainability

This role is responsible for the development of the sustainability strategy, which includes establishing goals, targets and metrics. This role is also responsible for monitoring the performance of the business against the sustainability strategy and for managing the budget and resources for the sustainability program. The Director, Environment and Sustainability supports the CFO & SVP,

Sustainability in informing the Board on ESG matters. This role also works closely with the Vice President, Corporate Communications; the Controller, Enterprise Shared Services; and the broader sustainability and operations teams to develop and implement our overall sustainability program and sustainability communication strategy, and to report on ESG disclosures. The Director also facilitates the Sustainability Working Group.

## Corporate Environmental Management Committee

This committee provides high-level oversight and due diligence related to sustainable forestry, air quality, water and waste practices. It also advises both the Canfor Board of Directors and the Canfor Pulp Board of Directors about our manufacturing facilities' environmental and sustainable forest management performance. The committee has representation from across the business. This includes the CFO & SVP, Sustainability; presidents and vice presidents of Canfor Southern Pine, Canfor and Canfor Pulp; environmental managers for each business unit; and internal legal counsel.

## Business Units

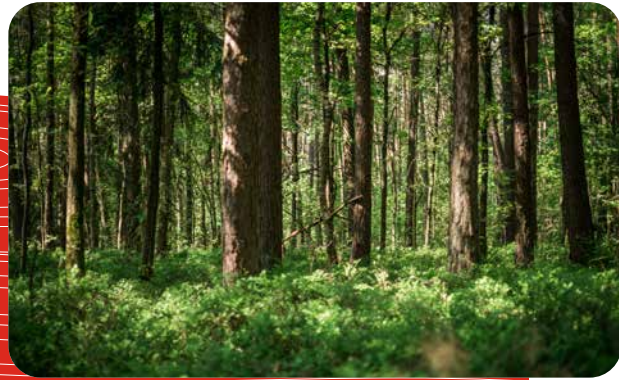
Implementation of the sustainability strategy is the responsibility of senior management and various roles within each business unit, with support from the sustainability team. Business unit

representatives participate in the Sustainability Working Group and in subcommittees to determine goals, targets and metrics related to each of our material topics. In 2022, we are developing activation strategies that will drive performance towards our goals and targets.

## Sustainability Working Group

The Sustainability Working Group includes representatives from business units, corporate teams and subject matter experts. It provides input and feedback on aspects of the strategy, implementation processes and disclosures. It also serves to build engagement across the business.

**+ In 2022, we developed activation strategies that are driving performance towards our goals and targets.**



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## Risk Management

Enterprise risk management (ERM), which is an integral component of our corporate governance, considers both threats and opportunities that may have an impact on our business and on future operational and financial performance, as well as our ability to meet the sustainability-related targets and goals we have set.

### Our Program

We manage our enterprise level risk through our ERM program as defined in our ERM Policy. Our ERM program is based on ISO 31000 Risk Management Guidelines and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Integrated Framework. Our ERM program is implemented through the steps of identifying risks, analyzing risks, evaluating risks, implementing treatment strategies, and monitoring and reporting. The program is an important part of our overall governance and ensures we are able to remain committed to our overall business objectives, specifically our sustainability strategy, through awareness and diligent management of opportunities and risks.

### Our Risk Framework and Policy

In 2022, as part of the continued evolution of our ERM program, we updated our risk framework and ERM policy. We conducted an updated risk assessment with vice presidents and directors from across the organization. The outcome was an updated ERM Risk

Register, with evaluation of each risk in accordance with our risk assessment criteria. Our policy assesses enterprise-level risks on the dimensions of likelihood, consequence and velocity, which informs our chosen treatment strategies. The risk treatment incorporates risk mitigation actions approved by the executive team. In 2022, we also have been able to identify and respond to more detailed ESG related-risks, including climate-related risks. We identified treatment strategies that will improve our monitoring of these risks.

### Risk Identification and Assessment

Risk trends, changes and mitigating actions are reported to the executive management team and/or the relevant Board committee regularly. We review and update the risk ratings of our ERM Risk Register through an annual validation. Enterprise risks are typically identified and updated in the Risk Register through continuous inputs by risk owners or broader stakeholder groups such as Indigenous communities, industry associations, certification bodies and customers.

#### CLIMATE-RELATED RISKS AND OPPORTUNITIES

Specifically, climate-related risks and opportunities are considered in our overall risk management and include both physical and transition risks.

Climate change physical risks include chronic and acute physical risks resulting from adverse events brought

on by both natural and human-made disasters, including, but not limited to, severe weather conditions, forest fires, hurricanes, earthquakes, timber diseases and insect infestations. These risks may adversely affect Canfor's timber supply, resulting in reduced supply chain availability and/or may have similar effects on our suppliers and customers. Any damage caused by these events could increase costs and decrease Canfor's production capacity, thereby having an adverse effect on Canfor's financial results. We mitigate these risks by performing analyses of our fibre supply, preparing emergency response plans and performing Climate Change Vulnerability Assessments, which assess these risks on our woodland regions. These Climate Change Vulnerability Assessments form the basis for further climate scenario analysis planned in the coming year.

Climate change transition risks include risks associated with changes to laws, regulations and industry standards, which may result in additional reporting requirements, operational complexity and financial expenditures. There also may be reputation risks due to rising prominence of ESG concerns among our stakeholders and Indigenous partners. These concerns could influence public opinions about Canfor and the broader industry, and could adversely affect our reputation, business, strategy and operations. Some of our mitigation actions towards these risks include quantifying and obtaining third-party assurance of our scope 1 and 2 GHG emissions to measure performance towards our climate change targets. We

have also performed an initial estimate of scope 3 GHG emissions to assess our material impacts in our value chain. We are monitoring our operating costs, including the impact of carbon tax and related increase to fuel price; considering energy and emissions data in our capital planning process, including developing an internal price of carbon; and actively monitoring government regulations. We support the shift to a more circular and sustainable global economy. We see these risks as an opportunity to differentiate us as a sustainability leader and to achieve sustainable growth.

### Risk Monitoring and Reporting

Each of our enterprise-level risks is assigned to an individual at the vice president level or higher for ownership and accountability for the implementation of mitigating actions and controls.

The Director, Internal Audit and Risk Management executes our ERM program on a day-to-day basis. The overall leadership of our ERM program is by our Enterprise Shared Services Controller, who reports to the executive team to obtain input related to risk management. The status of these actions and controls is reviewed quarterly by the Joint Audit Committee to ensure risks are appropriately managed and controlled. The Board of Directors, through the Joint Audit Committee, retains the ultimate responsibility for the overall risk management process.



## Aligning Remuneration to our Sustainability Strategy

Our salaried employees are eligible for a short-term incentive plan that provides rewards based on Canfor's organizational performance. There are two components to this plan: financial and business results. Business results consider sustainability performance by reporting on metrics related to inclusion and diversity, health and safety, and the environment. Under the executive short-term incentive plan, sustainability-specific objectives fall under the Safety and Strategy Execution components. These components cover workplace safety, employee health and wellness, inclusion and diversity, employee experience and engagement, training and development, and the environment.

## Feedback Mechanisms

We have mechanisms for those seeking advice on implementing our policies and practices in line with responsible business conduct. It is also important that critical concerns about our organization's potential and actual negative impacts are raised through feedback mechanisms and other processes. This allows us to investigate and act upon matters raised.

Employees can access our whistleblower hotline to report critical concerns such as suspected fraudulent or unethical activities. This includes behaviour that goes against Canfor's values, such as discrimination witnessed or suffered, or situations where company policy has been wilfully breached.

The hotline is administered by our internal audit team, which maintains employees' anonymity; all information provided remains confidential. The hotline can be accessed by phone or email. The internal audit team works to ensure a zero-tolerance approach to retaliation when concerns are reported.

Incidents are reported directly to our Board of Director's Joint Audit Committee by our internal audit team. We do not tolerate any violation of the Code of Conduct Policy, any violation of the Bullying and Harassment Policy, any illegal or unethical behaviour, or any other misconduct.

Any violations may be reported to:

- The employee's immediate manager
- The Senior Legal Officer and/or a Senior Vice President
- The whistleblower hotline (anonymously)

Canfor will not take or allow any reprisal against any employee who, in good faith, reports a suspected violation of the Code of Conduct or any other misconduct. We investigate all reported violations. If we determine that a violation has occurred, we take appropriate action, up to and including immediate termination of employment.

Similarly, we have a specific safety resolution policy outlining how to raise and review safety concerns:

- Employees first report work-related hazards and hazardous situations to their supervisor or safety committee members
- If a resolution is not found, a site safety committee member and the supervisor are brought in to review the issue
- If a resolution still can't be found at this point, the issue is escalated to the appropriate workers' rights entity; they will review and decide on next steps

Employees are protected against reprisal. Every employee has the right to refuse work situations that they believe could cause injury or illness or where they may be subjected to other inappropriate conduct. Any safety initiatives and concerns can be brought forward in monthly crew safety meetings and escalated to the area department safety meetings as needed.

We have processes to resolve feedback related to our forest management, fibre sourcing, and controlled wood and chain of custody certifications, as well as for air

quality, water, and waste management. Typically, our sites address issues directly. If a stakeholder is not satisfied with the outcome of their inquiry, or hasn't received a response within a reasonable time, they may lodge a complaint with us. Significant matters are monitored by Environment Leads and reported to Canfor's Corporate Environment Management Committee (CEMC) to ensure resolution.



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- Indigenous Relations
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# People

Our people and communities thrive because we are focused on safety, inclusion, equity and wellness every day.

Our people make Canfor successful because of their resilience, dedication and hard work every day. They grow seedlings, manufacture products we need today, innovate products we'll need tomorrow, and support each other along the way. Our people, communities and Indigenous partners are critical to our success and we, in turn, have a responsibility to be a

great employer, partner and corporate citizen. We take our role as an employer and partner seriously, recognizing the impact we have socially, environmentally and financially.

Together, everyone can succeed when we foster a safe, healthy and inclusive workplace and a thriving community with engaged partners.





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# What's Included

We are accountable to our employees, customers, communities, governments, Indigenous communities, and local business partners, among others. This section covers the material topic areas related to People, including Safety, Health & Wellness; Inclusion & Diversity; Indigenous Relations; Human Rights; and Community Resilience.



We want to be an employer of choice where all people feel safe, welcomed and rewarded. One of our challenges in 2022, beyond the ongoing pandemic and its impact on people, was the global labour shortage. This is particularly acute with roles in remote areas or those that require specialized skills. As the population ages, we are also impacted as more long-term employees move into retirement. Often, these employees have decades of valuable experience. So, to combat the talent drain, we are looking at how we can accelerate career and skills development – through recruitment programs and partnerships with post-secondary institutions and Indigenous communities – that help cultivate our future workforce.

Our top priority is the safety of our employees, and we have robust safety practices and programs in place. We have programs to support our employees, which includes their physical, mental and financial health.

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**Goals & Targets**

**Safety, Health & Wellness**

**Goal**

**We are committed to a zero-incident workplace and supporting the health and wellness of our people.**

**Targets**

- 10% improvement year over year on our total recordable incident frequency (TRIF)
- Achieve and maintain the National Standard of Canada for Psychological Health and Safety in the Workplace by 2024



**Human Rights**

**Goal**

**We are committed to respecting human rights across our company, value chain and with stakeholders, partners and special interest groups in our communities.**

**Inclusion & Diversity**

**Goal**

**We will foster a more inclusive and equitable culture and increase the diversity in our workforce.**

**Targets**

- 30% under-represented groups in executive leadership positions by 2030
- 30% under-represented groups in all other senior leadership positions by 2025
- 50% under-represented groups for new hires annually by 2030, with an interim target of 33% by 2025
- Maintain a 95% completion rate of Inclusion & Diversity Awareness training for new hires within four months of hire
- Availability of personal protective equipment (PPE) for everyBODY at operations in North America by 2023

**Indigenous Relations**

**Goal**

**We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and by deeply respecting Indigenous histories, cultures, values and beliefs.**

**Targets**

- 100% of operating area covered by agreements with willing Nations by 2030
- Maintain a 95% completion rate of Indigenous Cultural Awareness and Understanding training for new hires within six months of hire
- 5% of total spend with Indigenous vendors for Canadian operations by 2025

**Community Resilience**

**Goal**

**We will contribute to community resilience by being a good neighbour focused on supporting our employees and communities in building a sustainable future.**

**Targets**

- Contribute a minimum of \$2 million annually through Canfor's Good Things Come From Trees community giving program to our operating communities in North America
- Establish Good Things Come From Trees Foundation in Canada and the United States by 2023



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## Governance & Accountability

There is joint oversight and accountability between Canfor and Canfor Pulp over the management of our impacts on People-related topics. See our [Sustainability Governance](#) section for more details about our Board committees and roles and the responsibilities of those charged with the governance of sustainability performance. Management is informed and engaged on relevant ESG issues through regular communication with the following business units and roles.

'Safety comes first' is our number one value and we live it every day. Everyone

in the organization is responsible for ensuring the safety of our people. From a governance and accountability perspective, the senior leadership team is responsible for ensuring safe practices and a healthy environment.

The accountability extends to supervisors, team leaders and managers at all levels. We must be willing to not only address safety concerns, hazards and any bullying or harassment issues, but also to hold ourselves and others accountable for upholding policies. Every Canfor site in North America has a Safety Committee

with balanced representation between hourly and salaried employees. The Safety Committees make recommendations on initiatives, policy updates, audit results and other safety matters.

Members join safety calls or meet regularly to report updates, review incidents and share safety information. Each Safety Committee shares its recommendations with management for approval. The respective safety departments consider recommendations and ultimately manage the safety program. The Joint Environmental Health and Safety

Committee of the Canfor Board and the Canfor Pulp Board reviews safety quarterly. Each business unit presents continuous improvement targets and results, including sustainability-related goals and targets. Our executives are accountable for advancing diversity within Canfor and ensuring it is a priority. Canfor's leadership monitors progress by reporting on key metrics and regularly reviewing and revising our strategies.

Canfor's Diversity Council, which is sponsored by Canfor's CEO and our Senior Vice President, People, is made up of 21 members from across job levels, functions, geographies and diversity dimensions. The mandate of the Council is to sustain and advance our commitment to an inclusive culture and diverse workforce and prioritizes actions within the inclusion and diversity strategy. Working closely with the Diversity Council are our three Employee Network Groups (ENGs), each of which is sponsored by two members of the executive team.

We continue to support the implementation of our Indigenous Engagement Strategy. We have an Indigenous Relations team to provide leadership and coordination of our overall activities related to Indigenous partnerships, engagement and employment.

To advance Indigenous relations, our Indigenous Engagement Working Group (IEWG) provides leadership and coordination. Our Vice President, Woodlands, is accountable for the oversight of the IEWG and for our Indigenous Engagement Strategy.



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The Director, Indigenous Partnerships, provides leadership direction and coordination of Canfor's Indigenous partnership agreements.

We encourage and support the involvement of Indigenous Nations in a variety of partnership opportunities in the forest sector. In addition, we welcome the participation of Indigenous Nations as we embrace continuous improvement to achieve best practices in forest stewardship. Our other area of focus is supporting training and career opportunities in the forest sector for Indigenous Peoples.

To achieve these outcomes, we work with Indigenous Nations and groups and others in the resource sector to align efforts. Our Regional Indigenous Relationship Liaisons are critical in implementing and strengthening our relationships with Indigenous communities.

Our Corporate Communications team oversees our community investment program: Good Things Come From Trees. They work in collaboration with our Indigenous Engagement Working Group, as well as our local facilities and offices, to identify funding opportunities for the communities where we operate.

Together, this provides guidance on our funding and activities for charitable community groups, health programs, environmental or sustainable initiatives, youth sports, and local special events and school programming. Members of the senior executive team review major gift opportunities and provide direction for future funding opportunities based on the needs of the region and on areas of focus identified for support.



+ HIGHLIGHT

Engagement Survey Results

In late 2022, we surveyed our North American salaried employees on a range of issues through a formal employee engagement survey administered by a third party. These results provided us with a valuable snapshot of our employees' thoughts and feelings about their jobs, the resources we have available and Canfor's overall work environment.

We heard from 81% of our North American salaried employees, which is our highest response rate ever. Overall, the results were positive. Employee engagement for Canfor and Canfor Pulp combined remains strong at 79%. This score puts us above geographic and industry benchmarks. More than 80% of employees expressed general job satisfaction and a strong sense of pride in working at Canfor. Some important

areas have shown improvement since our 2018 survey, such as our composite score for diversity and engagement of women. Through the feedback, we identified four areas of focus for improvement:

- Organizational capacity
- Front-line supervisor engagement
- Career development
- Respectful workplace

In 2023, we will create action plans to address these areas of focus, including reviewing programs already underway and adjusting areas as needed. The information and opinions provided by our employees will provide us with helpful guidance to continue to shape Canfor's culture and employee experience.

+ Teams collaborate with local facilities and offices to identify charitable funding opportunities for the communities where we operate.

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**MATERIAL TOPIC**

# Safety, Health & Wellness

**Our people are our most important asset. Investing in and supporting our people so they remain safe, healthy and well are our top priorities.**

As a forest products manufacturing company, we need to go beyond ensuring a safe workplace: our employees deserve a work environment that considers personal health and wellness, and that supports everyone returning home safe to their family at the end of every workday.

As the pandemic continued in 2022, our focus on mental health increased. Like most of society, our people are feeling the repercussions of three years of uncertainty and disruption to daily life. With economic volatility, change fatigue and ongoing labour shortages that put extra pressure on employees, ensuring that our people feel safe and well contributes to a workplace where people can do their best work.

We increased our investment in programs that support employee health and wellness, and we are looking at ways to mitigate the impact of change on our operations. Strong safety practices continue to be deeply embedded in our culture and values.



## Our Approach

At Canfor, safety is everyone's responsibility. Our goal is a zero-incident workplace. We are proud of our ongoing commitment to keeping each other safe at work.

Our Safety Policy defines our objectives and shared responsibilities. Our Occupational Health and Safety (OHS) programs, which form the basis of our safety system, cover roles and responsibilities for ourselves and for our contractors.

Employees participate in OHS program development, implementation and evaluation. Employee feedback helps to improve our safety planning and supports our zero-incident ambition.

The main components of our OHS programs include:

- Policies and procedures, including Safety Policy
- Training and education
- Investigations of incidents
- Hazard identification and risk assessment
- Joint Occupational Health and Safety committees; also referred to as Safety Committees
- Corrective action follow-up
- Industrial hygiene
- Emergency response and preparedness
- Process safety management
- Inspections, process audits and safety contacts
- Commitment to measuring and monitoring safety indicators
- Whistleblower hotline

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**Investing in Safety Across New Canfor Sites**

Although our three Alberta facilities that were acquired in 2022 – Whitecourt, Fox Creek and Spruceland – already had an excellent safety culture and program, the Canadian wood products operations' safety team worked to assess risks and opportunities for upgrades and the additional investment needed to apply learnings from Canfor's existing facilities. Focus areas included a \$6 million capital expenditure for dust extraction to reduce the risk of dust explosion, machine safeguarding, machine lockout processes, and Mobile Equipment Pedestrian Interface risk assessments and controls.

We regularly review and update the OHS Programs internally and use external safety audits to evaluate effectiveness. See [Canfor Safety Policy](#) signed by the President and CEO for Canfor, and [Canfor Pulp Safety Policy](#) signed by the President and CEO for Canfor Pulp.

**Identifying Hazards, Assessing Risks and Investigating Incidents**

With a goal of a zero-incident workplace, we assess and address work-related health and safety risks in several ways.

For overall safety and hazard assessments:

- Proactive tracking of leading indicators such as reporting of safety observations, follow-ups, near misses, hazards; completion rates of actions, drills and training
- Management and employees complete monthly inspections
- Safety committees review inspections and corrective actions plans

- Operations conduct external safety audits, which include inspections, site tours, employee interviews and review of records
- Supervisors review employee hazard and risk assessments

For work-related incidents:

- The employees involved in the incident, their supervisor and a Safety Committee member (or designate) investigate and make recommendations to prevent reoccurrence
- Supervisors review employee hazard and risk assessments
- The senior leadership team, including general managers and safety managers, review historical data to identify trends and potential high-risk events
- All incident investigations, inspections, job safety analysis tracking and training records are maintained in internal databases



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**Occupational Health and Safety (OHS) Training**

To strengthen our culture of safety, we have implemented safety training, which covers:

- Our policies and procedures
- Our learning management system
- Employees' training records
- Incident investigations
- Supervisor responsibilities

Training helps supervisors to lead employees through the safety resolution process: reviewing hazards, identifying potential corrective actions and resolving conflicts that might arise in the process.

We set health and safety training topics based on regulations, industry standards and specific roles. Our safety training, which is mandatory for all employees, includes in-person competency assessments with a trained and approved reviewer and follow-up audits to ensure the training is understood. Current training standards meet or exceed the requirements set out by the Occupational,

Safety and Health Administration (OSHA), WorkSafeBC, Occupational Health and Safety Alberta, the American National Standards Institute and the Canadian Standards Association, as applicable.

An annual review of training content ensures compliance with the latest regulations. In our U.S. operations, we have hired a dedicated Health, Safety and Training Advisor at each of our 15 facilities. These roles will plan and deliver on the job, operational and values training for all employees on-site to ensure that existing and new employees have consistent and up-to-date training on all health and safety policies and procedures.

**Contractor Health and Safety**

The health and safety of our contractors holds the same importance as it does for our employees: we aim for zero incidents. We use contractors for several needs, including harvesting, fieldwork and maintenance. As part of our due diligence in selecting contractors, we evaluate and will only work with contractors who have a strong record of safety performance.

Contractors must demonstrate how they meet or exceed our safety policies and programs, including submitting copies of their safety program as part of the procurement process. We may also use third-party services to help us ensure contractors are compliant with safety regulations and standards.

We have a Contractor Safety Management policy, which outlines all health and safety requirements that suppliers and contractors must meet. This includes having current workers' compensation and commercial insurance general liability coverage in place. Once the documentation is reviewed, contractors must complete an annual contractor orientation, where we outline expectations with supervisors and safety leadership. After orientation and safety policies are reviewed, each contractor must complete an individual safety orientation before starting to work on-site.

Full-time contract employees go through the same training as our permanent employees. When the contractor completes their orientation, a safety representative will complete a contractor hazard assessment before the contractor can start work on-site. This outlines the work they can do, hazards of the area and additional requirements for the contractors to complete so that they can perform work safely.

For example, if a contractor requests access to Canfor equipment, we require the worker to show training records that demonstrate competency with the equipment. Our representative will oversee performance of competency assessments and follow-up audits on the contractor as required.

**+**  
HIGHLIGHT

**Global Safety Team**

This is the second year since the formation of our Global Safety Team, which has representation from all of our wood products and pulp operations in North America and Sweden. In 2022, we started measuring the number of serious incidents in relation to hours worked. The team is focused on developing leading safety indicators that help with monitoring and measuring scores to proactively identify areas with safety concerns. In November 2022, three Vida team members toured Canfor facilities in B.C. and Alberta to learn about Canfor's safety practices, with the intent of applying Canfor's experience to their own operations.



SPOTLIGHT ON VIDA

## Safety at Vida

As a responsible employer, Vida focuses on creating an environment where employees can thrive and develop at work, feel safe and share common values. At Vida workplaces and facilities, both employees and visitors must have access to the same safe and healthy work environment, free from bullying, unreasonable workloads or stresses. Preventing incidents is always top of mind, so Vida has several processes in place to reduce the risks. Each business unit has an occupational health and safety (OHS) portal that outlines and documents each unit's specific OHS activities and how they are contributing to a safe environment.

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**Project CHES**

In 2022, we began the implementation of a digital reporting platform that will transform our environment, health, safety and sustainability practices. A working group of representatives from across the business have undertaken a multi-year process to develop an intuitive, user-friendly platform referred to as Canfor's Health, Environment, Safety and Sustainability (CHES) platform. Prior to CHES, we used a variety of manual processes and multiple platforms.

Once fully implemented, CHES will be able to streamline all processes into one integrated platform and standardize our practices across the business, supporting our ambition to be a global leader in these areas. CHES will bring alignment and collaboration to health and safety processes, including how we do investigations, audits and reporting.

In 2023, further rollout will include safety modules across our business units as well as implementation of environment- and sustainability-related modules.

Contractors and employees often work in remote and hard-to-reach locations. To provide additional emergency support in case of an incident, our Canadian Woodlands division joined the Technical Evacuation Advanced Aero Medical Society (TEAAM), a not-for-profit emergency medical response service capable of helicopter evacuation.

**Mental and Physical Health and Wellness Support**

A focus on health and wellness means supporting employees on their journey to optimal physical, mental and financial health. We offer all permanent full-time and part-time employees a competitive and comprehensive benefits package. All employees have free 24/7 access to Canfor's Employee and Family Assistance Program and the Digital Cognitive Behavioural Therapy programs.

Our Occupational Health Nurse is a Certified Addiction Counsellor and a Certified Recovery Coach. We also engage an Occupational Medical Physician to advise the executive team and to support Human Resources in all health-related matters. In addition, we conduct health and wellness campaigns throughout the year.

In 2022, we started the process of implementing the requirements to be certified as an employer who meets the criteria of the [National Standard of Canada for Psychological Health and Safety in the Workplace](#). The standard was developed by the Mental Health Commission of Canada, Bureau de normalisation du Québec and Canadian Standards Association Group. It includes professional certification amongst staff,

accessibility to specific health and well-being programs, employee participation in committees and ongoing education. We plan to achieve and maintain the National Standard of Canada for Psychological Health and Safety in the Workplace by 2024.

Each Canadian work site now has a critical incident stress management team to assist with peer support in case of injury, disaster or other crisis. They received training on group behaviour, psychological response to crisis, and crisis communication.

Participants also gained a solid grounding in understanding and managing critical incident stress reactions in people exposed to traumatic events, with particular emphasis on the nature of the trauma and how to mitigate the impacts. In 2023, we will implement a Naloxone program to treat opioid overdoses, as well as provide training on EpiPens to improve health outcomes for those with allergy concerns.

**Managing the Ongoing COVID-19 Pandemic**

COVID-19 continued to be a challenge in 2022 and we continue to monitor the impact of the virus and follow recommendations from health authorities, including the World Health Organization and federal, provincial and state governments in each region where we operate. As we entered the third year of the pandemic, we adjusted our support





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**+ HIGHLIGHT** **Improving Hand Safety**

A review of 2021's safety statistics at our pulp operations showed that half of all the recordable injuries were hand-related. To address this, Canfor Pulp leaders worked with each of the mills' joint health and safety committees on updating policies, ensuring the right gloves were available, and developing a hand safety learning management module. The module was shared with front-line supervisors to gain their support and commitment, and then introduced to all employees through a package for supervisors. The package included two weeks of daily crew talks, and was reinforced with posters, banners and digital screens. As a result, our pulp operations have seen a reduction of almost 60% in hand injuries.

The Canadian wood products safety team followed the successes of our pulp operations with specific initiatives to improve hand safety. At our Houston facility, the team installed a specialized safety laser light curtain in the lumber banding station in the planer. This laser light curtain is a proximity sensor that will shut the band system down when a hand or another object touches the beam.

Gloves are critical to protecting against injuries, but only if they fit properly. As part of the PPE for our EveryBODY initiative (read more on [page 39](#)), facilities now have gloves in all sizes – rather than just large or extra-large sizes – to ensure everyone has a safe fit.

and site requirements to reflect changing needs and expectations.

**Awareness Campaigns and Evaluation**

We design awareness programs based on inquiries from and the interests of our employees, trends and needs of the community, and wellness standards.

These include:

- Financial wellness program (three-year curriculum) including articles, financial planning tools and webinars
- Seasonal flu clinics and education, including immunization programs
- Mental health supports
- Monthly Wellness Wednesday publications
- Benefits newsletters
- Digital and print wellness resources

We evaluate the effectiveness of these programs through:

- Changes in claim experience (e.g., medical conditions, volume, duration)
- Program engagement (e.g., attendance, usage and completion)
- Clinical state improvement (e.g., psychological health and anxiety)
- User evaluation success rate

Providing resources for employees to be better informed about their finances can help reduce financial stress and help employees make investment decisions that fit their current needs and while preparing for life after Canfor.

Our full-time health and well-being specialist reviews case management decisions and outcomes, and identifies opportunities to improve our processes to support recovery from injuries and illnesses.

In 2022, we explored the data availability for our return-to-work (RTW) metric. We discovered challenges with data availability and with obtaining representative data that would drive meaningful insights. Instead, we are reviewing alternative metrics to update our target that could measure the effectiveness of our programming on our employees' return to work; we will update our findings in future reports.

Our commitment is to make all efforts to return employees to their optimal state as soon as possible after illness, injury or disease. We believe that proactively monitoring medical recovery times will also decrease the financial impacts of disability, and improve employee and employer relationships.

**+ Providing resources for employees to be better informed about their finances can help reduce financial stress and help employees make investment decisions that fit their current needs and while preparing for life after Canfor.**

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**Performance**

In 2022, our total recordable incident frequency (TRIF) based on Occupational Safety and Health Administration (OSHA) definitions was 2.26 for our North America operations. This is our first year reporting TRIF based on OSHA definitions. In the past, definitions for recordable incidents were calculated based on the Manufacturing Advisory Group (MAG) guidelines. This change in methodology is to align with best practice and defines additional incidents as recordable, where MAG guidelines would not have. For comparison, our 2022 TRIF based on MAG would be 1.65.

Across our operations, the most common types of work-related incidents are hand injuries, foreign bodies in eyes and chemical exposure (for our pulp mills). We continue to reinforce a strong safety culture to reduce work-related incidents. In late 2021, we launched a safety gap assessment for our U.S. wood products operations. Facilities were evaluated against 28 elements of a safety program specific to wood products manufacturing. These gap assessments, which took place throughout 2022, will reoccur every two years. We are in the process of evaluating and reviewing results, which

will lead to additional improvements and implementation of programs. Looking ahead, our operations are tracking additional leading indicators such as near miss and hazard reporting to proactively monitor the effectiveness of our safety programs.

**Target**

10% improvement year over year on our total recordable incident frequency

**2022 Result**

We did not calculate our performance relative to a three-year rolling average due to the change in methodology for 2022. Vida is currently excluded from 2022 results, as the transition to TRIF per OSHA is in progress. We are reviewing our target relative to available data as well as building a meaningful historical trend.

**Total Recordable Incident Frequencies (TRIF)<sup>1</sup>**

Business Unit	2022 (OSHA)	2021 (MAG)	2020 (MAG)
Wood Products Operations: Canada	2.52	1.52	1.76
Wood Products Operations: U.S.	2.30	1.13	1.60
Pulp Operations	1.57	1.83	1.36
<b>Overall</b>	<b>2.26</b>	<b>1.42</b>	<b>1.62</b>

**Total Recordable Incidents**

Business Unit	2022 (OSHA)	2021 (MAG)	2020 (MAG)
Wood Products Operations: Canada	68	37	40
Wood Products Operations: U.S.	61	29	37
Pulp Operations	18	22	16
<b>Total</b>	<b>147</b>	<b>88</b>	<b>93</b>

1. To calculate TRIF, Canfor uses 200,000 hours to normalize the total hours worked. Incidents include only work-related injuries. Recordable incidents are tracked per Occupational Safety and Health Administration (OSHA) definitions for 2022. Prior years have not been restated and are presented as Medical Incident Rate (MIR) as defined by Manufacturing Advisory Group (MAG) guidelines. For comparative purposes, MIR for 2022 is 1.65. Vida is currently excluded from 2022 results, as the transition to TRIF per OSHA is in progress. We are reviewing our target relative to available data.

**Total Fatalities**

Business Unit	2022	2021	2020
Wood Products Operations: Canada	0	0	0
Wood Products Operations: U.S.	0	1	0
Pulp Operations	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>

**Total Hours Worked**

Business Unit	2022	2021	2020
Wood Products Operations: Canada	5,395,944	4,870,817	4,542,551
Wood Products Operations: U.S.	5,293,075	5,137,684	4,611,475
Pulp Operations	2,292,159	2,400,431	2,349,236
<b>Total</b>	<b>12,981,178</b>	<b>12,408,932</b>	<b>11,503,262</b>

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# Inclusion & Diversity

**We are stronger when we embrace diversity of abilities, backgrounds, experiences and points of view. We are committed to improving opportunities for all employees, with a strong focus on under-represented groups.**

Workforce diversification is a strategic imperative, and creating an inclusive and respectful workplace is everyone's responsibility. With broader perspectives and representation, we're a better, more strategic organization. In the past, our sector has had an uneven gender and ethnic distribution, and has not reflected the population of our communities. We are working on addressing that gap by understanding the root causes and ensuring we have a work environment that is welcoming and respectful for everyone.

We have established several employee network groups that are activating changes in our workplaces. We expect everyone to be respectful and to act in accordance with our values, our policies and our Code of Conduct so that we can ensure equitable and inclusive access to opportunities and a workplace free from discrimination.

## Our Approach

Each employee at Canfor should feel safe, respected and valued. We have a zero-tolerance policy for discrimination and we have comprehensive training programs in place to support inclusion. When incidents of discrimination are reported, we take them very seriously and conduct thorough investigations. Our leaders are committed to our inclusion, diversity and equity strategy and associated action plans, which our Diversity Council develops with support from our Human Resources team. Each department and division is responsible for doing their part to support implementation and success.

Ownership for inclusion and diversity is shared across our organization. We expect everyone to contribute to an inclusive workplace, and we provide the tools and training to support this. We have a Code of Conduct that outlines the high ethical standards and values that apply to all employees at Canfor. Our Bullying and Harassment Policy strictly prohibits such conduct, including discrimination, by anyone in the workplace. This policy applies to our Board members, all employees and all contractors, service

providers, suppliers and agents, and their employees. These policies are designed to help us act in the best interest of the company, consistent with our core values. We take a strong stand against any violation of the Code of Conduct Policy or the Bullying and Harassment Policy, any illegal or unethical behaviour, or any other misconduct.

Employees are encouraged to report any violations to one or more of the following:

- The individual's manager
- The Senior Legal Officer and/or a Senior Vice President
- Human Resources department
- The anonymous whistleblower hotline

We will not take or allow any reprisal against any employee who, in good faith, reports a suspected violation of the Code of Conduct or any other misconduct. We investigate all reported violations. If we determine that a violation has occurred, we take appropriate action, up to and including immediate termination of employment.

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**Performance**

We are acting on our commitments by measuring progress towards our targets to increase the percentage of under-represented groups in our new hires, in senior leadership positions and in executive leadership positions.

This year, we continued our focus on training and engagement, as we continued to deliver our Inclusion and Diversity Training, and our Indigenous Cultural Awareness and Understanding Training,

and we supported three employee network groups. Inclusion and Diversity training is mandatory for our salaried employees. We also started to roll it out to hourly employees in late 2022, with the goal to deliver the training to all our hourly employees across all North American operations in 2023. Our commitment extends to our hiring practices, where we updated our interviewing skills training to emphasize competency-based hiring and unconscious bias awareness.

**+ HIGHLIGHT** Diversity Council

Our Diversity Council is sponsored by our CEO, and the employee members represent different dimensions of diversity, business functions and geographic locations. The Diversity Council has 21 members from across the company and, through the Chair and Co-Chair, reports quarterly to the executive team.

The Council's mandate is to sustain and advance Canfor's commitment to an inclusive culture and diverse workforce. It does so by:

- Meeting quarterly to discuss progress on inclusion and diversity goals and targets
- Prioritizing actions within the organization's inclusion, diversity and equity strategy
- Advising on and informing company policies

- Making recommendations that cascade throughout the organization
- Looking for ways to embed and advance inclusion and diversity within our culture, making it relevant for all areas of the organization
- Overseeing projects and initiatives, and nurturing the growth of employee network groups
- Setting goals around hiring, retaining and advancing a diverse workforce
- Addressing any employee concerns from under-represented groups

The Diversity Council recommended an update to our stated values to better reflect diversity. Refreshed values were rolled out to employees in late 2022.

**Training**

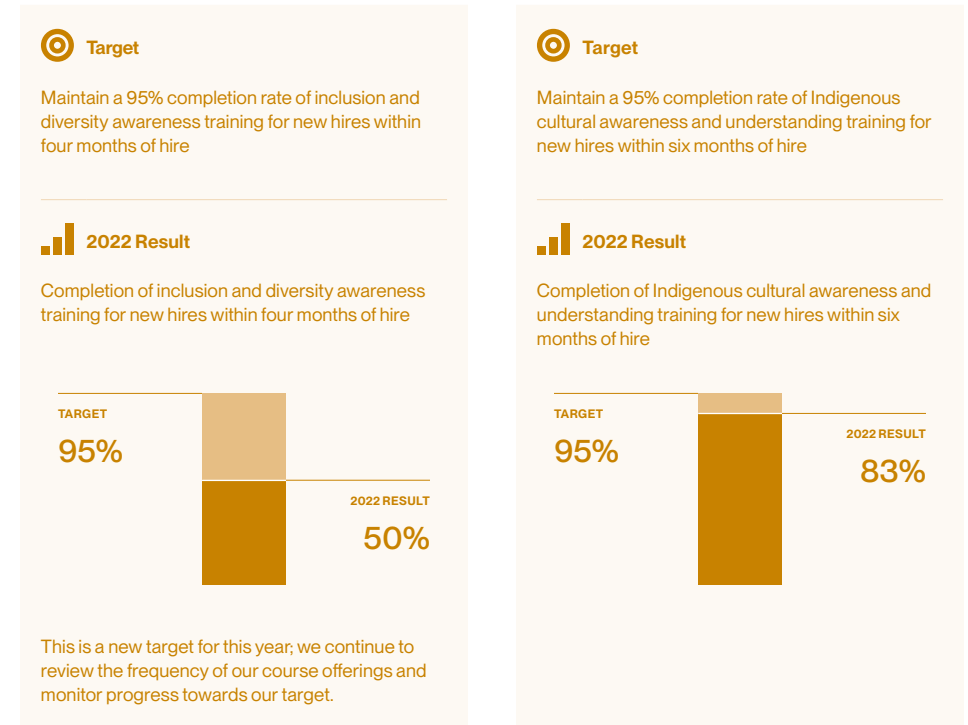
**INCLUSION & DIVERSITY TRAINING**

By the end of 2022, 92% of our salaried staff in North America had completed the Inclusion and Diversity training, with 50% of all North American salaried new hires completing the training within their first four months of hire.

We continue to review the frequency of our course offerings and monitor progress towards our target. We encourage early completion of the training in employees' tenure because inclusion and diversity is important to our cultural values. The objective of the training is to help

employees identify and interrupt their unconscious biases, and to learn how to be an ally or an active bystander by speaking up or taking action when witnessing discrimination or bias.

The training is offered quarterly for new hires. In 2023, we will deliver Inclusion and Diversity training to all hourly employees in Canada and the U.S. The training will be similar to the program offered to all our salaried employees and will be supplemented by conversation guides that supervisors can leverage to help create not only a safe space, but also a brave space for team members to share their experiences.



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**HIGHLIGHT** **Recognizing Martin Luther King Jr. Day as a National Holiday for U.S. Employees**

To recognize, and encourage reflection on, Dr. King's leadership in civil rights, racial equity and social justice, and to honour Martin Luther King Jr. Day, our U.S. wood products operations' employees receive the third Monday of January – Dr. King's birthday – as a paid holiday. The work to implement this paid holiday was undertaken in 2022 and it was implemented in 2023.

The addition of this day was a key initiative of Canfor's Black Impact Group (B.I.G.), who are taking the lead on acknowledging this day and everything that Dr. King stood for. Dr. King was a Baptist minister, a founder of the Southern Christian Leadership

Conference and an influential leader of the American civil rights movement from the mid-1950s until he was tragically assassinated on April 4, 1968. He was a gifted and passionate speaker and preached non-violent protests in his fight to achieve advances in civil rights for African Americans during a turbulent era in American history.

Notably, he played a critical role in ending deep-rooted segregation and in the creation of the Civil Rights Act in 1964. Dr. King's dream is a universal one, and his views reflect a sense of inclusion for all Americans.

**INDIGENOUS CULTURAL AWARENESS & UNDERSTANDING TRAINING**

Canfor also continued our commitment to educating all our Canadian employees on our Indigenous Engagement Strategy and building our awareness of Indigenous history, culture and tradition in Canada. By the end of 2022, 95% of our salaried staff in Canada had completed the Indigenous Cultural Awareness & Understanding training, with 83% of Canadian permanent salaried and hourly new hires completing the training within their first six months of hire.

**Employee Network Groups**

Our employee network groups (ENGs) were launched in 2021. These groups have guided our activities and set goals and action plans for their areas:

- Women Elevating Canfor (WeCAN)
- Black Impact Group (B.I.G.)
- Canfor Indigenous Relations Connection (CIRC)

Each ENG is sponsored by two members of our executive team. The mission of each group is to champion a culture of inclusion by providing a platform of advocacy and support. ENGs are voluntary, employee-led groups that foster a diverse, inclusive workplace aligned with company values, goals, business initiatives and objectives. The purpose is to create an open forum for employees to meet and support one another in building community and a sense of belonging while creating an open and clear line of communication with leadership. We empower the ENGs by offering financial and organizational support, and by providing access to decision-makers to help impact the business. ENGs focus their annual programming around five key

pillars: community, business innovation, professional development, employee experience, and unconscious bias foundational learning. Team members who participate in ENGs are encouraged to think innovatively, using their unique expertise and perspectives to enhance our work environment and bring about business impact. ENGs are open to all employees with an affinity or interest in advancing culture, regardless of racial or ethnic background and gender identity.

**SPOTLIGHT ON VIDA** **Inclusion and Diversity at Vida**

As a country, Sweden has long been known for its proactive approach to gender equality. Gender discrimination in the workplace has been illegal since 1980, and several amendments to the legislation ensure that employers not only actively promote equality between men and women, but also take measures against harassment.

Following a 2017 expansion of the law, the definition of discrimination now includes harassment based on sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age. Vida follows all workplace legislation.

Vida aims to have an equal balance of both women and men in the workplaces with the same rights and equal access to development opportunities, regardless of gender. Each year Vida conducts a salary survey to ensure there are no unexplained salary differences between genders.

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+ HIGHLIGHT

Employee Network Groups

**Women Elevating Canfor (WeCAN)**

The mission of Women Elevating Canfor (WeCAN) is to celebrate, recognize and share the achievements of the women of Canfor and to create equity in our workplaces through promoting inclusion and changing the perceptions of gender norms. The group consists of 63 employees representing a range of business units. This year, the committee hosted two speaker spotlight events with our two female Board members.

**Canfor Indigenous Relations Connection (CIRC)**

The Canfor Indigenous Relations Connection (CIRC) promotes education and awareness, and works with leaders to enhance Indigenous engagement and inclusion. Members use their individual experiences, perspectives and passions as Indigenous Peoples to positively impact our operations and workplace culture. A cornerstone of the committee's work is furthering knowledge and understanding

of the impacts of residential schools and Canada's colonial past. CIRC members coordinated a series of activities and learning opportunities from September 26 to 30 to help us mark Truth and Reconciliation Day on September 30, with the theme "What Does Reconciliation Mean to Me?". Activities included a special webcast presentation by Facilitator and Indian Residential School Counselor Brad Marsden, personal reflections by Indigenous CIRC members, encouraging everyone to wear orange shirts<sup>1</sup> on September 30, and promoting local community events in B.C. and Alberta.

**Black Impact Group (B.I.G.)**

The Black Impact Group (B.I.G.), now with 30 members, creates an open forum for Black employees to meet and support one another in building community and a sense of belonging, and to facilitate a clear line of communication with leadership to create a collective voice for concerns and opportunities. Building strong

networks and community is a key step in creating psychological safety for diverse and inclusive groups. In honour of Juneteenth, B.I.G. hosted an interactive education forum with Dr. Kern Jackson, Director of African American Studies at the University of Alabama, distributed pins and stickers for hard hats, and made a donation to the National Association for the Advancement of Colored People (NAACP) and the Boys and Girls Clubs of America. Other activities included sharing profiles of members on our intranet and participation in historically Black colleges and universities (HBCUs) College Career Fair. Additionally, based on the recommendation of B.I.G., Canfor has recognized Martin Luther King Jr. Day as a paid holiday for all employees in our U.S. operations.

1. Orange shirts are worn in recognition of the harm the residential school system did to children's sense of self-esteem and well-being. Learn more at [Orange Shirt Day](#).

**Inclusive Hiring**

We continue to make great strides in our job marketing and hiring processes to attract and hire a more diverse workforce. We are committed to fair and equitable recruitment, where hiring decisions are based on each applicant's qualifications and experience. That also means recognizing and valuing the differences that make each person unique.

Our strength comes from the diversity of our skilled and resilient workforce and inclusive culture. In 2021, our talent acquisition team rolled out external gender-neutral job postings across the business, designed to eliminate gender bias in the application process. In 2022, the team continued to adjust job postings to ensure they appealed to a broad range of potential applicants, beyond traditional demographics.

We are in the process of implementing a centralized talent acquisition model to track and report all employment equity, gender, ethnicity and veteran status results in the United States. We have already begun tracking and reporting our new hires in under-represented groups in Canada.

We are committed to training and supporting hiring managers at all levels to ensure they are informed and educated on our commitment to an inclusive and diverse workforce. We continue to provide training to leaders on competency-based hiring and removing bias. In 2022, this training was mandatory for all involved in interviewing and selecting candidates.

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**+ HIGHLIGHT**

**PPE for EveryBODY**

One of the barriers identified by Women Elevating Canfor (WeCAN) is a lack of appropriately sized personal protective equipment (PPE) at work sites in North America. To address this, the committee worked with the business and procurement team to identify a solution. Through their investigation, the team shifted from a goal of gender-specific PPE to inclusive sizing, as they heard that the barrier was more about the right sizes available for everyone, rather than a specific style. In many cases, PPE was only available in extra-large sizes, which was not only an inclusion barrier, but also a safety issue. All operations are now ordering PPE in sizes to suit their workforce.

**+ HIGHLIGHT**

**Talent Development Programs**

To succeed long-term, we must invest in our emerging leaders so they can grow and develop during their tenure with the company. Canfor College delivers a range of courses, including leadership development programs and specialized training for our supervisors and managers to build engaged and productive teams.

For our operations, we have the LEAP (Leadership Exposure Acceleration Program) program, which is a 12-month fast-tracked technical and leadership program to advance careers within Canfor's operations. The purpose of the program is to expedite talented and high-potential professionals to operational leadership positions by providing rotations throughout the operations to gain exposure to the entire company. Participants drive practical improvements through leading an operations project.

We also have our Accelerated Leaders Program, which is a development experience designed to hone the critical leadership skills of some of our top talent. Participants are selected based on their

strong performance and high potential to grow and evolve within the company.

In 2022, we recruited the first Talent Rotation, Experience and Knowledge (TREK) Program cohort. The TREK program is a one-year leadership program where participants complete a project-based rotation in both operations and corporate offices. Through the program, we can attract and develop up-and-coming talent to further our five key strategic priority areas: growth, sustainability, customer experience, digital transformation and people.

Also in 2022, we launched our Talent Exchange Program (TEP), a talent mobility program to enable high-performing employees to move into temporary positions within different areas of the organization, encouraging continuous development and growth during their career. TEP enables Canfor to deploy and move key skills across projects, across the business and across borders when needed.

*☛ The six members of the first TREK cohort*



**Training and Mentorship Programs**

We support the ongoing professional development of our employees. Through our succession planning and training and development programs, we offer a promote-from-within culture that gives our employees exceptional opportunities for career advancement and growth.

Mentoring plays an important role in developing leaders, building meaningful relationships and fostering an inclusive and diverse workforce. The focus of the MentorMe program is to provide mentees with opportunities to learn from and connect with a leader at Canfor who has the skills and experiences to help mentees grow and advance in our organization. It also provides mentors with an opportunity to strengthen their own leadership and communication skills, build relationships with key talent and have an impact on someone's career.

In 2022, we refreshed our MentorMe program to an evergreen format, which allows participants to pair on an ongoing basis with no start or end dates, instead of having a fixed cohort and a specific duration.

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Participants can extend their match or end early, and meet multiple people, and new participants don't have to wait for a new cohort to start. In general, this provides better flexibility and more opportunities to connect with other employees. This program is open to all salaried and hourly North American employees.

In 2022, we had 318 participants, with 182 mentoring pairs and 565+ mentoring sessions completed. Since the implementation in 2021, more than 1,500 mentoring sessions have been completed.

**Diversification Globally and Across Roles**

As of December 31, 2022, we employed 7,908 people worldwide, including temporary and casual employees. Our workforce comprised 97.8% permanent employees in both hourly and salary roles; the remaining are temporary and casual employees. Our total workforce remained relatively constant throughout the year. In 2022, we hired 886 employees<sup>1</sup> in Canada, compared to 1,039 in 2021. In the U.S., we hired 1,025 employees<sup>1</sup>, compared to 912 in 2021.

The percentage of women in our workforce increased to 14% in 2022, compared to 13% in 2021. In 2022, 50% of North American new hires identified as being a member of an under-represented group. We are actively working to enhance diversity in all roles across Canfor. We will continue to monitor and report on these statistics.

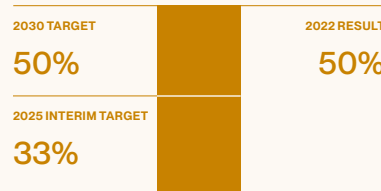
1. Including temporary and casual employees.

**Target**

50% of under-represented groups<sup>1</sup> for new hires annually by 2030, with an interim target of 33% by 2025

**2022 Result**

Percentage of under-represented groups for new hires in 2022



1. Under-represented groups include women, non-binary people, Indigenous Peoples, visible minorities, people living with disabilities, LGBTQ2S+ individuals, and veterans. Individuals who identify in multiple groups are only counted once. We are in the process of improving our data collection; currently, our results represent women, Indigenous Peoples and visible minorities.

**2022 Workforce by Employment Type and Region<sup>a</sup>**

Region	Hourly	Salaried	Temporary/ Casual	Total
Canada	2,837	1,148	168	4,153
U.S.	1,856	408	3	2,267
Sweden	1,143	328	0	1,471
Asia	0	17	0	17
<b>Total</b>	<b>5,836</b>	<b>1,901</b>	<b>171</b>	<b>7,908</b>

a. Including Vida operations.

**Workforce by Employment Type and Gender<sup>b</sup>**

Employment Type	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-Time Hourly	5,328	502	5,830	4,032	315	4,347	4,008	277	4,285
Full-Time Salaried	1,330	565	1,895	1,101	405	1,506	1,151	379	1,530
Part-Time Hourly	5	1	6	3	2	5	4	1	5
Part-Time Salaried	2	4	6	3	7	10	2	8	10
Temporary/Casual	96	75	171	94	79	173	78	50	128
<b>Total</b>	<b>6,761</b>	<b>1,147</b>	<b>7,908</b>	<b>5,233</b>	<b>808</b>	<b>6,041</b>	<b>5,243</b>	<b>715</b>	<b>5,958</b>

b. Vida operations have been included only for 2022. Comparative years have not been restated to reflect Vida.



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**2022 Total New Hires by Region, Age Group and Gender <sup>c</sup>**

Age	Women	Men	Total
<b>Canada</b>	<b>251</b>	<b>635</b>	<b>886</b>
Under 30	122	263	385
30–50	100	230	330
Over 50	29	142	171
<b>U.S.A.</b>	<b>85</b>	<b>940</b>	<b>1,025</b>
Under 30	23	321	344
30–50	47	448	495
Over 50	15	171	186
<b>Total</b>	<b>336</b>	<b>1,575</b>	<b>1,911</b>

c. Excluding Vida operations, including casual and temporary employees.

**2022 Employees by Age Group and Gender as a % <sup>d</sup>**

Age	Women	Men	Total
Under 30	3%	13%	16%
30–50	7%	40%	47%
Over 50	4%	33%	37%
<b>Total</b>	<b>14%</b>	<b>86%</b>	<b>100%</b>

d. Excluding casual and temporary employees, including Vida operations.

**HIGHLIGHT** Radium Sawmill Prioritizes an Inclusive and Welcoming Workplace

While we have a Diversity Council that sets company-wide inclusion and diversity direction, our sawmill in Radium, B.C. recognized the opportunity to bring inclusion and diversity participation opportunities to the facility floor with a local, employee-led Inclusion and Diversity committee. The committee is focused on ensuring everyone feels valued, included and comfortable speaking up. Ultimately, they recognized that different perspectives and backgrounds make great leaders who can grow their career at Canfor, especially when they see members of under-represented groups succeeding.

Participating in a committee outside of regular job duties provides opportunities for hourly employees to hone people skills, and potentially become future supervisors and leaders. And with a chronic labour shortage, ensuring that the site is open and welcoming to all can build bridges to potential candidates who may not have previously considered a career at the facility. The committee stresses ongoing feedback and engagement with crews, regardless of role or seniority.



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**2022 Board Directors by Company, Age Group and Gender as a %**

Company	Women	Men	Total
<b>Canfor</b>			
Under 30	0%	0%	0%
30–50	0%	8%	8%
Over 50	15%	77%	92%
<b>Canfor Total</b>	<b>15%</b>	<b>85%</b>	<b>100%</b>
<b>Canfor Pulp</b>			
Under 30	0%	0%	0%
30–50	0%	0%	0%
Over 50	14%	86%	100%
<b>Canfor Pulp Total</b>	<b>14%</b>	<b>86%</b>	<b>100%</b>

**2022 Executives by Age Group and Gender as a %<sup>e</sup>**

Company	Women	Men	Total
Under 30	0%	0%	0%
30–50	9%	27%	36%
Over 50	7%	57%	64%
<b>Canfor Total</b>	<b>16%</b>	<b>84%</b>	<b>100%</b>

e. Including Vida operations

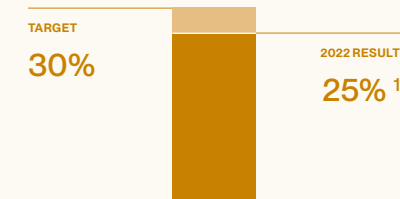


**Target**

30% under-represented groups in executive leadership positions by 2030

**2022 Result**

Percentage of under-represented groups in executive leadership positions

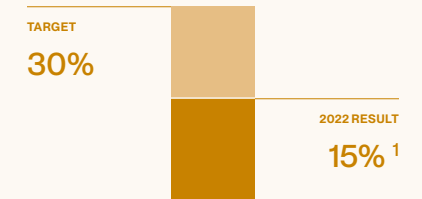


**Target**

30% under-represented groups in all other senior leadership positions by 2025

**2022 Result**

Percentage of under-represented groups in all other senior leadership positions



1. Under-represented groups include women, non-binary people, Indigenous Peoples, visible minorities, people living with disabilities, LGBTQ2S+ individuals, and veterans. Individuals who identify in multiple groups are only counted once. We are in the process of improving our data collection; currently, our results represent women, Indigenous Peoples and visible minorities.

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**MATERIAL TOPIC**

# Indigenous Relations

**We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relations and by deeply respecting Indigenous histories, cultures, values and beliefs.**

We value our working relationships with Indigenous communities within whose territories we operate. Our Indigenous Engagement Strategy is built on a foundation of deep respect for Indigenous Peoples and an interest in growing their involvement in the forest resource sector. Economic reconciliation needs to be broad, inclusive and respectful.

We prioritize meaningful engagement with Indigenous communities, including opportunities for economic partnerships; stewardship of the environmental, social and cultural values of forests; and sustainable practices to honour and respect the land for future generations. As we recognize and address our colonial past, having strong relationships with Indigenous communities is critical – not only for reconciliation, but also for business certainty and success.



All of our Canadian operations and corporate offices overlap with Indigenous territories. To help build these critically important relationships, we focus on procurement, employment, partnership agreements and community engagement. We acknowledge that forests are an integral part of the culture and livelihoods of Indigenous Peoples and we see opportunities for mutually beneficial partnerships with Indigenous communities.



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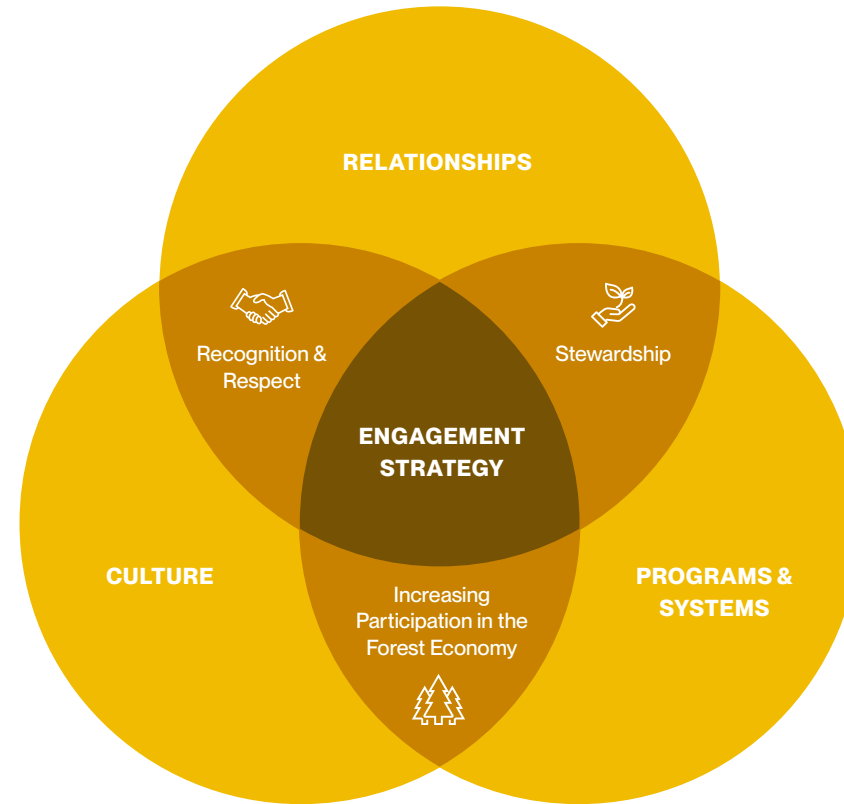
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### Three Principles of Indigenous Engagement

#### RECOGNITION AND RESPECT

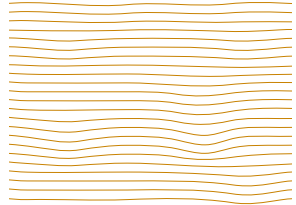
Canfor recognizes and respects the constitutionally protected rights and treaty rights of Indigenous Peoples. We are working to understand the unique interests and challenges of each region and community by engaging with the diverse Indigenous groups within our operating areas.

#### INCREASING PARTICIPATION IN THE FOREST ECONOMY

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

#### STEWARDSHIP

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



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✦ Our Spruceland Team wearing their orange shirts in recognition of National Day for Truth and Reconciliation.



**We recognize and respect the constitutionally protected rights and treaty rights of Indigenous Peoples and understand there are unique interests and challenges in each region and community.**

**Treaty Rights and Rights of Indigenous Peoples**

We recognize and respect the constitutionally protected rights and treaty rights of Indigenous Peoples and understand there are unique interests and challenges in each region and community.

We support the Canadian, B.C. and Alberta governments' adoption of the [United Nations Declaration on the Rights of Indigenous Peoples \(UNDRIP\)](#) and the [Truth and Reconciliation Commission of Canada's \(TRC\) Calls to Action](#), including recommendation 92. We acknowledge the efforts of the B.C. government to entrench the UN declaration into law through the November 2019 passing of Bill 41, the Declaration on the Rights of Indigenous Peoples Act. Canfor recognizes the assertion of Indigenous rights and title. We disclose all material litigations and legal proceedings in our regulatory reporting. During the reporting period, there were no material litigations and legal proceedings. We acknowledge that there are a variety

of communication opportunities with our neighbouring Indigenous communities, and we endeavour to create an open forum to actively listen to their feedback.

**Implementation of our Indigenous Engagement Strategy**

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

In 2022, our strategy continued to build on our three phases:

- Phase 1: Continue to implement our strategy for our new hires, new operations and our harvesting contractors
- Phase 2: Continue to expand the role of Internal Champions within different areas of Canfor's business and match new Indigenous hires with a mentor
- Phase 3: Continue to meet bi-monthly to discuss regional level Indigenous procurement, employment and donation opportunities and to promote community cultural events; continue to implement Regional Action Plans

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### Connecting with Communities Through Indigenous Relations Liaisons

The path to reconciliation is a long and complex one. As a company that operates on the traditional territories of many Indigenous communities, creating meaningful engagement is an important step towards building respect, trust and understanding that goes above and beyond the economic transaction. In the ever-changing landscape of Indigenous rights and titles, Canfor's Indigenous Relations Liaisons provide a critical bridge between Indigenous communities and the business. As regional ambassadors, they reach out to Elders, health authorities, youth and other leaders to understand their perspectives on culture, employment and education. These roles were created to help advance Canfor's Indigenous Engagement Strategy with

dedicated, regional support covering our operating areas in B.C. and Alberta. With the lifting of pandemic restrictions, our Liaisons have been able to visit communities – in some cases, for the first time – to attend events and experience the unique traditions and cultures of each Nation. These connections help both sides learn to 'speak the same language' to further understand the needs of the community while helping build respectful and mutually beneficial partnerships. Additionally, the Liaisons help Canfor employees learn by sharing regional action plans and consulting on their educational programs.

**Performance**

We continue to build strong working relationships with Indigenous Peoples in support of their interests and cultural values. This happens through initiatives such as partnership commitments, youth employment, workplace diversity and Elder activities.

**Partnership Agreements**

We work closely with Indigenous communities within our operating areas. The acquisition of additional Alberta operations in March 2022 brought new opportunities to build relationships within the operating region. In 2022, we signed a Memorandum of Understanding (MOU) with two Indigenous Nations in Alberta to apply for harvesting permits.

The MOU also covers our work with two Indigenous-owned companies that provide services to the forest sector. We recognize the importance of formalizing our agreements with Indigenous communities, and have existing agreements with several of the Indigenous Nations on whose territories we operate.

Although some agreements centre around a transactional contract, we take a broad approach, focusing on joint opportunities for forest stewardship, community engagement, employment, business development and procurement.

**Indigenous Talent Program**

The Indigenous Talent Program seeks to attract Indigenous candidates and connect them with career opportunities through guidance, skill-matching, access to advisors and interview preparation.



The program offers continued support after the initial hire, through mentorship, targeted programs and community-building. Sharing knowledge and lived, learned experiences between advisors and candidates helps level the playing field in our workplace and contributes to a culture of trust. We aim to provide a positive candidate and employee experience through enhanced services, meaningful employment and career opportunities for Indigenous candidates, so they are not only hired, but retained and successful in their role.

This includes ensuring they have appropriate contacts for questions, are aware of resources such as CIRC, and feel safe and welcomed at the company.

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**Local Knowledge and Partnership Translates into Innovative Harvesting Practices**

Our Canadian Woodlands team was faced with a particularly challenging situation when it came to planning for harvest in an area around Prince George. The Fyfe block, southwest of Prince George, had an active spruce beetle infestation that could be addressed through harvesting; however, there were concerns about potential impacts on the Chilako Watershed. The team wanted to meet the long-term requirements for sustainable and healthy forest management while mitigating watershed impacts. Our partner, LTN Contracting, has used partial harvesting methods to meet the challenge. LTN Contracting is a partner company with the Lheidli T'enneh First Nation in the Prince George area.

Working with our operations team, equipment operators and the logging

supervisor, the team found a way to construct trails while removing 60% of stems between the trails and throughout the block. This resulted in the retention of a 40% basal area, which is the average percentage of an area occupied by tree stems. LTN adapted its logging equipment and techniques to build trails adjacent to the roads in the block, and then partially removed selected stems for delivery to Canfor sawmills.

The result of this work and our partnership meant that the site plan objectives were met, along with all requirements set out in our Forest Stewardship Plan. LTN Contracting and our team were able to provide harvesting expertise to several blocks in the Prince George area that we would otherwise not have been able to access.



In 2022, we focused on engaging and recruiting post-secondary students into the Canfor Co-op Program. Our Indigenous Employment and Training Advisor provides full employment services to candidates, resulting in a higher level of engagement with Indigenous applicants.

In 2022, we hired 82 new Indigenous employees in Canada, compared to 93 in 2021, with a retention rate of 80%. We continue to partner with the Bladerunners and Starting Point programs that are housed at the Prince George Native Friendship Centre to identify and connect with qualified Indigenous workers.

We also participated in community career fairs virtually and in person with local Indigenous Nations. We continued to partner with communities to promote careers in the forest sector through virtual presentations, industry days and collaborative approaches that meet community needs in our areas of operation.

**Scholarships and Bursaries**

Since 2013, Canfor has supported B.C. Indigenous communities by contributing to the New Relationship Trust Foundation (NRT Foundation) Scholarship and Bursary program. In 2022, Canfor renewed our three-year commitment and provided two \$5,000 undergrad scholarships for students in business administration or wildlife and fisheries, and one \$2,000 bursary for a welding student. We believe the continued partnership between Canfor and the NRT Foundation presents an ideal opportunity to pursue our shared interests of continuing meaningful partnership-building with Indigenous communities in B.C.;

enhancing Indigenous students' capacity, health and education goals; and fostering opportunities for Indigenous participation in B.C.'s economic future. Awards will be granted to students on merit, with criteria established by the NRT Foundation.

**National Day for Truth and Reconciliation**

On September 30, 2022, Canadians recognized the National Day for Truth and Reconciliation, also known as Orange Shirt Day. Orange shirts were worn by Canfor employees to raise awareness of the tragic history and ongoing impacts of residential schools and to support the survivors and communities affected. Canfor committed to raise an Every Child Matters flag at all Canadian offices and mill locations every September 30, and has permanently raised the Canadian Indigenous flag.



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**Working with Indigenous-owned Businesses**

In the Kootenay area of B.C., we rent two pieces of road maintenance equipment from Kettle River Contracting, a business owned in part by Ktunaxa Enterprises Limited. This equipment is used by a union road maintenance crew for snow clearing, sanding and grading. Keeping the roads up to standards allows us to keep the road safe. This business relationship started in December 2021.

In the Prince George area, we have a long-term relationship with All Nations Group Holdings (All Nations Group), a fast-

growing business owned by a member of the Lheidli T'enneh Nation (LTN). In addition to manual brushing, a practice important to reforestation, All Nations Group also sands the Beaver forest service road throughout the winter with a sand truck and a sandpit hoe. Our Woodlands team is currently developing a plan for 2023 to introduce All Nations Group to the contract requirements for tree planting. Our goal is to have All Nations Group set up as a preferred contractor for the 2024 planting season on harvested ground within the new LTN licence.



**Indigenous Cultural Awareness and Understanding Training**

To enhance our engagement with Indigenous communities, we need to improve our cultural understanding. Since 2020, we have been delivering Indigenous Cultural Awareness and Understanding (ICAU) training through Canfor College, our online training portal. The purpose is to equip our Canadian teams with knowledge about Indigenous history, the Indian Act, residential schools, governance structures and much more.

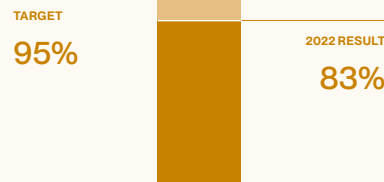
The half-day training complements the suite of leadership programs that already include unconscious bias, and Inclusion and Diversity Awareness training. By the end of 2022, 95% of our total salaried staff in Canada had completed the ICAU training, with 83% of all Canadian new hires in permanent roles completing the ICAU training within their first six months of hire.

**Target**

95% completion of Indigenous Cultural Awareness and Understanding training for new hires within six months of hire

**2022 Result**

Percentage completion of Indigenous Cultural Awareness and Understanding training for new hires within six months



**Procurement**

Part of ensuring that Indigenous Peoples participate in the forest economy is to engage Indigenous businesses and contractors for supplies and services. In 2022, 3.5% of spend in our Canadian operations was with Indigenous vendors. In each of our Canadian regions, we make our best efforts to hire local Indigenous vendors for the services we need, although this can vary based on the vendors available and the needs of the sector.

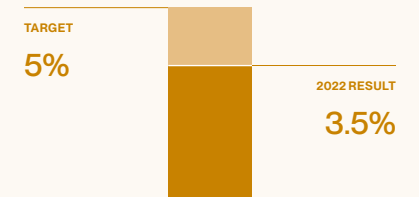
In Prince George woodlands, approximately 17% of our total spend is with Indigenous contractors, primarily focused on a few large, well established Indigenous-owned vendors. In other areas of the business, our Indigenous spend is still below 1%. We are analyzing further breakdowns by region to identify opportunities for business development.

**Target**

5% of total spend with Indigenous vendors for Canadian operations by 2025

**2022 Result**

Percentage of our spend<sup>1</sup> with Indigenous vendors



1. Initial target was set to only for Canadian wood products operations. We have updated our data to include spend from our Canadian wood products operations as well as our Canadian pulp operations.



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# Human Rights

**Treating people with integrity – including employees, community members, contractors, stakeholders, Indigenous partners and anyone impacted by our operations – is a core value at Canfor.**

Responsible business conduct includes complying with laws and regulations; respecting internationally recognized human rights, including workers' rights and the right to enjoy a safe, clean, healthy and sustainable environment; and prioritizing public health and safety.

We uphold these expectations in all our activities and business relationships. We believe in an open and fair market, and we strive to be a fair competitor. We recognize our responsibility in establishing policies and processes to conduct due diligence and in identifying, preventing and mitigating unfavourable impacts on human rights.



## Our Approach

### Recognizing the importance of human rights frameworks

We acknowledge international human rights frameworks such as the International Bill of Human Rights, which includes:

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

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

We continuously work to ensure that all our operations and business practices meet or exceed regulatory requirements to protect the rights of our employees, contractors, suppliers, partners and members of our communities.



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**Front-line Focus Review**

Our front-line teams are essential to our ability to run our operations and provide quality products to our customers. In 2022, we initiated a review to better understand the front-line employee experience in our U.S. operations, and to explore the opportunities we have to better attract and retain this critical group.

To do this, we engaged directly with our front-line employees at every U.S. operation through an engagement survey and group

interviews. From the insights gained, we made immediate adjustments to our wage scales, and delivered an appreciation bonus and gift pack to every front-line employee. Over the balance of the year, we also hired a new resource at every location to focus on safety and training.



**Equitable Pay**

We periodically review our compensation design and practices to ensure their alignment with our philosophy of fairness and competitiveness. We apply a gender-neutral point-based methodology to determine our job levelling. As for pay increases, they reflect formal individual performance assessments or follow a scheduled rate adjustment. This framework is designed for equity, for fairness and to be free of systemic biases.

**Labour Relations**

As of December 31, 2022, Canfor and Canfor Pulp employed 7,908 people. Our North American wood products manufacturing operations employed 5,241 people. Of these employees, approximately 30% are covered by collective agreements with the United Steelworkers (USW), the Public and

Private Workers of Canada (PPWC) and the UNIFOR. None of Canfor's operations in the United States are unionized. Of our 1,196 total employees at our pulp operations, 71% are hourly employees covered by agreements with the UNIFOR and the PPWC. Of 1,471 employees with our Vida operations, approximately 44% are unionized, both for hourly workers and salaried employees. They are represented by GS and Unionen.

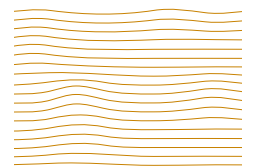
We comply with all applicable labour and freedom of association laws and collective agreements. We have the same working conditions (e.g., workplace hygiene and safety standards) and similar terms of employment for all employees by region, whether or not they are under a collective agreement. We believe in the freedom for employees to choose whether they want union representation, and we believe that open communication with all our employees can promote discussion,

transparency and address concerns in our workplace. Whatever their choice, we respect their decision and do not endorse or discourage employees' participation in unions.

**Code of Conduct and Bullying & Harassment Policy**

Employees are required to sign our Code of Conduct Policy, which outlines the high ethical standards and values that apply to all directors, officers and employees at Canfor and our subsidiaries, to follow in their dealings and communications with any other person who has or may have an interest or derive a benefit from the companies including, without limitation, existing or potential customers, suppliers and service providers. Our Bullying and Harassment Policy strictly prohibits such conduct, including discrimination, by anyone at the workplace.

Any violations of either policy are to be reported to the employee's immediate manager or Human Resources; steps towards resolution will follow the procedures, as stated in the Bullying and Harassment Policy. Employees are required to acknowledge both policies as part of onboarding training and as updates are issued.



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We ensure that human rights continue to be fully respected and protected at Canfor, by our business partners and in the communities where we work.



**Human Rights**

Vida's Code of Conduct describes our core values in the areas of business ethics, human rights, workplace and environment. Vida's important values-based work and a continuous dialogue with exposed groups aim to reduce the risk of unethical actions. The code of conduct covers all employees within Vida as well as Vida's suppliers of products and services.

Vida respects people's rights and international labour standards as set out in the UN Declaration on Human Rights and in the International Labour Organization's (ILO's) core conventions. We support the UN's 2030 goal to "Work for inclusive and long-term sustainable economic growth,

full and productive employment with decent working conditions for all."

Our business relationships must be characterized by good ethics and morality, which means that we distance ourselves from all forms of bribery and corruption.

Vida does not accept forced labour or other involuntary labour in any form. Discrimination on the basis of race, religion, political opinion, gender, age, nationality, sexual orientation or functional variation is not tolerated. Employees have the full right to organize, join or refrain from joining trade unions.

**Human Rights Risk Assessment**

In 2021, per United Nations Guiding Principles on Business and Human Rights (UNGP) recommendations, we formed a working group of senior management representatives to begin a formal human rights risk assessment to better understand what is needed to ensure a leading approach to human rights. The risk assessment, which covered our North American operations, identified potential human rights impacts on our stakeholders and partners. The assessment furthered our understanding of the impacts we may have on certain groups and individuals in

connection with our business. Through this process, we have been able to better understand the potential steps to prevent and mitigate human rights risks. The assessment of our impacts was ranked based on UNGP's recommended criteria, which includes four dimensions: scale, reach, probability, and ability for remediation.

This initial analysis is in the process of review across our business. Our next steps will be guided by this assessment from the perspective of focusing on high-risk areas in our value chain. This includes embedding human rights considerations

in our operations and supply chain. It will also strengthen our due diligence towards preventing human rights violations. This will help ensure that human rights continue to be fully respected and protected at Canfor by our business partners and in the communities where we work.

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**Performance**

We are currently reviewing the results from an initial human rights risk assessment, which is our first step towards prioritizing potential areas of concern. We will use the findings to develop appropriate actions and will provide this information in future reports. We are engaging experts, key stakeholders and partners to better understand human rights risks, including regulatory shifts such as the Canadian Modern Slavery Act.

**Incidents of Reported Discrimination**

Discrimination is defined as an act and the result of treating persons unequally by imposing unequal burdens or denying benefits instead of treating each person fairly on the basis of individual merit.

Discrimination can also include harassment, defined as a course of comments or actions that are unwelcome, or should reasonably be known to be unwelcome, to the person towards whom they are addressed. This could be considered as bullying and harassment.

Our Bullying and Harassment Policy strictly prohibits such conduct, including discrimination, by anyone in the workplace. We had five reportable incidents of discrimination, but upon investigation by Human Resources, all were dismissed. We also had 13 reportable incidents of bullying and harassment; of these, nine were upheld after a Human Resources investigation took place.

In 2022 we increased awareness of reporting and escalation procedures, which may have led to more incidents

being reported than in previous years. We have included a summary of cases by region that were upheld.

**CANADA**

In 2022, there were two reported incidents of bullying and harassment at Canfor Pulp that were investigated and addressed with disciplinary actions. For our Canadian wood products operations, there were three cases upheld and addressed with disciplinary actions or termination. For our corporate functions, two cases were upheld after being investigated, and the employees were terminated as a result.

**UNITED STATES**

At our U.S. wood products operations, we had two reported incidents in 2022 that were upheld, and employees were terminated as a result.

**SWEDEN**

At Vida, there were no reported cases that were upheld.

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# Community Resilience

**Community resilience goes beyond engagement; it is about strengthening our relationships with our stakeholders, Indigenous communities and other individuals or groups who have an interest in our operations to be able to respond to change together.**

As an active corporate citizen, we are focused on the areas of education, sustainability, community and health. We do this through community giving, employee involvement, sharing technical skills and lending our expertise through higher education.

In many communities, we are a significant employer and business partner. This relationship can create dependencies, but also provides an opportunity to be a force for good and influence positive changes. Our community investment programs help connect our operations with the region and reinforce our support for the places where our employees live and work.



## Our Approach

Our approach is to have an ongoing, sustained community giving program through the business cycle, and we are purposeful about allocating funds to local communities and regional initiatives.

We endeavour to have positive and productive relationships with our communities, local governments, schools and non-profit organizations. Canfor is also involved with local chambers of commerce, post-secondary institutions, and industry and business associations.

### Community Investment

In 2021, Canfor launched the Good Things Come From Trees program to ensure we have a sustained approach to community giving, throughout the cyclical nature of the forest industry. To further this, in 2022, the Canfor Good Things Come

From Trees Foundation was established in Canada with the purpose of supporting community investments and scholarships that are aligned with the priority giving areas of education, health, sustainability and community. In 2023, we will work to establish a foundation in the U.S.

The Canfor Good Things Come From Trees Foundation donates funds to registered charities and organizations. We will continue to support local organizations that are not tax-exempt, such as education programs, local events, sport teams and other activities, through a general giving fund.

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**OUR GIVING CATEGORIES**

Our priority giving categories are education, health, sustainability and community. Some examples of the types of programs we support are:

**Education**

- Forestry and sustainability programs for grades K–12 that engage students about forestry, environmental sciences or sustainability
- Youth environmental education programs that expose children to nature, encourage sustainable practices at home and promote the importance of the environment
- Scholarships to post-secondary institutions for programs that support job readiness within the forest sector

- Workforce enablement programs that offer job-readiness and workplace-essential skills training that support diversified participation in communities
- Safety education and awareness programs that enhance safe community practices
- Education-focused special events and conferences that offer strategic opportunities for Canfor to engage with potential talent

**Health**

- Health and well-being initiatives organized by community groups or Indigenous groups to promote physical and mental health
- Medical and healthcare equipment that will enhance the well-being of local communities

- Youth sports and physical activity initiatives
- Mental health and wellness initiatives that support community health

**Sustainability**

- Environmental projects organized by local or national environmental non-governmental organizations, community groups, Indigenous groups and other cultural groups that protect ecologically sensitive landscapes and species-at-risk, or that restore important wildlife habitats
- Green building projects that profile mass timber construction
- Environment- or sustainability-focused special events and conferences that bring subject matter experts together for collaboration

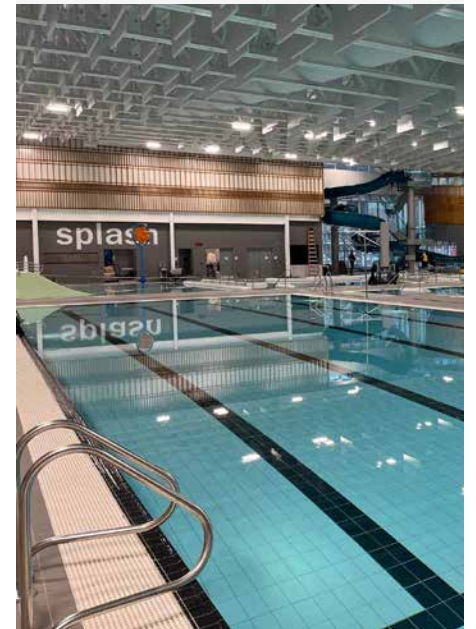
**Community**

- Cultural awareness programs and initiatives that support diverse and inclusive communities
- In-kind product donations to support community infrastructure projects that provide a safe and inclusive gathering place
- Local special events and celebrations that bring people together and support diversity and inclusion
- Events hosted by business associations that drive economic growth and generate employment opportunities

**HIGHLIGHT**

**Canfor Leisure Pool**

We support health and well-being initiatives, including opportunities to encourage physical activity. We are providing \$75,000 annually for five years to support the new state-of-the-art pool in the Prince George community. The Canfor Leisure Pool welcomes members of the community to the beautifully designed facility, which provides a safe, fun and accessible environment for all ages to enjoy aquatic activities. The new pool features accessibility improvements and recreational features that cater to visitors of all ages and abilities. The aquatic centre is on the territory of the Lheidli T'enneh First Nation and features signage in both English and Dakelh.



**HIGHLIGHT**

**"Shell-tering" Western Painted Turtles from Road Traffic**

Increased road traffic on the Jaffray Baynes Lake Road – a popular tourist destination in B.C. – means increased mortality for the Western Painted Turtles, a Blue-listed species at risk. The Western Painted Turtles are crucial to the ecology and the unique geographical area of Baynes Lake, which is dotted by kettle ponds. Partners and community members took action after 15 turtles were hit by cars. To help further research turtle movement and the baseline population, Canfor provided \$13,000 to the Baynes Lake Community Society for two Thompson Rivers University undergraduate students for fieldwork on the project. Earlier this spring, student researchers used the

mark-recapture technique on the turtles in Baynes Lake and surrounding ponds. As they captured turtles, they notched shells with a unique code for each turtle so they could estimate the population. If a female turtle was determined to be with eggs, the students attached a radio transmitter. The students will create maps to showcase where the turtles cross the road and their nesting sites. In addition to fieldwork, the students designed a booth for the Baynes Lake Market to continue to raise awareness for this species through community outreach.

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**Gift for BCIT's New Trades & Technology Centre**

Seven forest products sector leaders, including Canfor, provided the British Columbia Institute of Technology (BCIT) a combined \$2.5 million donation to BCIT's INSPIRE Campaign, of which Canfor provided \$1.25 million<sup>1</sup>. This gift will support the development of a new Trades and Technology Complex (TTC), a world-leading, adaptive learning environment for 21st century trades education. BCIT, which is the largest trades training provider in Western Canada and a national leader in trades programming for women, plays a critical role developing the skilled workforce required to shape, build and power B.C.'s

economy, including the forest products sector. In TTC's buildings and classrooms, a new generation of learners will rise to the challenges of sustainability, designing and incorporating new skill sets, developing new technology and ways of working that transform the built environment with innovative wood products. It will feature leading-edge learning tools, revitalized areas for research and advanced thinking, areas where complementary trades will interact, and integrated simulation-based labs for collaboration.

<sup>1</sup> Funded in 2021, separate from Good Things Come From Trees donations of \$1.8 million for 2021.

**Performance**

**Funding Highlights**

In 2022, we provided more than \$2.2 million to 406 organizations through Good Things Come From Trees. We donated a further \$326,000 through other corporate giving initiatives.

The following is a sample of projects supported through Good Things Come From Trees:

**EDUCATION**

- Total investment of \$300,000 through multi-year agreements with four leading post-secondary institutions across B.C. and Alberta to support their Early Childhood Education training programs

- Supporting the North Carolina Home Builders Educational and Charitable Foundation's Be Pro Be Proud initiative to provide tools and resources for students seeking employment in the skills and trades industry; this is an annual USD \$10,000 sponsorship for three years
- Sponsoring Skills Canada and Skills Alberta competitions to promote careers in trades and technologies to youth and their communities
- A scholarship of USD \$5,000 for a full-time student in Mississippi enrolled in Jackson State University's College of Business or the College of Science, Engineering and Technology program

- A contribution of \$5,000 to the Fort St. John Public Library Association's Summer Reading Club program

**SUSTAINABILITY**

- A donation of \$50,000 to the Village of Radium Hot Springs' Save Our Sheep campaign to support the conservation of the Radium-Stoddart sheep herd
- Contributing \$1,000 to the Whitecourt Whiskey Jacks Forest Wardens to help cover fees and provide supplies and activities for the junior forest wardens program

**HEALTH**

- Supporting advancement of Amyotrophic Lateral Sclerosis (ALS) research in both Canada and the U.S., with a donation of \$50,000 each to the ALS Society in B.C. and the Sean M. Healey & AMG Center for ALS in the U.S.

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- Continuing to support the VGH & UBC Hospital Foundation's Bladder Cancer Research at Vancouver General Hospital, with a \$10,000 annual contribution as part of a multi-year pledge agreement
- Canfor partnered with KLH Group in Charleston, South Carolina to build clubhouses for young children with long-term illnesses; more than 130 Canfor employees came together to build 12 clubhouses for 12 very deserving families
- Total investment of \$30,000 through a three-year pledge to the Plunge for the Cure Foundation to support ovarian cancer research

**COMMUNITY**

- A lumber donation valued at over \$9,000 to the District of Chetwynd for the construction of the new Chetwynd Public Library
- A contribution of \$25,000 to Fort St. John Search & Rescue to support the new facility
- A donation of USD \$10,000 to the American Lumber's Uvalde Strong Fund to show support for the families devastated by the tragic shooting at Robb Elementary School in Uvalde, Texas
- A contribution of USD \$150,000 to support the City of Mobile's Hall of Fame Courtyard Project to honour some of the city's most notable Major League Baseball legends
- A total of \$17,000 was donated to several of Canfor's Indigenous partners in B.C. and Alberta in support of National Indigenous Peoples Day activities in their communities



**+ HIGHLIGHT**

**Supporting Technical Learning in Sustainable Forestry**

Our involvement in communities extends to providing technical assistance and partnering on education programs through post-secondary institutions. In Prince George, B.C., we have a strong relationship with the University of Northern British Columbia (UNBC), where members of our Woodlands team teach a course for fourth-year students in the Natural Resource Management program. Students receive practical exposure to operations such as forestry road building and harvesting. We also hire students through co-op and intern programs to work on a variety of projects,

from biodiversity studies to harvesting trials. We recruit practicum students from a variety of Canadian educational institutions to mentor within our Digital Technology team. These students work on various forestry data-related projects from geographical information system (GIS) data management and spatial analysis to mobile application development. We view our partnerships with post-secondary institutions as mutually beneficial; students receive high-quality, real-world experience, and we help prepare the next generation of forest sector employees.

**Target**

Establish Good Things Come From Trees Foundation in Canada and the U.S. by 2023

**2022 Result**

Established in Canada; will establish in U.S. by 2023

**Target**

Contribute a minimum of \$2 million annually through Canfor's Good Things Come From Trees community giving program to our operating communities in North America

**2022 Result**

**\$2.2M** donated

**Infrastructure Investment**

Our capital road and bridge infrastructure investment for the company and capital contribution to the broader Canadian communities where our operations are located was approximately \$18 million in 2022.

Major projects this year included:

- Upgrade to B Hill Bypass in the Fort St. James, B.C. area, totalling \$2.4 million, providing significant access improvement for Takla Lake First Nation
- Upgrade to 2000 Road in the Grande Prairie, Alberta area, totalling \$2.1 million, benefiting Indigenous communities and recreation users
- Repair of Omineca Bridge in the Fort St. James area, totalling \$1.9 million,

restoring a crossing of importance to Takla Lake First Nation

- Upgrade to Leo Forest Service Road in the Fort St. James area, totalling \$400,000, benefiting access for Indigenous communities, multiple industry resources users, and recreation users
- Replacement of Sukunka bridge in Chetwynd, B.C., totalling \$604,000, benefiting oil and gas multi-resource users in the Peace region
- Replacement of Hautette structure in Houston, B.C., totalling \$593,000, improving access for members of Takla Lake First Nation
- Tommy Lakes Mainline resurfacing north of Fort St. John, B.C., totalling \$1.1 million, improving access for industrial (oil and gas) road users



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- Halfway Graham Mainline resurfacing north of Fort St. John, B.C., totalling \$1.6 million, improving access for industrial (oil and gas) road users
- Bowron Forest Service Road resurfacing in the Prince George, B.C. area, totalling \$890,000, improving access for recreation users

Many of these roads are important public or industrial access corridors that Indigenous communities also use to access their territories. The services required to support these projects were primarily sourced from local providers, creating direct economic and employment benefits for the local regions.

**Our Economic Contribution**

We also contribute to the countries and communities where we operate by generating economic value that is distributed through our employee wages and benefits, capital expenditures, operating costs, payments to providers of capital, the taxes we pay and investments in communities. Our total revenues in 2022 were \$7.4 billion globally.

For audited financial statements, please see our [2022 Annual Report](#).

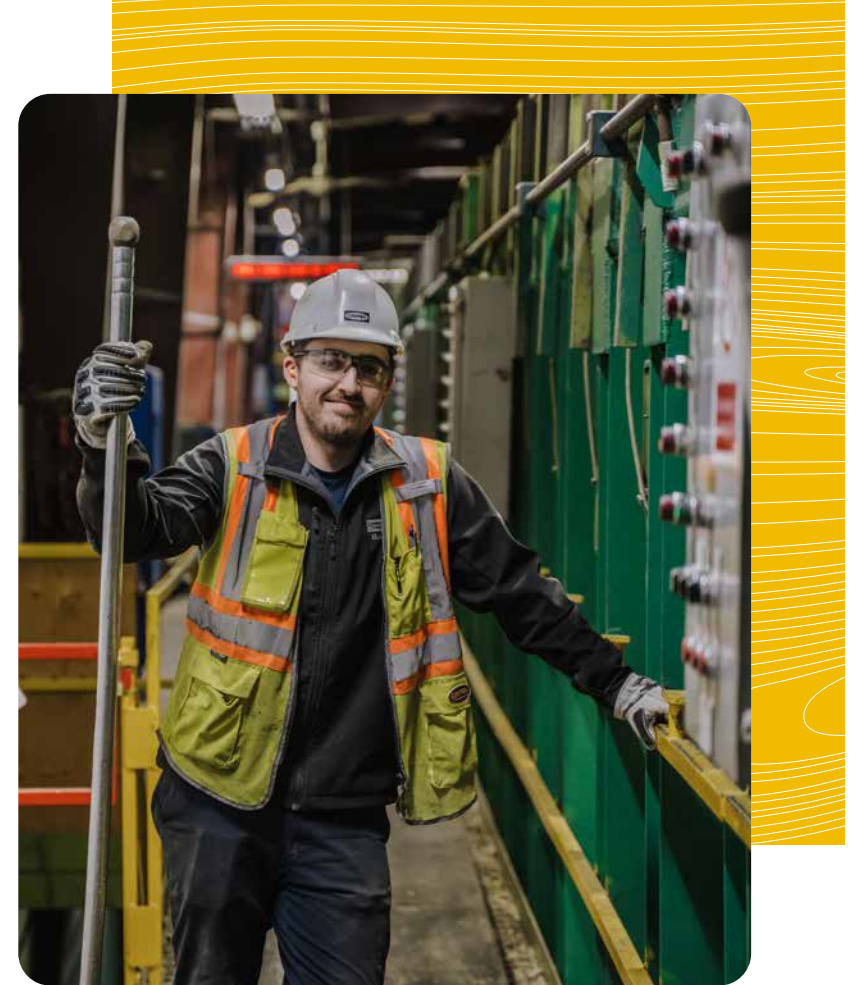
Our taxes are used by the jurisdictions we operate in to fund important social services like healthcare, education and other federal, state and provincial programs. In 2022, Canfor paid \$535.9 million in taxes, which consisted of \$316.7 million in Canada, \$119.8 million in the U.S., \$89.3 million in Sweden, \$5.1 million in Australia, \$3.0 million in the U.K. and \$2.0 million in Asia.

Of the total taxes paid, \$462.6 million relates to income taxes; the remainder relates to indirect taxes, which are property tax, sales tax, employer health tax, estimated gross carbon tax and severance tax.

**SPOTLIGHT ON VIDA**

**Community**

Every year, Vida sponsors approximately 100 associations and projects, with a focus on children and youth sports in rural areas. Vida opted to increase their sponsorship to Växjö DFF, the women's soccer team in Växjö, which plays at the highest league level in Sweden, to demonstrate that opportunities in work and sport should be equal, regardless of gender. Over the next three years Vida will donate one million Swedish kroner annually, which converts to approximately CAD \$130,000.



+ In 2022, we provided more than \$2.2 million to 406 organizations through Good Things Come From Trees.

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# Planet

Our practices and products play an integral role in helping protect the planet and mitigate climate change.

Forests provide so much: they provide habitats to support biodiversity, capture carbon dioxide from the atmosphere while replenishing the air with oxygen, and provide places for recreation. Forests also provide the carbon-storing wood we need to construct mass timber buildings, and the pulp, paper and packaging products we use every day, including things like paper bags, food packaging and takeout containers. Managing these natural resources for future generations is core to everything we do. We aim to be a leader in forest stewardship. We adopt voluntary, third-party certifications that go above and beyond regulated forestry practices. We do this so that customers, communities,

Indigenous Peoples, employees, investors and other stakeholders know that a Canfor-managed forest is a well-managed forest. In our operations we consider the planet, especially our impact on air quality, water usage and waste production. We need forests and the resources they provide to achieve our shared global climate change goal. Ensuring the long-term sustainability of forest ecosystems – including adapting to the impacts of climate change, protecting our shared air and water resources, and managing the waste we produce – is critical to ensuring our society continues to have these renewable and valuable resources for the long term.



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# What's Included

We are committed to sustainable forest management that supports resilient forests and a low-carbon future. This includes managing for environmental impacts that are deeply interconnected. This section covers the material topic areas related to Planet, including Sustainable Forestry; Climate Change; Air Quality; Water Management; and Waste Management.



Society is becoming more conscious of how organizations – which depend on our planet's resources to operate – use and protect these resources. Our customers, employees and communities expect us to be a responsible corporation that is both focused on financial performance and contributing to the sustainability of the planet for generations to come.

However, not all stakeholders see the social, environmental and economic opportunities of the forest sector. So, we are working to address this through our demonstrated actions and creating greater understanding of the carbon-storing benefits of forests and forest products in helping to mitigate the changing climate. Sharing knowledge and perspectives helps create new opportunities for mutual understanding and collaboration.

We will continue to work with our stakeholders on environmental topics and continue to implement and improve sustainable forest management practices as outlined in forest certifications and legislation. We take a holistic, integrated approach to our planet, with sustainable forestry as the foundation.

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# Goals & Targets

## Sustainable Forestry



**We are committed to practising world-class sustainable forestry that will result in resilient, productive and biodiverse forests. We commit to building collaborative partnerships and developing innovative solutions to contribute positively to forest health and climate change mitigation.**



## Sustainable Forestry

### FOREST CERTIFICATION



#### Canada

- Maintain 100% certification to SFI or FSC Forest Management Standards and the SFI Fibre Sourcing Standard for all Canfor-managed forests

#### United States

- Maintain 100% certification to the SFI Fibre Sourcing Standard for all sourced wood
- Support willing timberland owners to achieve the SFI Forest Management Standard or American Tree Farm System certification and have 30% of purchased fibre be from certified lands by 2030

### SUSTAINABLE FOREST MANAGEMENT PRACTICES



#### Canadian Woodlands Operations

- Enhance the climate change resilience and future productivity of our forests by implementing credible, science-based sustainable forest management practices

#### North American Woodlands Operations<sup>1</sup>

- Maintain biodiversity and habitat for wildlife by employing ecosystem-based management and collaborative partnerships, with special consideration for species-at-risk
- Conserve water quality and fish habitat by implementing best management practices to minimize erosion and sedimentation



## Climate Change



**We will become a net-zero carbon company by 2050 through advancing climate-positive forest management, producing sustainable forest products and developing impactful partnerships.**



- Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year
- Measure our scope 3 emissions and establish a science-based reduction target by 2024

1. The targets are applicable to North America but the metrics reported are only applicable to B.C. Woodlands operations; metrics for Alberta and the U.S. are under development.

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**Air Quality**

**Goal**

**We are committed to minimizing air emissions that impact people and communities by utilizing leading technology and processes. We will go beyond compliance to preserve air quality by reducing emissions of particulates, sulphur and other gases.**

**Targets**

**North American Wood Products Operations**

- Pave 50% of unpaved high-frequency-use roads in our facilities and lumber yards to reduce fugitive dust generation by 2030
- Improve key business processes to reduce particulate matter across wood products operations

**Pulp Operations**

- Reduce the total loading of particulate to the airshed by 10% by 2030 from a 2020 baseline year
- Achieve Pulp and Paper Air Emissions Code of Practice for SOx discharge while reducing TRS emissions by 20% by 2030 from a 2020 baseline year
- Reduce the loss of ozone-depleting substances from refrigeration units by 50% by 2030 from a 2020 baseline year



**Water Management**

**Goal**

**We are committed to reducing water consumption and protecting water quality through optimized production processes, leading management systems and innovative technologies.**

**Targets**

**North American Wood Products Operations**

- Reduce water usage by 10% by 2030

**Pulp Operations**

- Reduce the water intensity of pulp and paper production by 10% by 2030 from a 2020 baseline year
- Reduce the biological loading intensity of pulp and paper production by 25% by 2030 from a 2020 baseline year

**Waste Management**

**Goal**

**We are committed to reducing waste throughout Canfor's operations by identifying beneficial uses of materials.**

**Targets**

**North American Wood Products Operations**

- Reduce the volume of log yard debris generated by 15% by 2030
- Recover 40% of Canadian wood products operations' ash and log yard debris through beneficial use programs by 2030
- Support and promote waste reduction and recycling programs to reduce domestic waste to landfill

**Pulp Operations**

- Create beneficial use projects for process wastes that reduce the volume to landfill by 10% by 2030
- Eliminate the landfilling of wood waste, pulp and paper waste generated at facilities

## Governance & Accountability

There is joint oversight and accountability between Canfor and Canfor Pulp over the management of our impacts on Planet-related topics. See our [Sustainability Governance](#) section for more details about our Board committees and the roles and responsibilities of those charged with governance of sustainability performance. Management is informed and engaged on relevant ESG issues through regular communication with the following business units and roles.

Management of environmental performance for North American business units falls under the oversight of Canfor's Corporate Environment Management Committee (CEMC). The CEMC reports on compliance to the Joint Environment, Health and Safety Committee of the Canfor and Canfor Pulp Boards and to key executives. The committee has a broad mandate that deals with all programs related to the protection of the environment. Day-to-day compliance for sustainable forest management falls under the accountability of the Vice President, Woodlands for our Canadian operations. Led by the Vice President, Residual Fibre and Business Analytics, our Residual Fibre team in Canada works closely with our Woodlands team and external parties for fibre procurement and sales. Our U.S. fibre procurement team is led by our Vice President, Fibre Procurement and Residuals.



Our Director, Environment and Sustainability, is responsible for the development and execution of our climate change strategy, supported by our Manager, Climate Change. They are supported by various subject matter experts across the business, including operations and sustainability teams. A cross-functional Climate Change Working Committee was convened to support progress on Canfor's climate strategy development. The Climate Change Working Committee collaborated on the decarbonization plan to set a course for reaching our emission reduction targets. This model will be employed on an ongoing basis to support the development of future climate change strategy elements, ensuring integration of climate action across all business functions.

All Canfor operations teams are accountable for managing waste, water, and air quality, with day-to-day compliance being monitored by area supervisors, who in turn report to plant managers. Our operations are supported by Environment Managers. Ultimately, everyone in our operations is accountable for minimizing any negative impacts of water use, waste and air quality.

### Environmental Compliance

#### FORESTRY ENVIRONMENTAL COMPLIANCE

We are committed to responsible stewardship of the environment throughout our operations. We identify and report environmental incidents, categorized by severity. We investigate all incidents, complete root cause analyses, and develop and implement corrective actions. In our woodlands operations, we define significant environmental non-compliances with laws and regulations as where we receive monetary penalty or non-monetary sanctions. In 2022, we did not receive any sanctions or significant penalties. We received two minor

finances (total of \$519) for environmental incidents where corrective actions were implemented. There were also no significant forest management non-compliances identified from internal and external audits.

#### AIR QUALITY, WATER MANAGEMENT AND WASTE MANAGEMENT ENVIRONMENTAL COMPLIANCE

We define significant instances of environmental non-compliance as a violation of permit/legislation where we receive penalties or sanctions from a regulator. Our manufacturing operations reported no significant environmental incidents for air, water and waste in 2022.

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**Continuous Improvement**

**SUSTAINABLE FORESTRY**

To keep ourselves accountable and to ensure we're making progress towards our goals, audits are regularly undertaken by independent third parties. The scope of the internal and external audits relates to:

- Sustainable forestry
- Forest productivity and health
- Protecting water resources, biological diversity and special sites
- Responsible fibre-sourcing practices
- Legal compliance
- Continual improvement

As we identify improvement opportunities, we develop, implement and monitor action plans. Our B.C. and Alberta forestry operations monitor compliance through standard work procedures followed by

our supervisors and contractors, as well as planned and random audits of forest operations and field inspections.

Additionally, B.C.'s independent Forest Practices Board conducts audits and investigations, and issues reports available for public review. B.C.'s Forest Range and Evaluation Program also conducts multiple resource value assessment reports that are publicly available.

**AIR QUALITY, WATER MANAGEMENT, WASTE MANAGEMENT**

Our pulp and wood products operations strive for continuous improvement in our air, water and waste management practices. We have internal audits of our Environmental Management Systems (EMS) to evaluate and enhance our programs, policies and practices. Our kraft pulp mills' EMS are audited by external auditors to the ISO 14001 standard. Our EMS include:

- Water management procedures and policies
- Waste management procedures and policies
- Regulated discharge permits, including programs to measure and reduce limits
- Programs to reduce consumption and waste
- Legal compliance
- Continual improvement

Each site has a specific compliance review program, due to differing permitted conditions. We have implemented guidelines for site personnel to help measure overall compliance. In our pulp mills, we have dedicated personnel on-site to review environmental compliance.



**Environmental Compliance**

Through Vida's environmental policy, the company strives to reduce its impact on the environment. Vida participates in several projects undertaking work to transition to a more sustainable, fossil fuel-free world. Based on current permitting under Sweden's Environmental Code, Vida works to reduce emissions from biofuel boilers, minimize runoff from timber irrigation, reduce noise near production sites, and responsibly handle chemical products and waste.



**We Need a Balanced Approach to Managing B.C.'s Old-growth Forests**

In recent years, British Columbia's old-growth forests have gained attention, with calls for more protection from harvesting. In late 2021, the B.C. government proposed the temporary harvest deferral of 2.6 million hectares of old forests; this process continued to unfold in 2022, including feedback from Indigenous Nations. We take our role very seriously to help responsibly manage B.C.'s forests. All of Canfor-managed forests are certified to either SFI or FSC standards, which go beyond government forest management requirements.

We employ hundreds of professionals, including registered foresters, technologists, engineers and biologists, who ensure we use sustainable forestry practices and are contributing to healthy forests for generations to come. All harvesting activity we undertake is subject to provincial government approvals and includes consultation with Indigenous Nations. Each year, the forest industry sustainably harvests less than 1% of the total forest area designated for harvesting

by B.C.'s independent Chief Forester. The province is home to 11 million hectares of old-growth forests and in 2021, just 0.3%<sup>1</sup> of the total was harvested. What is not widely known is that about 75%<sup>2</sup> – or 8.5 million hectares – of the province's old growth is already protected or is not within the Timber Harvesting Land Base.

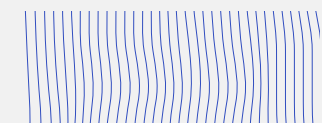
We are working with the Indigenous Nations on whose territories we operate and taking their direction on the old-growth areas where harvesting should not occur or where more detailed assessment is required. Final decisions on the old-growth deferrals have not yet been made by provincial and First Nations governments. We believe the province needs policies that support healthy forests and provide employment, as well as continued investment in producing the climate-friendly products the world needs to achieve our global climate change targets.

1. BC Government News. [Old-growth logging declines to record lows.](#)
2. Forsite Consultants Ltd. [Status of BC's Old Forests: The Situation in 2021](#) (Page 2)

In North American locations, the Environment team completes regular site visits and meets with key site personnel to review any open or pending items identified on compliance assessments.

Our Environment teams also review and add new conditions to the compliance matrix, and assign tasks as required. These audits are tools to evaluate our programs, policies and practices. As we identify improvement opportunities, we develop and monitor action plans.

**+**  
**About 75% of the province's old growth is already protected or is not within the Timber Harvesting Land Base.**



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**MATERIAL TOPIC**

# Sustainable Forestry

**A Canfor-managed forest is a sustainable forest. Managing forests sustainably helps maintain biodiversity, protects watersheds and supports a healthy, resilient forest for future generations.**

Sustainable forestry practices are key to ensuring the viability of forest ecosystems. Challenges, including extreme weather conditions – such as drought, which can lead to wildfires, and high precipitation, which can cause flooding – are pushing forest sector companies to be adaptive and innovative.

These challenges create opportunities to test new, innovative practices and push us to embrace creativity in how we solve and plan for these issues. Creative solutions will help ensure we are maximizing the use of every tree we harvest to create low-carbon, renewable, high-quality and sustainable wood, pulp and paper products.

## Our Approach

Our sustainable forestry practices apply across North America. In Canada, we manage the forests through forest tenure agreements and a fibre sourcing program where we purchase wood fibre from private and publicly owned forests. In the U.S., we do not manage forestlands directly, but deliver on our commitment to sustainable forestry through our certified fibre-sourcing practices.

We maintain independent forest management and chain of custody certifications, which assures our customers that they are buying products

from forests managed to comprehensive environmental, social and economic standards. Certifications are voluntary, and standards go beyond regulatory requirements.





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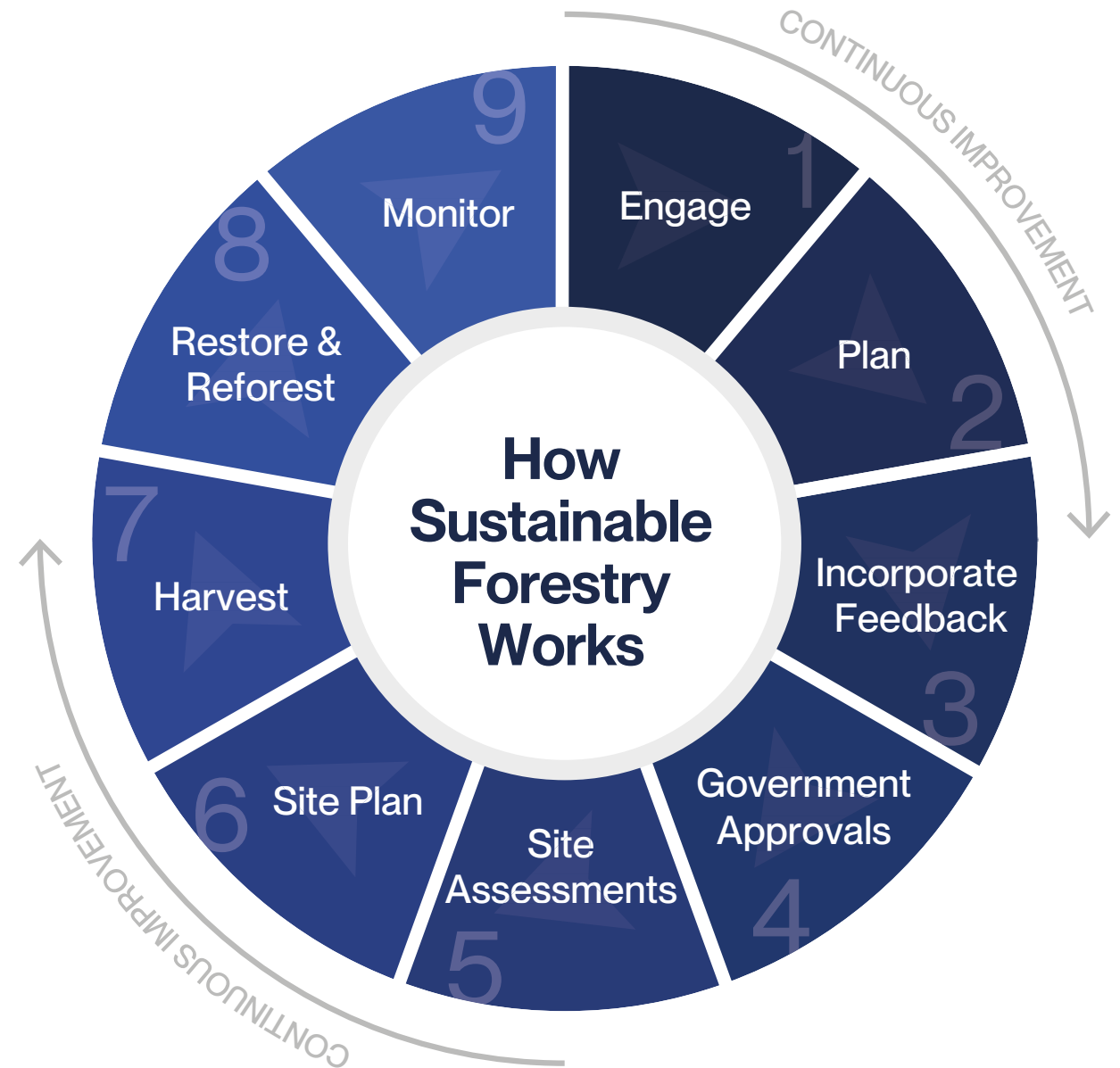
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**How Sustainable Forestry Works**

Sustainable forest management offers a holistic approach to ensure forest activities deliver social, environmental and economic benefits. These activities also balance competing needs, and maintain and enhance forest functions now and in the future. Managing a forest sustainably is an ongoing, multi-step process that requires the expertise of registered forest professionals and collaboration from many stakeholders. As we directly manage the forests in Canada, these steps apply to our Canadian operations only.

- Step 1:** Engage with public, stakeholders and Indigenous communities to identify cultural and other values to be conserved and protected
- Step 2:** Prepare draft forest management plans
- Step 3:** Forest management plan finalized, incorporating feedback
- Step 4:** Seek government approvals
- Step 5:** Site assessments and fieldwork to ensure that identified values are protected
- Step 6:** Prepare site and operations plan and apply for permits
- Step 7:** Begin harvest operation, including road building and transportation of logs
- Step 8:** Post-harvest activities, including reforestation, restoration of sites and deactivating roads
- Step 9:** Monitoring and stand tending until forest grows freely, which can be up to 20 years





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**ENGAGE WITH INDIGENOUS COMMUNITIES**

Our teams work in partnership with Indigenous communities to apply sound stewardship practices that promote biodiversity and wildlife habitat conservation.

We collaborate to understand their site-specific concerns and values, which then inform our planning, development and operations within their territories. We prepare forest management/stewardship plans for government approval.

On publicly owned lands in Canada, the government determines the allowable annual cut (AAC), which describes the volume and species of timber that can be sustainably harvested. We pay stumpage fees to the government based on timber volumes, species and grades attributable to the timber we harvest.

Before the government approves a forest management plan, we consider input from the public and Indigenous communities. This ensures we are building collaborative partnerships that strengthen our sustainable forest management.

**SUSTAINABLE FORESTRY BY REGIONS**

**British Columbia**

In accordance with the Forest and Range Practices Act, our Woodlands team must prepare forest stewardship or forest operations plans. These plans demonstrate how our operations meet objectives set by the government.

These include objectives related to soils, wildlife, water, fish habitats in sensitive watersheds, biodiversity, visual quality and cultural heritage resources.

**Alberta**

As a condition of holding forest tenure in Alberta, we're required to develop or participate in forest management plans that are renewed every 10 years. These plans contain a suite of strategies that considers timber supply while addressing other public and resource objectives.

The plans consider a broad range of forest values and social, economic and environmental factors, including water quality, wildlife habitat, recreation and tourism. Preparing these plans includes a range of opportunities for

public involvement and consultation with Indigenous communities.

**United States**

As part of our commitment to being a responsible steward of the environment, our U.S. operations focus on sustainable sourcing and procurement from all timberlands. We also encourage landowners to share that focus. We work with timberland owners by distributing information packages, encouraging forest certification during landowner meetings, mill tours, and events, and by working with SFI Implementation Committees for each state.

We encourage timberland owners to adopt SFI Forestry Management Standard or American Tree Farm System (ATFS) certifications. Of our total volume sourced from timberland owners, 15% are certified under SFI, ATFS or FSC forest management certifications.

In mid-2022, SFI rolled out a new SFI sourcing standard with two main changes: biodiversity (Objective 1) and controversial sourcing (Objective 11). Through our third-party audit, we elected to audit to the new standard so we could understand our compliance going forward. While we had no non-compliances, we identified two opportunities for improvement within the new objectives.

**Sweden**

In Sweden, half of the forestland is privately owned. One-quarter is owned by private companies, with the remainder owned by the state and the church. The availability of sustainably managed forests gives Sweden an excellent supply of high-quality raw materials. Forest management programs consist of soil preparation and

planting of 2,000 to 2,500 coniferous seedlings per hectare. Each stand is cleaned and thinned, and then left to grow for 60 to 120 years. Six weeks before harvest, the Swedish Forest Agency must be notified. Vida may not harvest in areas with sensitive biospheres, lakes or watersheds. In Sweden, reforestation is required after harvest and is normally undertaken by planting conifer seedlings.

Vida offers forest owners certification according to both PEFC and FSC through Prosilva Skogscertifiering AB<sup>1</sup>, an organization that helps forest owners and contractors to achieve group certification. Both Vida and its certified suppliers are audited by internal and external auditors.

**FOREST MANAGEMENT SYSTEM**

We have an important stewardship responsibility as managers of forestlands and purchasers of fibre. In Canada, our Forest Management System (FMS) is the foundation upon which we carry out sustainable forestry. This foundation is used to control, monitor and document our activities and to ensure that sustainable forestry is planned, monitored and improved.

We continuously improve and evolve our FMS, which is guided by our Environment Policy, Log Procurement Program Policy and forest management certifications. Our Canadian Woodlands team is made up of approximately 160 highly skilled professionals, including Registered Professional Foresters, Registered Forest

1. [Prosilva AB Website.](#)

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Technologists, Professional Engineers and Registered Professional Biologists, who plan, implement and maintain our FMS. The FMS covers all activities within our operations on company forest tenures, including activities performed by employees, crews and contractors.

**REGENERATING FORESTS THROUGH PLANNING AND PLANTING**

Reforestation is a requirement in B.C. and Alberta after harvesting is completed. Planning for reforestation starts long before the first tree is cut.

Our reforestation program considers forest ecology, climate, forest health, stand objectives, tree and sensitive sites retention, access to site and feedback from stakeholders.

Before harvesting occurs, our team of resource professionals prescribes site-specific harvesting techniques and reforestation practices while also:

- Identifying reserves to protect key wildlife and riparian areas
- Maintaining recreational values
- Preventing soil erosion, compaction and sedimentation
- Protecting harvested areas against invasive plants

Our silviculture program, along with prompt planting after harvest, helps maintain forest productivity and gives young trees a head start against competing vegetation such as grasses and shrubs. In 2022, we planted 64 million seedlings.

Once an area is planted, we monitor the growth and development of the stand over

several years to ensure the development of a healthy, productive forest. We manage our planted areas until they reach specified standards of density and height, which typically takes 10 years or more. To give seedlings the best chance of survival, we plant three seedlings for every tree harvested. About 65% of seedlings planted are from seeds produced at orchards. These seeds exhibit superior growth and resistance to forest health problems such as pests and disease.

The seeds from these orchard trees are sown at nurseries to grow the seedlings that we plant in our harvested areas. This approach enhances forest resiliency so planted seedlings can tolerate the conditions we expect from climate change. These seeds have greater genetic diversity than seeds from natural stands, enabling seedlings grown from these seeds to adapt to a wider range of conditions. We also consider whether the seeds match the current and projected climate of reforestation sites.

**J.D. LITTLE FOREST CENTRE NURSERY**

Building climate change resilience and the future productivity of our forests begins with our seeds and seedlings. Their health and success predict the development and health of our forests. We manage seeds and seedlings through our J.D. Little Forest Centre (JDL) nursery in Prince George, B.C., and through our ownership stake in the Vernon Seed Orchard Company and the Huallen Seed Orchard Company, which both supply our reforestation programs. We also plant natural seeds and seeds grown by other nurseries and seed orchards.

This multi-faceted approach offers several advantages for our reforestation

efforts and forest health. JDL grows approximately 8 million white spruce seedlings each year, which represents about 12% of our total seedling needs. Canfor is the only major forest company in B.C. to have a nursery facility of this scale. Owning and operating a nursery provides us with first-hand knowledge of the challenges and opportunities around seedling production. Having our own growing facility in central B.C. also reduces the costs for cold storage and transportation of seedlings every spring.

**Canadian Woodlands Operations Targets**

Enhance the climate change resilience and future productivity of our forests by implementing credible, science-based sustainable forest management practices

2022 Result

**100%**

of harvested areas reforested within four years of harvest start

2022 Result

**100%**

of reforested areas are monitored and tended until the stand has achieved a specified state of health and growth

2022 Result

We are performing data analysis of the percentage of gross cut-block areas that are occupied by permanent roads; we are striving to have less than 5% on a three-year rolling average basis

**+ In 2022, we planted 64 million seedlings in Canada; we have planted more than 1 billion seedlings in the last 20 years.**



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**Performance**

**Third-party certification**

With 158,391,456 hectares of net certified area, Canada is leading the world in certified forest area<sup>1</sup>. We follow internationally recognized forest management and chain of custody standards.

The forest management standards give our customers and other stakeholders assurance that our wood supply originates from legally authorized and responsible sources that are managed with sustainable forestry practices.

Chain of custody standards require that our forest-based products are tracked from their forest origins, to our log storage areas, to our manufacturing facilities and, ultimately, to our customers. We obtain third-party certifications that are verified by external auditors. Our certificates, public summary reports and external audit reports related to these forest certifications can be found on our [website](#).

We hold the following certifications:

- Sustainable Forestry Initiative (SFI) Forest Management Standard for tenures owned and/or managed by Canfor's Canadian Woodlands operations
- SFI Fibre Sourcing standard for all of our Canadian and U.S. Woodlands operations that procure wood fibre directly from public and privately owned forests
- SFI Certified Sourcing for our U.S.-based manufacturing operations
- Forest Stewardship Council (FSC) Forest Management and Chain of Custody

certification at our woodlands and manufacturing operations in B.C.'s East Kootenay region and at our Whitecourt and Fox Creek operations in Alberta

- Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody certification for our Canadian solid wood manufacturing operations, pellet plants, and pulp and paper mills
- FSC Chain of Custody certification for our Canadian pulp and paper mills
- Sustainable Biomass Program (SBP) fibre sourcing certification and Control Union's Green Gold Label chain of custody and processing certification for our Canadian pellet plants
- FSC and PEFC Chain of Custody certification for our Vida solid wood manufacturing operations
- PEFC Forest Management certification for Vida Forests operations

Our commitment to sustainability extends beyond our direct operations to the value chain. Approximately, less than 20%<sup>2</sup> of timberlands in the U.S. south are certified under sustainable forest management standards and the majority of those are large industrial timberlands.

While we source a sizable portion of our wood from certified timberlands, we largely work with smaller, community based, family-owned timberland owners. With a growing demand for sustainably sourced timber, we see an opportunity to increase capacity to build resilience in the rapidly changing landscape of sustainable forestry in the U.S. Achieving systems-level change is not simply about

setting expectations for others, but rather identifying ways to drive change through our own actions to support partners in our value chain. We will begin by selecting foresters representing each mill who will

receive training to become certified Tree Farm Inspectors through the American Tree Farm System, a certification recognized by the Sustainable Forestry Initiative (SFI).

**Canadian Woodlands Operations Target**

Maintain 100% certification to SFI or FSC Forest Management Standards and the SFI Fibre Sourcing Standard for all Canfor-managed forests

**2022 Result**

**100%**

of Canfor-managed forests certified to SFI or FSC Forest Management Standard

**2022 Result**

**100%**

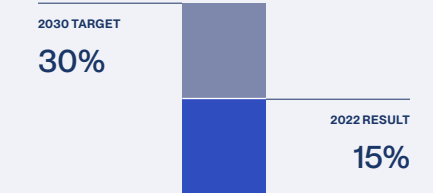
of all sourced wood in our Canadian wood products operations certified to the SFI Fibre Sourcing Standard

**U.S. Wood Products Operations Target**

Support willing timberland owners to achieve the SFI Forest Management Standard or American Tree Farm System certification and have 30% of purchased fibre be from certified lands by 2030

**2022 Result**

Percentage of certified purchased fibre



**U.S. Wood Products Operations Target**

Maintain 100% certification to the SFI Fibre Sourcing Standard for all sourced wood

**2022 Result**

**100%**

of all sourced wood in our U.S. wood products operations certified to the SFI Fibre Sourcing Standard

1. Forest Products Association of Canada. [2021 Year-end Status Report Canada](#) (Page 17)  
2. Southern Group of the State Foresters. [SGSF Forest Certification Programs: Status and Recommendations in the South; 2021 Report Update](#) (Page 13)

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**+ HIGHLIGHT**

**Partnerships to Advance Forestry Practices**

Learning from each other and sharing expertise is important to continuously evolve our sustainable forestry practices. We've led or partnered with several organizations to study opportunities for improvement and to create better practices in industry.

- Fisher habitat management:** We worked closely with the B.C. government fisher habitat team to enhance habitats for fishers in our cut blocks after harvest. Our foresters and biologists used guidance from the fisher team to determine which habitat features were most important and then used their expertise to incorporate these into cut-block design and retention specifications. For example, large cottonwood and aspen trees are left standing in reserves, as these provide den sites, and forest corridors are retained to provide connectivity. Training materials were developed for use by foresters in other regions.
- Alberta Regional Caribou Knowledge Partnership (ARCKP):** Formed by the government of Alberta and the forest sector, this partnership is committed to finding on-the-ground solutions that balance forestry activities

with woodland caribou conservation. By forming the ARCKP, the Forest Resource Improvement Association of Alberta (FRIAA) is supporting 12 companies to address region-specific knowledge gaps. This collaboration promotes self-sustaining caribou populations and a viable forest sector through supporting the development and sharing of innovative tools, techniques, strategies and understandable scientific knowledge to enhance sustainable forest management and caribou recovery efforts.

- Using technology to identify high-value old growth:** We participated in a collaborative group that included the provincial government, Indigenous communities and environmental organizations to identify the highest-quality old-growth stands in our Tree Farm Licence 14 in East Kootenay, B.C. The group developed a new process using LiDAR technology (Light Detection and Ranging) to identify the stands with the best old-growth characteristics (e.g., large live trees, large tree crowns, variation in the forest canopy) and to designate these stands as old-growth reserves.

Through this training, our foresters will:

- Build local community capacity and knowledge on sustainable forestry practices, and be better positioned to support our partners with their unique and localized needs
- Be active participants on their state-led Tree Farm Committee to demonstrate our commitment to sustainable forestry as they also contribute to committee goals, landowner education and outreach activities
- Organize peer-to-peer learning opportunities for our foresters to encourage cross-sharing of best practices and to support the creation of a community of practice

Building data reliability is another key component of the success to our approach. We will begin by conducting a data audit to identify gaps and look for ways to streamline and standardize data collection.

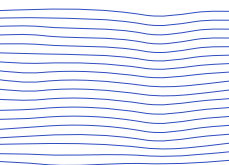
**Responding to and preventing wildfires**

How we manage forests can have a significant impact on the severity of wildfires. We maintain a fire prevention and suppression program that includes fire preparedness and response training and planning.

Commercial thinning is an example of how we strive to reduce the fuel load in the forest, which also allows for the removal of timber in a way that minimizes impacts on wildlife and visual values. Another strategy for mitigating wildfire is to promote the use of broadleaf or deciduous trees to produce more fire-resilient forests.

Stands of these species, including aspen, birch and cottonwood, are less vulnerable to wildfire, as they have higher humidity and less flammable bark and leaves than conifers like pine, spruce and fir. We are working collaboratively with government and other forest industry representatives to modify regeneration requirements in B.C. to make it easier to regenerate broadleaf and mixed-wood stands (broadleaf and conifer) following harvest to enhance the resistance of our forests to wildfire.

In our East Kootenay operations in southeastern B.C., many low-elevation forests are very dense. As a result, these forests are highly flammable and threaten communities and infrastructure. Our forestry practices are aimed at reducing fuel and flammability by removing many of the smaller and medium-sized trees while leaving the largest trees, which are fire resistant. The B.C. government, in collaboration with Indigenous Peoples, conducts ecosystem restoration using prescribed burns to enhance forests' fire resistance.



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**Water Management in Forests**

Through our sustainable forestry practices, we identify and evaluate protection requirements for community watersheds, riparian areas, streams, lakes and other significant water bodies during operational planning. This is documented in site plans and associated maps. Riparian Reserve Zones and other areas to protect significant water bodies are marked in the field and documented in our project plans.

We review and monitor these plans and do on-site inspections to avoid accidental encroachment on water bodies. Our road and stream crossings are designed to withstand water flows from extreme rain events. Road designs and maintenance programs implement best practices to minimize soil erosion and sedimentation of streams.

**Target**

Conserve water quality and fish habitat by implementing best management practices to minimize erosion and sedimentation

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**2022 Result**

Virtual training has been completed. We are in the process of delivering erosion and sediment control training in person at each operation every three years for all tenured woodlands

**Biodiversity & Species-at-Risk**

Maintaining biodiversity and wildlife habitat is an integral part of sustainable forest management. We use an ecosystem-based approach, with special consideration for species-at-risk. We identify rare ecosystem types and either

place these areas in reserves or remove them from planned cut-block boundaries. Rare ecosystems tend to have rare species associated with them, including small plants, lichens and invertebrates. These are not easily monitored, but we recognize that our efforts protect an important component of biodiversity.

Our system tracks each species listed on provincial and federal species-at-risk lists in a detailed database. Our standard work procedures outline training requirements for employees and contractors, and guide actions upon encountering and managing for these species during the forestry planning phase and while conducting operations in the field.

Our operating areas in B.C. and Alberta include the ranges occupied by 53 species, subspecies and designated populations listed on Schedule 1 of Canada's Species at Risk Act and/or included on the International Union for Conservation of Nature's Red List of Threatened Species.

This includes mammals, birds, amphibians, reptiles, fish, insects, plants, lichens, mosses and mollusks that may be affected by forestry activities. Forestry operations that create open areas in dense forest can create habitat for species such as the American badger, rufous hummingbird and common nighthawk. However, habitats for other species require special management.

For example, the Rocky Mountain tailed frog and westslope cutthroat trout occupy small streams and require clear, cold running water. We implement best management practices to protect water quality for these and other species. We maintain water quality through the implementation of best management practices such as road and stream

crossing designs that minimize exposed soil, establish buffers along streams and divert ditch runoff away from stream crossings.

Within large cut blocks, in-block reserves are bridged to cut-block edges with piles or windrows of coarse woody debris such as rotten or broken logs and pieces of wood, or with understory or deciduous trees where available. This provides connectivity and habitat for small mammals such as martens, fishers, voles and mice. If roads within cut blocks are not required for further use, we close or restore them following harvesting.

This reduces impacts on wildlife and hydrological functions. Some species, such as woodland caribou, need habitat management and protection on a large landscape scale. In B.C., substantial

areas of caribou habitat have been legally set aside from forestry activities or are prescribed for special management.

We are working on improving our established species-at-risk management programs for key species across all tenured woodlands. We are currently refining our detailed database on species-at-risk that are directly and indirectly impacted by forestry operations within our operating area in Canada.

Through this process, we will identify if there are any species with specific habitat needs that are not currently addressed by mitigative measures currently in place. These efforts augment our existing training materials for our employees and contractors on the identification and management of species-at-risk.

**IUCN Red List Species and National Conservation List Species with Habitats Potentially in Canfor's Canadian Woodlands Operations<sup>a</sup>**

Conservation Status	2022
Extinct	0
Extinct in the Wild	0
Critically Endangered	1 (Suckley's cuckoo bumble bee)
Endangered	2 (little brown bat, whitebark pine)
Vulnerable	14
Near Threatened	7
Least Concern <sup>b</sup>	19
Data Deficient <sup>c</sup>	1
Schedule 1 Species at Risk Act (SARA) Only <sup>d</sup>	9

a. The above data is based on IUCN Red List and *Schedule 1 Species at Risk Act* but does not imply that the listed endangered species are necessarily found in Canfor-managed forests.

b. For the Least Concern category, we include only species that were found on both IUCN and Schedule 1 of the national Species at Risk Act (SARA).

c. The gypsy cuckoo bumble bee is considered Data Deficient by the IUCN and has not yet been assigned a ranking.

d. An additional nine species with no assigned IUCN status are monitored by Canfor because they are on SARA's Schedule 1.

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**U.S. Fish & Wildlife Service Endangered Species with Habitats Potentially in Canfor's U.S. Procurement Areas<sup>e</sup>**

Conservation Status	2022
Endangered	41
Threatened	31
Candidate	3

e. The listed data only implies that these endangered species are known to occur within each area's procurement region. It does not imply that the listed endangered species are necessarily found on any given tract where Canfor or its suppliers are harvesting timber.

**IUCN Red List Species and National Conservation List Species with Habitats Potentially in Vida Operations<sup>f</sup>**

Conservation Status	2022
Extinct	0
Extinct in the Wild	0
Critically Endangered	0
Endangered	9
Vulnerable	37
Near-Threatened	50
Least Concern	495
Data Deficient	14

f. The above data is based on IUCN Red List within Sweden and in the boreal or temperate forest habitats. It does not imply that the listed endangered species are necessarily found in Vida operating areas or where suppliers are harvesting timber.



**Target**

Maintain biodiversity and habitat for wildlife by employing ecosystem-based management and collaborative partnerships, with special consideration for species-at-risk

**2022 Result**

**71%**

of our updated Species-at-Risk Program has been developed and implemented

**2022 Result**

**73%**

of our updated Wildlife Habitat Features Program has been developed and implemented

**AREAS OF HIGH BIODIVERSITY VALUE**

In the U.S., our Fibre Procurement team monitors any critically endangered and endangered species that may be on or near timber tracts that are to be harvested. We gather information from The Nature Conservancy, natural heritage programs, state wildlife action plans, NatureServe and the U.S. Fish and Wildlife Service regarding these species.

If any are noted, we take appropriate measures to protect them. There are 75 species on the U.S. Fish and Wildlife Service Endangered Species List that are known to occur within our procurement regions. The listed endangered species are not necessarily found on any given tract on which Canfor or our suppliers

are harvesting timber. We will continue to pursue partnerships and enhance our approach to ecosystems based approach to protect biodiversity and species-at-risk. We respect and follow the legally established management requirements within defined areas of high biodiversity value, including any identified Old-Growth Management Areas, riparian reserves, wildlife habitat areas for species-at-risk, ungulate winter ranges in B.C. and trumpeter swan management areas in Alberta.

We have spatially identified High-Conservation Value Areas in the East Kootenay region and operate within a subset of these (other areas are reserves), following special management strategies directed at maintaining or enhancing the biodiversity values within them.

B.C. and Alberta have a multitude of provincial parks and conservancies, and our operating areas are adjacent to many of these. We only operate within national or provincial parks with approval from provincial or federal government for fuel reduction (in areas identified for wildfire risk) or for ecosystem restoration purposes. One example of this in play is the Jasper National Park fuel reduction project completed in 2021 to help protect the town of Jasper from severe wildfire.

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**HABITAT PROTECTED AND RESTORED**

In southeastern B.C., we are working to restore historical grasslands and open forests that have been negatively impacted by forest ingrowth and encroachment due to fire suppression. Priority areas are logged with the goal of opening up the forest so that the grasses and shrubs that provide important winter forage for elk and deer can increase, and so that habitat is restored for species-at-risk that prefer open habitats, such as the American badger and Lewis's woodpecker.

As part of this, we are implementing a wildlife habitat features management program across woodlands that outlines

management and monitoring for important features such as carnivore dens, raptor stick nests, ungulate licks and wallows, and bat roosts. In 2022, we focused on the following program components:

- Definition of wildlife habitat features
- Developing training materials to assist with identification and management
- Formal tracking templates for field staff and contractors
- Working on integrating the data collected with our geographical information system (GIS)
- Training and development of standard work procedures on wildlife habitat features

**+ We plan to share in future reports more on biodiversity with reference to the Taskforce on Nature-related Financial Disclosures (TNFD).**

**+ HIGHLIGHT**

**Partial Cutting for Caribou in Torpy Valley**

A new study in the Torpy Valley in B.C. aims to determine what level of partial cutting maintains habitat for threatened southern mountain caribou. Twelve Canfor-employed summer forestry students spent several weeks in the Torpy Valley, about 100 kilometres east of Prince George, collecting vegetation data as part of a multi-year study. The study is testing the impacts of 50% tree retention, 70% tree retention, clear-cut and no harvest. The area, which has 13 cut blocks planned for harvest by Canfor, presents a great opportunity to determine how different levels of cut impact caribou habitat, both before harvest begins and afterwards. Each plot established by the students will be monitored the summer before harvest, along with post-harvest monitoring at one, three, five, 10, 15 and 20 years.

The valley provides important caribou habitats because animals move through it to get from the mountain ridges on one side of the valley to the other. Caribou also use the dense forests in the valley bottom in spring and fall when snow conditions make travel in the high mountains difficult. When traditional clear-cut harvesting occurs, the ground vegetation responds with tasty fireweed, willows and other plants, which attracts moose into the area. Unfortunately, following the moose come wolves, who hunt caribou as well as moose, so caribou numbers can fall as a result. Partial cutting aims to prevent this increase in ground vegetation, keeping moose and wolves out of caribou habitat. Results from the study will be used to inform beneficial management practices being developed for caribou in B.C.





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MATERIAL TOPIC

# Climate Change

**Climate change is one of the most urgent issues we are facing. It requires us to evolve our practices today to meet the needs of tomorrow. Our best tool to tackle climate change is healthy working forests that are sustainably managed.**

A well-managed forest can help manage risks such as the increased frequency and intensity of wildfires, flooding, insect infestations and extreme weather events. All of these can have a significant impact, not only on our business and the communities in which we operate, but also on overall emissions.

Although the forest products sector can help mitigate climate change, we also consume fossil fuels and emit greenhouse gases in operations. While sustainable forest management practices and product advantages position us to have a positive environmental impact, it's our responsibility to reduce greenhouse gas (GHG) emissions in our operations. Our climate ambition includes reducing GHG emissions within our operations, estimating and managing emissions within our value chain, and leading



Mass timber building construction including Canfor lamstock. Photo credit: ©The Kubala Washatko Architects. Photo courtesy of Western Archrib.

in the development of innovative low-carbon products such as biofuels. We believe that products from the forests are a responsible and climate-friendly choice, as they are renewable and require less energy to extract, process and transport than fossil fuel and non-renewable alternatives. Wood product-based construction requires less energy to build and maintain. Wood products store carbon, locking it in for as long as the product is in use, which is normally many decades. Pulp and paper products are used to manufacture fibre-based packaging materials like food packaging and takeout containers, displacing plastic-based products made from fossil fuels.

## Our Approach

### Building on our Decarbonization Plan

In 2021, we developed a decarbonization road map as part of the process of setting our climate change goal. The road map demonstrates a pathway for us to achieve our scope 1 and 2 science-based targets and long-term net-zero ambition. We

started by reviewing our baseline carbon inventory and establishing a forecast of projected future emissions associated with our operations. We convened a Climate Change Working Committee from across our North American business units to consider emission reductions that were already planned or forecasted, and future potential emission reduction projects with

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+ HIGHLIGHT

## Our Decarbonization Reduction Strategies

As part of our decarbonization pathways work, we identified five ways to reduce our scope 1 and 2 emissions:

- 1. Energy and Process Efficiency**  
Implementing strategies and technologies to improve energy and fuel efficiency in existing infrastructure and vehicles.
- 2. Fuel Switching**  
Switching from higher-emission fuels to lower-emission fuels such as biofuels, biodiesel, renewable natural gas, hydrogen and biomass.
- 3. Electrification**  
Electrification of vehicles and stationary mobile equipment.
- 4. Investing in Renewables**  
Producing or procuring electricity from renewable sources.
- 5. Other Innovative Technologies**  
Continuing to investigate and invest in emerging technologies and solutions that will help us reduce emissions in the long term, such as carbon capture, utilization and storage; hydrogen fuel; and direct air capture.

These, and other strategies, are crucial steps to help us achieve our net-zero carbon goal by 2050.

**+** **Setting a goal to become a net-zero carbon company and establishing science-based targets reflect critical early steps in our transition to a low-carbon economy.**

available data. Projects were identified by the Energy and Environment Managers, Strategic Capital, Woodlands and Supply Chain teams. We then analyzed this portfolio of carbon abatement projects from across our operations and modelled the potential carbon emissions reductions achievable over time.

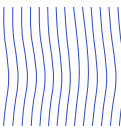
This portfolio considered projects in the short term (2020 to 2025), medium term (2025 to 2030) and long term (2030 to 2050). This included estimates of capital expenditures required over the course of the decarbonization journey, as well as expected operational costs and cost savings.

Setting a goal to become a net-zero carbon company and establishing science-based targets reflect critical early steps in our transition to a low-carbon economy. This goal-setting project, which documented many viable emission-reduction strategies across our organization, is a strong example of cross-functional collaboration.

In 2022, we built on the results of the decarbonization planning project by considering those projects in the context of our capital planning process:

- We are developing a process for considering emission impacts of potential projects within our capital planning teams; this includes raising awareness of where emissions are coming from so that projects can be evaluated appropriately
- We have piloted a capital project GHG emissions calculator that allows the capital planning team to estimate the changes in emissions based on one or multiple scenarios; this calculator also allows us to consider the future cost of complying with carbon pricing regulations in jurisdictions where we operate that have a regulatory framework
- We are working on embedding this information in calculations of return on investments or return on invested capital and, eventually, how emission reductions data can be best used in the overall capital planning process

We are continuing to refine this process and planning to formalize an internal price on carbon in 2023. In 2022, we collaborated with our cross-functional Climate Change Working Committee with global representation from our pulp and wood products businesses to further develop Canfor's climate strategy. We will report on our progress in future reports.



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**The Role of the Forests in Addressing Climate Change**

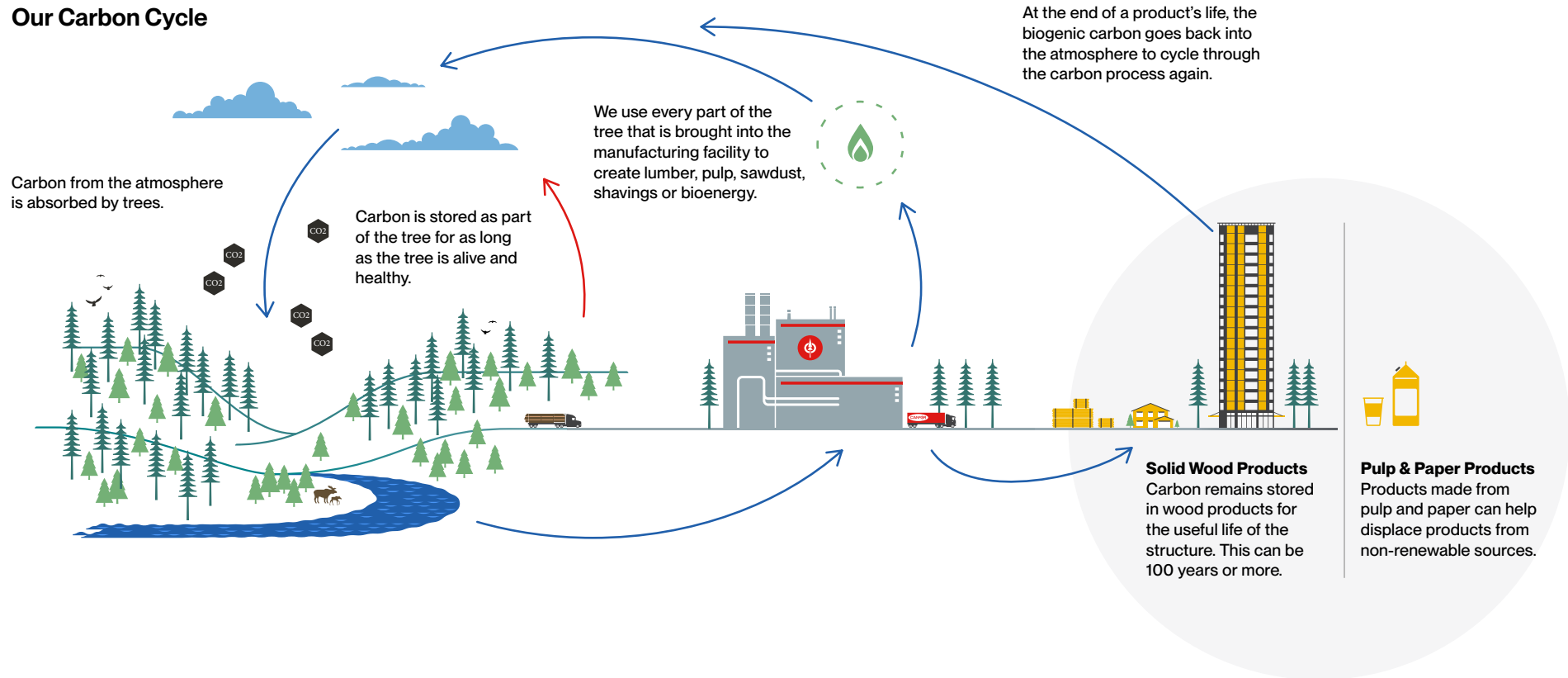
Forests play an important role in the global carbon cycle, helping to mitigate climate change. Trees absorb carbon from the atmosphere through photosynthesis and store it in living biomass and the soil. Carbon is also stored in dead biomass before it is decomposed. Once wood is harvested, a significant amount of carbon is removed from the forest that can be stored for decades in long-lived

wood products such as furniture and building materials. The amount of carbon dioxide released through harvesting is small compared to what is typically released through forest fires and other natural disturbances such as insect infestations and diseases. Sustainable forest management helps minimize these impacts.

We understand the importance of forest management to help mitigate climate change. In jurisdictions where

we have forest resource management responsibilities, we undertake numerous measures to support the resilience of forests. By increasing the diversity of tree species on the lands we manage, we can help forests become more resilient to the negative impacts of climate change such as wildfire and insect infestation. See our [Sustainable Forestry](#) section for more details.

**Our Carbon Cycle**



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**+ HIGHLIGHT**

**Climate Change Vulnerability Assessments**

As part of our sustainable forestry and climate change strategy, and in accordance with SFI Climate Smart Forestry requirements, we have completed climate change vulnerability assessments with core teams in three Canadian Woodlands operating areas: Fort St. John, B.C.; Chetwynd, B.C.; and Grande Prairie, Alberta. This is foundational in our management risks and opportunities presented by climate change. It is also the beginning of our plans to conduct scenario analysis across our entire business.

In this assessment, we reviewed forest management plans and practices to identify climate-based physical risks in these regions. For example, extreme weather events can lead to wildfire or flooding, and temperature fluctuations can impact the timely ability to harvest and haul wood due to lack of freezing and snowpack, which means soils and roads cannot support heavy equipment. In 2021, a vulnerability analysis was performed to review our existing procedures for addressing physical climate risks and vulnerabilities at different locations under current and future conditions. The outcomes were then ranked for severity and impact of risks and

uncertainties. The project also generated an inventory of potential adaptations to address the priority vulnerabilities identified in each operating area. The vulnerability assessments and inventory of adaptations will be extended to Canfor's remaining Woodlands operations in 2023.

Examples of implemented adaptations identified from our assessment include the use of satellite log yards, low ground pressure harvesting equipment, and rig mats replacement to access timber in conditions when the ground will not support heavy equipment and traffic. Other adaptations include pre-thinning and commercial thinning to reduce forest fuel loading, which increases forest resiliency to wildfire, and the use of larger culverts to accommodate the increased stream flows from extreme rainfall events. Another adaptation strategy is climate-based tree species assisted migration, in which seeds from trees that historically grow in one area are used to grow seedlings that are planted in sites that are more suitable in the context of our changing climate. Furthermore, to reduce our carbon footprint and other reasons such as improve safety, many years

ago we started using larger payload log trucks to reduce additional trips. Ongoing monitoring processes will be implemented to assess the efficacy of responses to current and future risks. This work assessment considers the impacts on our forest ecosystem, land, water, and socio-economic and cultural conditions. It also explores the implications of an RCP 8.5 warming scenario' to assist with preparing for severe outcomes. The time horizons reviewed include present day to the year 2039, 2040 to 2069, and 2070 to 2099.

We are documenting best practices that have been implemented to date, as well as further options and opportunities. We are also conducting a cost-benefit analysis to form a business case for adaptation.

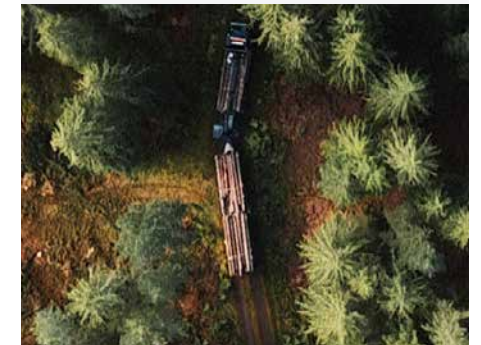
1. Representative Concentration Pathways (RCPs) describe four different 21<sup>st</sup> century pathways of greenhouse gas emissions and atmospheric concentrations, air pollutant emissions and land use. They have been developed for climate scenario analysis. Further details can be found in the [International Panel for Climate Change AR5 Synthesis Report, Box 2.2.](#)

**+ We are committed to the Science Based Targets initiative (SBTi) and we plan to undergo the SBTi validation process by April 2024.**

**SPOTLIGHT ON VIDA**

**Adoption of Climate Change Goal**

Climate change is a global issue, not a regional one, so it takes a global effort to address it. To align our climate change goals, Vida adopted the same target as Canfor: reduce absolute scope 1 and 2 GHG emissions by 42% from a 2020 baseline year. One of the ways Vida will reduce emissions is to move to electric-powered forklifts and use diesel containing biofuel. Vida will continue to gradually replace older, gas-fueled forklifts with electric-powered models.



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**Performance**

We are committed to the Science Based Targets initiative (SBTi) and we plan to undergo the SBTi validation process by April 2024. The SBTi publishes a corporate standard for net-zero target setting, providing companies with a clearly defined path for reducing emissions in line with the Paris Agreement and limiting global warming to 1.5° Celsius above pre-industrial levels.

Alignment with this standard is an important step towards showing our commitment to, and monitoring progress towards, this shared goal. By committing

to the SBTi, we join thousands of other companies who are aligning with the best available science and working to meet the challenges for a low-carbon future. Canfor has committed to setting near- and long-term company-wide emission reductions supported by SBTi.

**Greenhouse Gas Emissions Inventory**

**SCOPE 1 AND 2 GHG EMISSIONS**

Our GHG inventory is calculated using the GHG Protocol of the World Resources Institute and the World Business Council for Sustainable Development using an operational control approach. We are continuing to evolve our reporting of detailed scope 1 and scope 2 emissions, including updating our baseline and calculations to include new acquisitions and our Sweden operations.

We are refining our ability to measure and monitor our supply chain (scope 3) emissions by leveraging digital technologies and engaging with suppliers. We prepared our emissions inventory based on the best data available, which includes estimations and assumptions that may have inherent uncertainty. The disclosed figures should be interpreted with our detailed GHG Inventory Methodology found on our [website](#).

Our base year policy is to restate our inventory values when there has been a significant change (+/- 5%) in business operations, corrections to historical data based on more accurate information and/or significant acquisitions and divestments. We have engaged

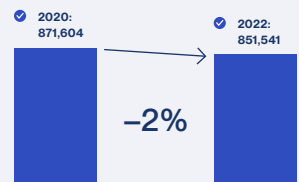


**Target**

Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year

**2022 Result**

Scope 1 and 2 emissions (market-based)



Net reductions from 2020 are due to a number of factors, including facility curtailments, grid emissions improvements and performance improvements.

- Third-party assurance obtained over our Scope 1 and 2 GHG emissions for 2020 and 2022. See [page 129](#) for their assurance reports over our GHG emissions for 2022, and our [website](#) for the assurance reports over our baseline GHG emissions for 2020

The emissions in our baseline year, 2020, have been restated from previous reports to align with updated methodology and calculations.

KPMG LLP, an independent third party, as our assurance provider to conduct limited assurance over our GHG emissions. See [page 129](#) for their assurance reports over our GHG emissions for 2022, and our [website](#) for the assurance reports over our baseline GHG emissions for 2020.

In 2022, our total non-biogenic (market-based) scope 1 and 2 GHG emissions were 851,541 tonnes CO<sub>2</sub>e. Our non-biogenic GHG emissions are closely tied to energy use at all our facilities. Key sources of emissions include the combustion of natural gas for process heat, the use of diesel and gasoline in heavy equipment and vehicles, and the use of grid electricity in jurisdictions with higher-intensity electrical grids.

Emissions from our Canadian pulp operations decreased primarily due to curtailment of our Taylor mill.

Emissions from our Canadian wood products operations increased from 2021 primarily due to the inclusion of our three new Alberta facilities.

Emissions from our U.S. wood products operations decreased from 2021 primarily due to improved grid electricity factors. Emissions from our Vida operations had a slight decrease overall primarily due to lower production.

Biogenic emissions come from the combustion of biomass for process heat and from certain chemical reactions in the pulping process. Biogenic emissions are part of the natural carbon cycle and, as such, are accounted for separately.

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**2022 Scope 1 and 2 GHG Emissions (tonnes of CO<sub>2</sub>e)** <sup>a,b,c,d,e,f,g,h,i</sup>

	Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Vida Operations	Total
Scope 1	498,881	124,211	83,463	12,910	719,465
Scope 2 (location-based)	2,124	34,811	79,620	15,072	131,627
Scope 2 (market-based)	2,124	34,811	80,069	15,072	132,076
Scope 1 & 2 (location-based, non-biogenic emissions)	☉ 501,005	159,022	163,083	27,982	☉ 851,092
Scope 1 & 2 (market-based, non-biogenic emissions)	☉ 501,005	159,022	163,532	27,982	☉ 851,541
Biogenic emissions	☉ 2,485,730	512,921	1,255,317	316,099	☉ 4,570,067

**2021 Scope 1 and 2 GHG Emissions (tonnes of CO<sub>2</sub>e)** <sup>a,b,c,d,e,f,h,i</sup>

	Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Vida Operations	Total
Scope 1	526,692	87,783	82,088	12,822	709,385
Scope 2 (location-based)	4,764	3,309	86,062	15,345	109,480
Scope 2 (market-based)	4,764	3,309	86,508	15,345	109,926
Scope 1 & 2 (location-based, non-biogenic emissions)	531,456	91,092	168,150	28,167	818,865
Scope 1 & 2 (market-based, non-biogenic emissions)	531,456	91,092	168,596	28,167	819,311
Biogenic emissions	3,147,497	1,211,436	989,031	268,012	5,615,976

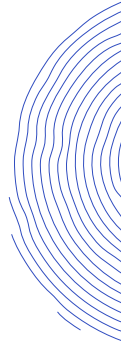
- a. The GHG inventory excludes Houston Pellet Limited Partnership (HPLP). Emissions associated with corporate offices are included in their corresponding business units. Woodlands emissions are included in Wood Products Operations: Canada.
- b. Scope 1 (direct) greenhouse gas emissions are emissions from energy sources that are owned or controlled by the company.
- c. Scope 2 (indirect) greenhouse gas emissions are emissions from the generation of purchased electricity and hot water consumed by the company. Scope 2 emissions physically occur at the facility where electricity is generated. Location-based scope 2 reflects average emissions intensity of grid on which energy consumption occurs. Market-based scope 2 reflects emission factors from contractual instruments, which includes power purchase agreements and any energy attribute certificates bought. Canfor has used a residual mix emission factor for U.S. wood productions operations for scope 2 market based. Residual mix emission factors are not available for

Canadian wood products and pulp operations and Sweden wood products operations; scope 2 location-based emission factors were used in absence for scope 2 market-based for these operations.

- d. Our quantification methodology for our scope 1 and scope 2 emissions is aligned with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and Greenhouse Gas Protocol: Scope 2 Guidance. Our organizational boundary for our GHG inventory applies operational control approach and does not currently include land-based carbon emissions and removals.
- e. Emissions are stated in metric tonnes on a CO<sub>2</sub>e basis, which is inclusive of greenhouse gases such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and hydrofluorocarbons (HFCs). It was determined that perfluorochemicals (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>) are not emitted from Canfor operations.

- f. Greenhouse gases were converted from individual gases into CO<sub>2</sub>e using the IPCC Sixth Assessment Report (AR6) global warming potential values (GWP).
- g. We have obtained third-party assurance over our 2022 scope 1 and 2 GHG emissions (location-based) and (market-based) emissions and biogenic emissions as denoted with a checkmark (☉) symbol. See assurance reports on [page 129](#).
- h. We prepared our emissions inventory based on the best data available, which includes estimations and assumptions that may have inherent uncertainty. The disclosed figures should be interpreted with our detailed GHG Inventory Methodology found on our website.
- i. Our 2022 data includes our three new Alberta facilities. Our 2021 data has been restated to include Vida operations and updated changes to our methodology, but does not include our three new Alberta facilities as they were not yet acquired.

**+**  
We have obtained third-party assurance of our 2022 scope 1 and 2 greenhouse gas emissions.



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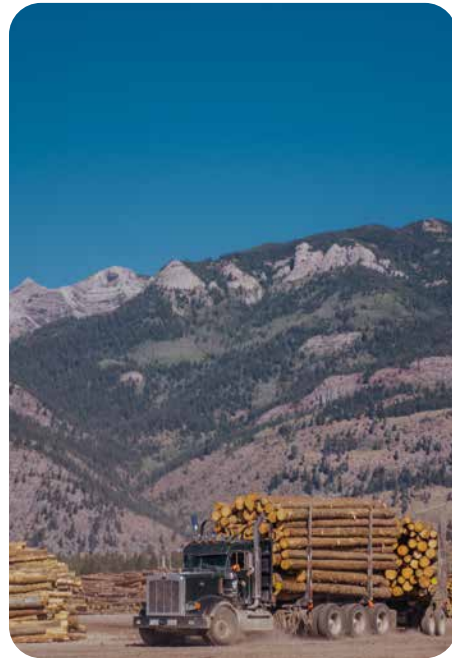
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**Scope 3 GHG Emissions**

In 2021, we estimated our 2020 baseline scope 3 GHG emissions for all 15 categories using the Greenhouse Gas Protocol Scope 3 Guidance and resources from the National Council for Air and Stream Improvement. We estimated that our scope 3 emissions make up 91% of our total scope 1, 2 and 3 GHG emissions footprint.

The initial estimate allows us to determine reduction strategies on our most material scope 3 categories, which include:

• **Category 1: Purchased Goods and Fibre**

Before logs are purchased by Canfor, emissions result from harvesting and transportation to the sawmill and from the processing of purchased chips and their transportation to the pulp mill

• **Category 9: Transportation and Distribution of Sold Products**

Our finished products are transported around the world by truck, train and marine vessels, resulting in emissions from the combustion of fossil fuels

• **Category 10: Processing of Sold Products**

Emissions result from the further processing of our sold pulp and wood products into finished products

• **Category 12: End-of-Life Treatment of Sold Products**

Once finished products reach the end of their useful life, they may further release GHG emissions into the atmosphere, depending on the method of disposal

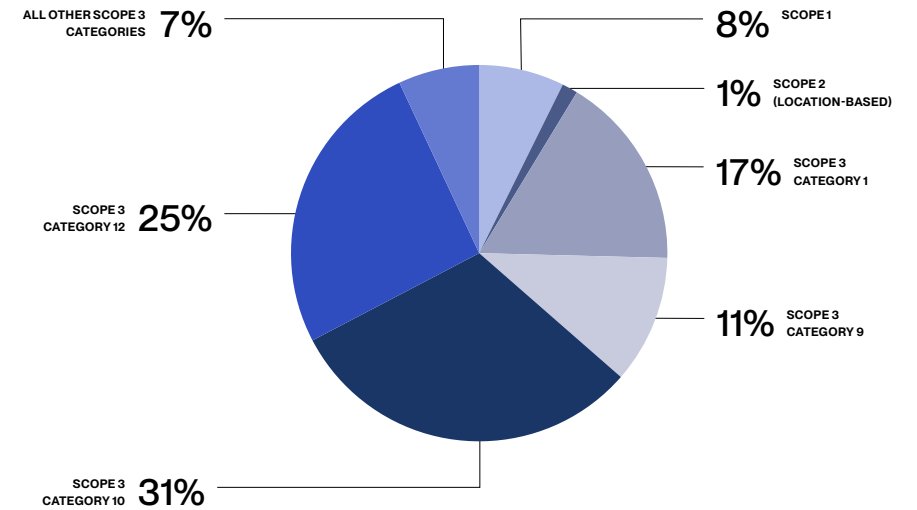
**Target**

Measure scope 3 emissions and set a science-based reduction target by 2024

**2022 Result**

We are currently improving our Scope 3 quantification methodology and exploring reduction strategies for our material categories. We will develop a scope 3 reduction target by 2024 in time for the SBTi target validation process.

**Our Estimated GHG Emissions Breakdown (based on 2020 data)**



**Stored Carbon in our Finished Lumber (tonnes of C and tonnes of CO<sub>2</sub>e)<sup>1</sup>**

Business Unit	2022 Stored Carbon	2021 Stored Carbon
Wood Products Operations: Canada	1,025,426 tonnes C 3,759,895 tonnes CO <sub>2</sub> e	1,110,252 tonnes C 4,070,925 tonnes CO <sub>2</sub> e
Wood Products Operations: U.S.	714,838 tonnes C 2,621,073 tonnes CO <sub>2</sub> e	725,000 tonnes C 2,658,332 tonnes CO <sub>2</sub> e
Vida Operations	602,178 tonnes C 2,207,987 tonnes CO <sub>2</sub> e	617,199 tonnes C 2,263,065 tonnes CO <sub>2</sub> e
<b>Total</b>	<b>2,342,442 tonnes C</b> <b>8,588,955 tonnes CO<sub>2</sub>e</b>	<b>2,452,451 tonnes C</b> <b>8,992,322 tonnes CO<sub>2</sub>e</b>

1. Tonnes of carbon is calculated based on the total quantity of lumber produced by our Canadian, U.S. and Sweden operations only (excludes other wood products, pulp and paper, pellets) (in MMBfm) converted to density per the NCASI Carbon Storage Tool for softwood lumber. The carbon content of wood is 50% by weight. Conversion from carbon to CO<sub>2</sub>e is calculated using the molecular weight ratio between CO<sub>2</sub> and C of 44/12.

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**+ HIGHLIGHT**

**The Carbon Benefits of Mass Timber**

As builders and architects look to decrease the carbon footprint of new structures, mass timber is becoming an increasingly more attractive option. Filled with carbon-storing timber beams with the strength of steel, mass timber buildings are strong, resilient, beautiful and climate-friendly. We are a proud producer of **glulam**, a mass timber component.

In the U.S., we have two glulam facilities. In Canada, our facilities in the Kootenay area use raw logs to produce lumber specifically designed for mass timber manufacturing. This includes supplying lamstock to glulam producers who produce mass timber components for North American projects. We are tapping into the growing interest by sharing more information about the low-carbon and green benefits of mass timber buildings.

1. American Wood Council. [Issues: Mass Timber](#).
2. Forest Product Association of Canada & naturally: wood. [Tackle Climate Change Use Wood](#) (Page 9)

These benefits include:

- Mass timber buildings can be completed 25%<sup>1</sup> faster than conventional buildings
- A 100,000-square-foot wooden building holds as much carbon as the equivalent of taking 1,400 cars<sup>2</sup> off the road in one year
- Wooden buildings require less energy to heat and cool<sup>2</sup>
- Substituting wood for concrete and steel in commercial buildings reduces GHG emissions by an average of 60%<sup>3</sup>
- Canfor's wood in mass timber projects is certified under SFI or FSC Forest Management Standards in Canada, and the SFI Fibre Sourcing Standard in the U.S.
- Wood is the only renewable building material that we have

Read more at [masstimber.canfor.com](https://masstimber.canfor.com).

3. Oregon State University News and Research Communications. [Use of Structural Wood in Commercial Buildings Reduces Greenhouse Gas Emissions](#).

✓ Mass timber building in Frog Lake, Alberta built with Canfor lamstock. Photo credit: Cooper & O'Hara Photography. Photo courtesy of Western Archrib.



**Carbon in Forests and Wood Products**

**CARBON EMISSIONS IN LAND MANAGEMENT AND LAND USE CHANGE**

In September 2022, the GHG Protocol published a draft version of the Land Sector and Removals Guidance for how companies should account for and report emissions and removals from land management, land use change, biogenic products and related activities.

We committed to participating in the pilot testing phase of this guidance development and will conclude pilot testing activities by spring 2023. The GHG Protocol will continue to revise this guidance based on the feedback they received through the pilot tests. Canfor does not own any forestland and we are not currently reporting any land-based carbon emissions and removals within this report, but we will continue to monitor the evolving guidance and report relevant data when available. We believe it is important to quantify the positive impacts that sustainably managed forests have on the carbon cycle, and we endeavour to accurately share the complete impacts of the forest sector.

**CARBON STORED IN WOOD PRODUCTS**

While our wood products offer a sustainable advantage for our customers, we do not offset the products' stored carbon when calculating our GHG footprint. We recognize this is a substantial carbon benefit we can offer our customers. In general, 1.62 tonnes CO<sub>2</sub>e are stored in 1,000 board feet of softwood lumber product. The average 2,500 sq. ft. (or 232 m<sup>2</sup>) wood frame home stores approximately 30 tonnes of carbon.

**+ Substituting wood for concrete and steel in commercial buildings reduces GHG emissions by an average of 60%.**





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**MATERIAL TOPIC**

# Air Quality

The quality of the air we breathe has a significant impact on human health, as well as the health of the environment.

In our pulp and wood products operations, we manage emissions that can impact air quality for communities where we operate. Air quality is important to us, not just as a responsible company, but also as residents and for our friends, families and neighbours who live and work where we operate. Air quality can be affected by a range of factors. We take our responsibility seriously.

To ensure we are keeping our impact to a minimum, we regularly monitor and report on-site emissions with regulators, and we identify areas where we can improve or adjust our operations to protect local air quality. Beyond fully complying with regulatory requirements, we are committed to minimizing pollutants through maintaining optimal operation and maintenance of our emissions control systems and driving continuous improvement on our emissions performance.



**Our Approach**

Regular monitoring of air quality helps us drive improvement, both through data collection and analysis. We monitor, test and record a number of indicators according to our permits. We have an Environmental Management System (EMS) aligned with the ISO 14001 standard. The EMS provides a framework to manage our short- and long-term environmental impacts. We also adhere to our Environment Policy and operational control procedures, and evaluate our environmental risks and opportunities. We complete routine maintenance and inspections on all sources of air emissions-control devices to ensure the equipment is running optimally.

Our most material impacts on air quality are particulate matter emissions, nitrogen oxides, sulphur oxides, carbon monoxide and volatile organic compounds from our manufacturing processes.

Total reduced sulphur emissions are also material, as they are a main contributor to odour from our pulping process. Odour occurs from point sources such as stacks and vents, or from fugitive sources such as effluent treatment. Particulates can be emitted from biomass energy systems, from the recovery process of black liquor, from lime kilns and smelt dissolving tanks, and from fugitive

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particulate, which includes road dust. The frequency of testing our operational equipment is determined by environmental operating permits. Some emissions are monitored continuously, allowing operators to adjust operating conditions to maintain optimal performance of the devices so that they reduce overall source emissions. In addition, operations track key performance indicators for continuous improvement around air quality. Our emissions monitoring programs are audited regularly. This includes internal and external audits, compliance reviews, regulatory meetings and regulatory agency site inspections. Results are reported to our operations'

senior management and environment teams. Significant findings are reported to Canfor's Corporate Environmental Executive Management Committee (CEMC) and the Joint Environment, Health and Safety Committee of the Canfor Board and Canfor Pulp Board. Environmental reviews are required for capital expenditures, to ensure we identify potential impacts on air quality and associated regulatory requirements.

**Prince George Airshed**

We are a member of the Prince George Air Improvement Roundtable (PGAIR). Prince George has a sensitive airshed and

with our significant operational presence in this area, our involvement is key.

We also participate in the Prince George Air Quality Monitoring Working Group, which manages an extensive network of ambient monitoring in the Prince George airshed. In this capacity, we provide the community with regular updates on the steps we are taking. In 2022 we participated in the subcommittee responsible for developing an air quality management plan.

**+** Our operations track key performance indicators for continuous improvement around air quality. Our emissions monitoring programs are audited regularly.



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**Performance**

**Air Emissions by Business Units**

In 2022, we are disclosing nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter emissions (PM). We will work to disclose data on our other significant air emissions in future reports.

**Pulp Operations**

We use biomass as an energy source – offsetting fossil fuel use at our pulp mills – which generates total reduced sulphur (TRS) from black liquor, NOx and PM emissions. Our SOx emissions are generated when chemicals in odorous gases, mainly from our kraft mills in Prince George, break down. To minimize particulate discharge, we have emissions

control technology on all our recovery and power boilers. We have Best Achievable Technology (BAT) on all but one power boiler. We continually monitor emissions and are evaluating air emission reduction projects for future years.

We recognize that TRS is an ongoing concern, and we are actively involved with ambient monitoring and community roundtables. At our Intercontinental Pulp mill, we improved our scrubber operations to reduce fugitive lime dust emissions, made improvements to our equipment, adjusted standard operating procedures and increased training to address this issue, and we have not received a complaint since 2021.

**2022 Air Emissions by Business Units by Type (tonnes) <sup>a, b, c, d</sup>**

Business Unit	Substance		
	NOx	SOx	PM
Wood Products Operations: Canada	524	35	513
Wood Products Operations: U.S.	566	75	441
Pulp Operations	1,739	2,793	908
Vida Operations	199	N/A	73
<b>Total</b>	<b>3,028</b>	<b>2,903</b>	<b>1,935</b>

- a. Particulate matter emissions exclude fugitive emissions such as road dust. Part of our Vida operations' air emissions data is calculated based on a sample measurement over any of the last three years and the total energy input in 2022. The rest of Vida operations' air emissions data is based on continuous measurement. Vida operations air emissions data only includes NOx and PM from our sawmills and no data was available for SOx. Air emissions data was not available for Vrigstad Planer.
- b. We estimate NOx and SOx emissions based on the National Pollutant Release Inventory (NPRI) requirements for our pulp and wood products operations in Canada and based on direct measurements as required by U.S. Environmental Protection Agency (U.S. EPA) Title V guidelines for our operations in the U.S. The NPRI and U.S. EPA have different reporting requirements and calculation methods. Information in this table may not reflect exactly the contents of NPRI and/or U.S. EPA reports, due to different reporting definitions. Some air emissions are not directly measured but are monitored to maintain permitted levels using an estimation methodology informed by actual production quantities. We also monitor other air emissions, which vary based on permitted emissions for each location.
- c. Additional air emissions such as volatile organic compounds (VOCs) and carbon monoxide (CO) are reported separately through regulatory reporting.
- d. Our Taylor pulp mill was curtailed for the majority of 2022; therefore, all of its 2022 data is not included in this table.

**Pulp Operations Target**

Reduce the total loading of particulate to the airshed by 10% by 2030 from a 2020 baseline year

**2022 Result**

**908 tonnes**

particulate matter from stacks

**-11%**

from 2020 baseline

**Pulp Operations Target**

Reduce the loss of ozone-depleting substances from refrigeration units by 50% by 2030 from a 2020 baseline year

**2022 Result**

**458 kg**

ozone-depleting substances<sup>1</sup>

**-24%**

from 2020 baseline

1. Ozone-depleting substances are defined by refrigerants releases which are estimated based on recharge amounts for the year and can fluctuate depending on timing of maintenance. We are tracking R410A, R438A, R404A, R422D, R22, R407C.

**Pulp Operations Target**

Achieve Pulp and Paper Air Emissions Code of Practice for SOx discharge while reducing TRS emissions by 20% by 2030 from a 2020 baseline year

**2022 Result**

**2,793 tonnes**

SOx

**-5%**

from 2020 baseline

We are also looking at projects to reduce SOx emissions to meet the Code of Practice

**2022 Result**

**115 tonnes**

of total reduced sulphur (TRS)

**-19%**

from 2020 baseline year

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**Wood Products Operations Targets**

Improve key business processes to reduce particulate matter across wood products operations

**2022 Result**

We are in the process of developing a project list for each site and will report on progress in future reports

**Wood Products Operations Targets**

Pave 50% of unpaved high-frequency-use roads in our facilities and lumber yards to reduce fugitive dust generation by 2030

**2022 Result**

We are in the process of performing data collection in our facilities to measure areas that are unpaved and developing a baseline

**Wood Products Operations**

**CANADA**

We regularly assess the need for equipment upgrades, with a robust preventive maintenance plan to improve air quality and minimize impacts. In our Whitecourt facility, we upgraded the baghouse to two multi-cyclones that capture additional residual materials from inside the plant, transporting the residuals to an additional new cyclone on top of a collection bin.

The residuals can then be used by third parties for processes such as pellet production. While these cyclones don't have a material impact on particulate reduction, they do improve indoor air quality for our employees, and improve residual utilization. As part of preventive maintenance, we invested in replacement



cyclones in two other sawmills. As part of our EMS program, all wood products facilities have in place, or are developing, fugitive dust management plans. In 2022, we continued to invest in paving hard surfaces as a dust mitigation strategy.

While the primary benefit of hard surfaces is improving air quality, there are other benefits:

- Reducing dust helps equipment run smoother and reduces maintenance issues for trucks and machinery
- Less reliance on water to reduce dust on high-traffic roads
- Fibre that comes in contact with a hard surface is still usable; typically, if logs or residual fibre come in contact with unpaved surfaces, they become contaminated with gravel or dirt

**UNITED STATES**

We are currently building our first greenfield facility in DeRidder, Louisiana, which is scheduled to begin operation in late 2023. During this expansion, we have undergone a complete emissions monitoring and control assessment at all U.S. locations. We concluded that our sites meet and, in most cases, exceed current and potential EPA regulatory policy changes.

**SWEDEN**

Vida measures and follows up on air emissions from the biofuel-fired boilers. All boilers are equipped with air purification multi-cyclone systems. Several also have electric filters.

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**MATERIAL TOPIC**

# Water Management

Water is a vital resource that is critical to sustaining life on our planet. Climate change is making water management more important than ever – and more challenging.

Our water management efforts are focused on both conservation and quality: we work to optimize the amount of water we use, and we protect water quality upstream and downstream from our operations to safeguard this resource.

Climate change is making weather patterns more difficult to predict, leading to dynamic swings in temperature, precipitation and humidity. In addition, we recognize that harvesting and building roads in forested areas can affect wildlife and water quality. A high concentration of harvesting at one time in watersheds can affect the peak and timing of water flows.

That's why we are continuously working to lessen these potential effects by implementing science-based, ecosystem-focused and sustainable forest management practices. See our [Sustainable Forestry](#) section for more detail on water management in forests.

## Our Approach

### Environmental Management System

Our manufacturing and pulp operations have an Environmental Management System (EMS) aligned with the ISO 14001 standard. The EMS provides a framework to manage our short- and long-term environmental impacts on water. The main components include our Environment Policy, which outlines our commitment to water stewardship.

Water quality and quantity are also important considerations in our Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC) certifications. The ISO 14001 standard and forest certifications help ensure

that we are meeting or exceeding best management practices, which helps us protect the water quality of rivers, streams, lakes, wetlands and other water bodies. While we comply with all water requirements in our permits and regulations, we also aim to improve our programs, policies and practices.

### Water Management in Pulp Operations

We carefully monitor and measure the effects of effluent on the environment and we strive to ensure there are no negative impacts, including potential effects on fish and on organisms that make up the aquatic ecosystem.



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Each site follows water discharge requirements as set out in site-specific provincial permits and in federal pulp and paper effluent regulations. Our pulp and paper mills operate in full compliance with these regulations. Using less water makes us more efficient, as it means lower water volumes to treat and discharge, and contributes to a lower energy demand. Our water management practices include internal water monitoring, spill control and containment procedures.

They also include monitoring our wastewater and upstream contaminants, and measuring water flow and temperature. During brownstock washing, a process where we remove and reclaim spent chemicals in our pulp, and bleaching processes for washing pulp, water is reused at least three times through the countercurrent washing method, with the cleanest wash water applied to the last washing stage that has the cleanest pulp and the dirtier water used again for the preceding stages.

**Water Management in Wood Products Operations**

Our sawmills operate under stringent water management programs to ensure we:

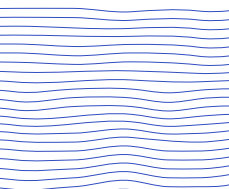
- Adhere to allowable discharge limits within all our permits
- Meet federal and municipal standards of purity
- Ensure safe and clean drinking water and other sources of fresh water

For our Canadian operations, each location has a site-specific water discharge management program. They include installing oil water separators

in high-risk areas, effluent treatment for domestic waste (as prescribed by the health authority or governing body), monitoring site ditches for stormwater concerns, and spill response plans to prevent entry to waterways. We train applicable site personnel and conduct refresher training, and include regulators as required in these programs.

Water use in our U.S. operations is covered under General/National Pollutant Discharge Elimination System (NPDES) Stormwater permits. Our U.S. sawmills operate groundwater wells, and use water for cooling and dust suppression, although dust is a minor issue because sites are mostly paved.

Each U.S. sawmill location has its own allowable parameters, which are monitored and reported regularly to issuing agencies. These typically include total suspended solids, oil, grease, pH (acidity or alkalinity), chemical oxygen demand (COD) and biochemical oxygen demand (BOD).



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**Performance**

**Watershed Use**

We have not identified any activities from our pulp and wood products operations that withdraw and consume water from areas of high or extremely high baseline water stress, as classified by the World Resources Institute's Water Risk Atlas Aqueduct tool. We will continue to work closely with communities we share our water resources with, and we will continue to comply with government requirements for watershed management.

**Water Use in Pulp Operations**

Our pulp mills are our most water-dependent operations. They withdrew approximately 84,110 megalitres in 2022. Surface water sources are from the Nechako and Fraser rivers. Even when a mill is not producing pulp, it uses water to run boilers to make heat and electricity. Water discharge is treated for indicators and priority substances of concern. These include:

- Flow
- Metals
- Biochemical oxygen demand (BOD)
- Total suspended solids
- Chemical oxygen demand (COD)
- pH (acidity or alkalinity)
- Temperature
- Conductivity
- Toxicity
- Adsorbable organic halides
- Nutrients
- Resin acids



**Pulp Operations Target**

Reduce the water intensity of pulp and paper production by 10% by 2030 from a 2020 baseline year

**2022 Result**

**101 m<sup>3</sup>/ADt**

kraft mill water intensity

**+7%**

increase from 2020 baseline year

We are monitoring our water intensity and seek to improve our performance in future years

**Pulp Operations Target**

Reduce the biological loading intensity of pulp and paper production by 25% by 2030 from a 2020 baseline year

**2022 Result**

**2.7 kg/ADt**

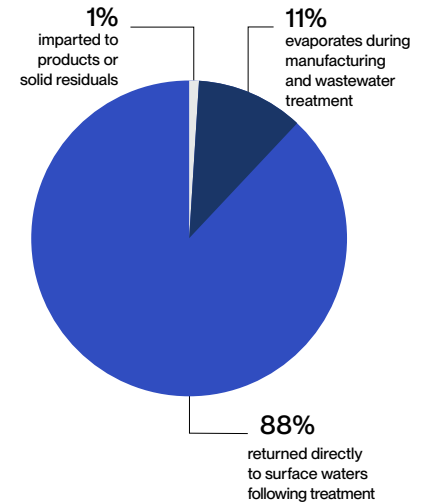
kraft mill BOD

**+5%**

increase from 2020 baseline year

We are monitoring our biochemical oxygen demand (BOD) and seek to improve our performance in future years

**Water Usage in Manufacturing Processes for the Canadian Forest Products Industry<sup>1</sup>**



1. Percentages of water processed and water retained were derived from information contained within NCASI Technical Bulletin 975: Water Profile of the Canadian Forest Products Industry (March 2010).

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Our raw water treatment plant on the Nechako River in Prince George, B.C. continues to reduce our need to draw groundwater shared with neighbouring communities, while improving operational stability. This is particularly important for our pulp mills as runoff events due to climate change become more intense with more turbidity. Increased turbidity can disrupt operations, reduce efficiency in water and process chemical use, and can impact product quality and usage.

**Water Use in Wood Products Operations**

Sawmills do not use as much water as typical pulp mills. However, water management is still a priority for sawmills, as water is used for dust suppression, cooling and cleaning equipment, steam generation, fire protection systems and domestic use.

In 2022, our Canadian wood products operations used more than 400 megalitres of water from groundwater and city water sources. This figure represents estimated water withdrawn, based on permitted use per water licences. We are looking into installing additional flow meters for more accurate data in future reports. The main water discharge from our sites is stormwater runoff.

We monitor the quality of runoff and ensure proper drainage exists within our operations. Outside of potable water or effluent permits, in Canada we have an internal standard for oil water separators based on best practices from the B.C. Petroleum Storage and Distribution Facilities Storm Water Regulations and manufacturer recommendations.

We monitor oil water separator discharge to ensure it is under 15 milligrams per litre of total extractable hydrocarbons. Oil water separators that are not specifically mentioned in permits are tested annually for our operations as part of our due diligence.

For all our U.S. wood products facilities, oil water separators meet allowable benchmarks, as required by our permits. We also use septic tanks, lagoons and aerated lagoons to treat effluent where required.

In Sweden, Vida will establish goals and a road map to streamline water use during the production process. This activity will start in 2023 and complete in 2025.

**Wood Products Operations Target**

Reduce water usage by 10% by 2030

**2022 Result**

We are in the process of installing additional water meters to form a baseline and will report our progress in future reports

**2022 Water Withdrawn (megalitres) <sup>a, b, c</sup>**

Business Unit	Surface Water	Groundwater	Total
Wood Products Operations: Canada	165	252	417
Wood Products Operations: U.S.	299	12	311
Pulp Operations	84,110	0	84,110
<b>Total by Source</b>	<b>84,574</b>	<b>264</b>	<b>84,838</b>

- a. Data not reported for all operations for water discharged and consumed. Water withdrawn data is not available for select North American wood products operations and our Vida operations. Our reported data is estimated based on water permits, invoiced estimates or utility meter readings where available. We are working on improving our data collection by installing flow meters for select locations for future reporting.
- b. The total water withdrawn of our pulp mills is estimated using utility meter readings of treated effluent (wastewater) discharge.

It is assumed to be surface water as only a small proportion (<1%) of water used by our pulp operations is from groundwater sources. Our Taylor pulp mill was curtailed for the majority of 2022; therefore, all of its 2022 data is not included in this table.

c. For our new Spruceland and Whitecourt operations, only data after March 2022 was included in this table. Fox Creek had no water data available.





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# Waste Management

Global consumption of both renewable and non-renewable resources is on the rise. As harvesters and stewards of a renewable resource, we have a responsibility to maximize every tree we harvest and minimize the waste we produce.

We recognize that our manufacturing process does create waste. One challenge is finding cost-effective solutions and partners to develop value-added products for what is currently considered waste. Our aim is to find other uses for non-hazardous materials where possible and to divert material from landfills.

It's important to recognize that residuals are not considered waste. Our Residual Fibre group is responsible for procuring and recovering residuals throughout our operations. They ensure our residual material streams are used efficiently. See more in the [Residuals Management](#) section.

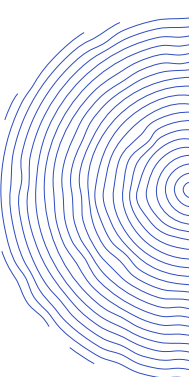


 **Our Approach**

Each of our facilities produces some amount of waste that can't be used for other purposes. Our Waste Management Program details how we handle all waste generated at our sites. Hazardous waste is removed by a licensed third party and brought to a disposal facility, while non-hazardous material that can't be recycled or that doesn't have another beneficial use is sent to landfill.

We report on hazardous waste disposal as required by regulations. Our facilities follow an Environmental Management System (EMS), which outlines recycling collection points and waste disposal guidelines. The EMS covers hazardous waste identification and correct disposal,

waste recovery, reuse and recycling, and optimization of waste streams. The EMS is aligned to the ISO 14001 standard and is guided by our Environment Policy.



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Our approach to waste management is site-specific, with processes to track all records, including invoices, manifests and documents related to chain of custody and vendor disposal facilities. These allow us to collect and monitor waste-related data. In cases where we do not directly measure the volume, we use standard industry conversion factors to estimate domestic waste volumes. We

have monitoring processes in place to ensure that third parties involved in the management and removal of waste from our sites operate within contractual and legislative obligations.

We audit waste manifests during internal compliance assessments to ensure that vendors are registered appropriately as licensed transporters or as receiving sites for hazardous waste.



**Performance**

**Pulp Operations**

Pulp operations play an important role in reducing the waste generated from our operations, as pulp facilities use material unsuitable for sawmilling for renewable energy generation and pulp and paper manufacturing. The pulping process also creates secondary products that can be further refined into other bioproduct applications. We are exploring new uses for traditional waste from the pulp- and paper-making process.

By encouraging waste diversion from landfills as much as possible, products remain in use – through recycling or repurposing – extending the life of the original material. In our pulp operations, we generate non-hazardous waste such as sludge, lime mud, ash, dregs, yard waste and domestic waste. We generate some hazardous waste, including waste oil, oily debris, antifreeze, asbestos and lead paint. All hazardous waste is handled and processed according to regulations.

**+ By encouraging waste diversion from landfills as much as possible, products remain in use – through recycling or repurposing – extending the life of the original material.**

**Pulp Operations Targets**

Eliminate the landfilling of wood, pulp and paper waste generated at the facilities

Create beneficial use projects for process wastes that reduce the volume to landfill by 10% by 2030

**2022 Result**

We are in the process of finding partners for our beneficial use projects and will report on progress in future reports

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**Wood Products Operations**

Our sawmills generate chips, sawdust, shavings, trim blocks, bark and hog, which are valuable for pulp mills, sold to third parties or used to generate energy, allowing us to offset natural gas use in our kilns. Because of this recovery process, these process residuals are not considered as waste. Non-hazardous waste is ash and log yard debris. While a portion of this material is landfilled, we are focused on reducing what we send to landfill through screening and beneficial use programs. Where possible, we also generate minimal amounts of domestic waste and recycle collected cardboard, metal and wood.

**+** The majority of our wood fibre is utilized to make finished products. We utilize the remaining process residuals for producing other products or generating biomass energy; therefore, they are not considered as waste.



**+**  
**HIGHLIGHT**

**Beneficial Use Programs**

In 2021, Canfor implemented a screening program at three of our Canadian sawmills to reduce the amount of log yard debris sent to landfill. In 2022, this program continued and we screened approximately 19,000 tonnes of gravel and hog, which led to a recovery rate of approximately 60%. This limited the amount sent to landfill. We generate ash as a byproduct of the combustion process. Although the ash is beneficial for agriculture, coarse material in the ash can damage farm equipment.

The Canfor Green Energy facility in Grande Prairie, Alberta and Chetwynd sawmill in B.C. screened out the coarse material in ash used by farmers for beneficial use, diverting approximately 5,000 tonnes from landfill. In our U.S. operations, we are also providing a portion of our ash to farmers for agricultural applications, but we are investigating other beneficial uses. Currently, we are working with a third party that is conducting sample testing of our boiler ash to create activated carbon to be used for water filtration.

**Wood Products Operations Targets**

Recover 40% of Canadian wood products operations' ash and log yard debris through beneficial use programs by 2030

**2022 Result**

**57%<sup>1</sup>**

recovery of Canadian wood products operations' ash and log yard debris through beneficial use programs

**Wood Products Operations Targets**

Reduce the volume of log yard debris generated by 15% by 2030

**2022 Result**

Baseline is under development as we are improving data collection for log yard debris in the U.S.

**Wood Products Operations Targets**

Support and promote waste reduction and recycling programs to reduce domestic waste to landfill

**2022 Result**

We are currently evaluating waste reduction programs and will report progress in future reports

1. The numerator of this recovery rate includes seven facilities where we track our ash and log yard debris processed for beneficial use. The denominator is based on information where available, which may be incomplete and may rely on estimation methods. We will continue to improve data tracking for material waste streams.

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**2022 Total Waste Generated, Diverted from Disposal and Directed to Disposal (Tonnes)** <sup>a,b,c,d,e</sup>

**PULP OPERATIONS**

Waste Composition	Waste Diverted from Disposal	Waste Directed to Disposal	Total Waste Generated
Non-hazardous	1,110	51,455	52,565
Hazardous	0	142	142
<b>Total</b>	<b>1,110</b>	<b>51,597</b>	<b>52,707</b>

**CANADIAN WOOD PRODUCTS OPERATIONS**

Waste Composition	Waste Diverted from Disposal	Waste Directed to Disposal	Total Waste Generated
Non-hazardous	19,356	14,381	33,737
Hazardous	0	162	162
<b>Total</b>	<b>19,356</b>	<b>14,543</b>	<b>33,899</b>

**VIDA OPERATIONS**

Waste Composition	Waste Diverted from Disposal	Waste Directed to Disposal	Total Waste Generated
Non-hazardous	6,800	3,659	10,459
Hazardous	138	165	303
<b>Total</b>	<b>6,938</b>	<b>3,824</b>	<b>10,762</b>

- a. Total waste generated data is collected in units of volumes or mass. We have converted the amounts to mass based on internal measurement or available online conversions. Data reported is based on information where available, which may be incomplete and may rely on estimation methods. We will continue to improve data tracking for material waste streams.
- b. Data only includes waste generated by our Canadian wood products operations. Our U.S. operations are in the process of data collection and only report process residuals recovered and biomass used for energy. See more in our [Residuals Management](#) section.
- c. Waste diverted from disposal includes amounts recycled or applied to beneficial use programs. We do not consider our process residuals or biomass burned as waste, as it is recovered for other beneficial uses, see our Residuals Management section.
- d. Waste directed to disposal is defined as waste sent to landfill, waste incinerated, or hazardous waste that is safely disposed.
- e. Our Taylor pulp mill was curtailed for the majority of 2022; therefore, all of its 2022 data is not included in this table. For our new Fox Creek, SpruceLand, and Whitecourt operations, we included data after March 1, 2022 based on the date of waste pickup; some waste data before March 1, 2022 was not available.

Majority of our wood fibre is utilized to make finished products. We utilize the remaining process residuals for producing other products or generating biomass energy; therefore, they are not considered as waste. These two pie charts illustrate the proportion by weight between the residuals produced (see [page 101](#)) and waste generated. Only a small proportion is directed to disposal.

**Canada**

In our Canadian wood products operations, our only significant volume of hazardous waste is waste oil. For example, we complete energy system oil replacement programs about once every 10 years under current operating conditions. We are exploring the use of inline oil filters in energy systems to prolong oil life. This would reduce the frequency and impact of oil replacement programs and the volume of waste oil.

**United States**

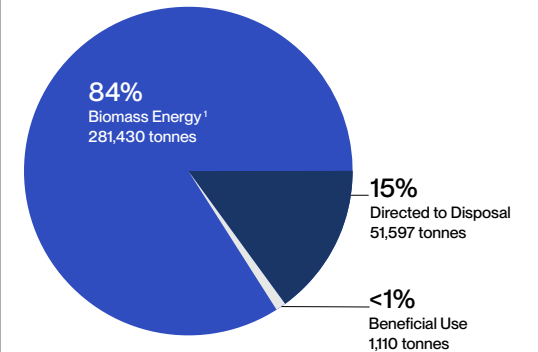
In our U.S. wood products operations, all sites with planer mill equipment are now recycling the ink cartridges used to stamp labels on lumber. We have expanded plastic wrap recycling for lumber bundles by adding the equipment needed to bundle the plastic, which the recycling partner requires.

We are exploring waste diversion and recycling programs based on what is available in the geographic regions in Canada and the U.S.

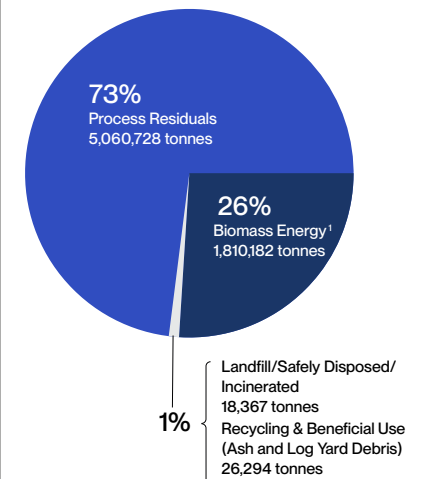
**Sweden**

All waste is disposed of by approved waste companies and in accordance with Swedish legislation.

**PULP OPERATIONS WASTE DISPOSAL AND PROCESS RESIDUALS UTILIZATION**



**WOOD PRODUCTS OPERATIONS WASTE DISPOSAL AND PROCESS RESIDUALS UTILIZATION<sup>b</sup>**



1. Biomass energy includes hog fuel, bark, biomass blend, and residuals used to produce pellets.

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**+ HIGHLIGHT** **Thomasville's Cool Solution to Reducing Mill Temperatures and Minimizing Waste**

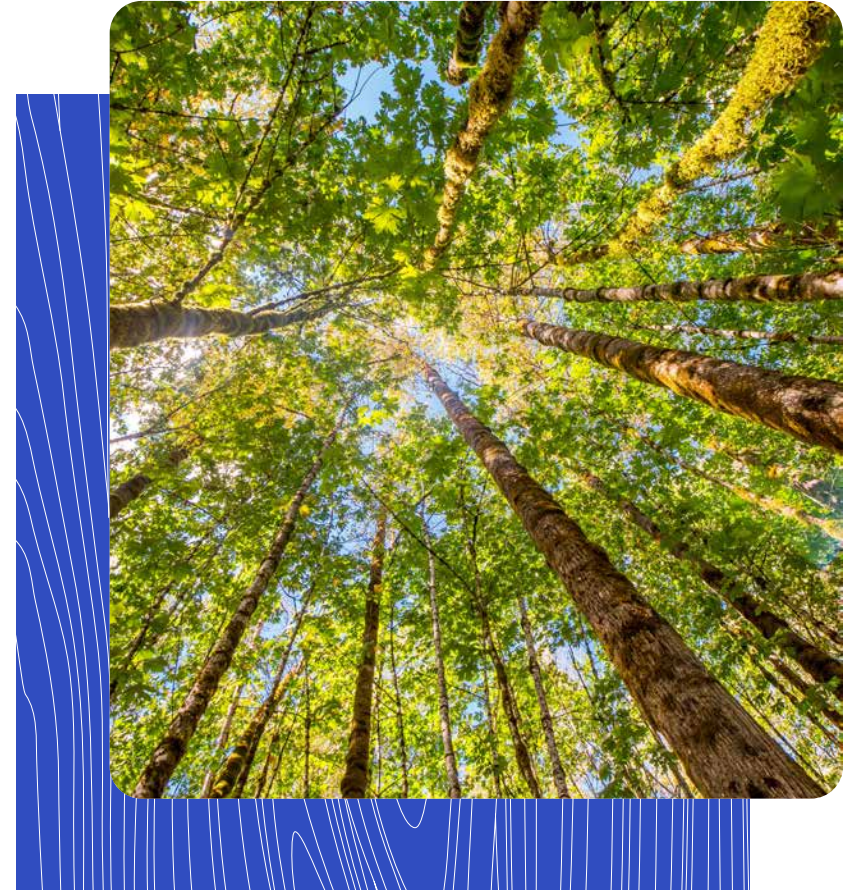
When our U.S. Thomasville facility needed a roof repair, they found an innovative solution that solved two problems at once. In summer, when the outside temperature hits 105°F/40°C, the temperature inside the U.S. sawmills can get even higher. Although the mill had taken steps to cool the interior as much as possible and provided employees with everything from electrolytes to cooling spaces, there comes a point where it's simply too hot to work safely. Thomasville also had an aging roof that leaked during storms and that needed to be repaired or replaced. Despite bringing in industrial fans, installing misters and moving air compressors, nothing had made a significant impact, so the planer mill was starting to cut shifts and production. Approximately 75 employees hand-pull and stack 50,000 pieces of lumber per day, so any reduction in heat has a positive impact on the team.

A local vendor had a solution to reseal the planer mill roof with ASTEC, an innovative

coating known as a 'white' or 'cool' roof. It not only extends the life of the roof but also reduces the heat transfer from the black asphalt roof to the interior. After applying the coating, the mill saw a temperature drop of 15°–20°F/7°–9°C in the planer mill. In addition to employee health and safety, the mill reaped several other benefits, including keeping metal waste out of the landfill. It was also a fraction of the expense of replacing the roof, and the installation in two days had no negative impact on production.

Urban centres also benefit from white roof treatments by reducing their dependence on air conditioning by up to 33%. Since Americans spend about \$40 billion – about one-sixth of all electricity generated in the country – annually to air-condition buildings, reducing this output can significantly reduce greenhouse gas emissions and address climate change. Thomasville plans to continue using the coating on other buildings, and we're also exploring opportunities at other mills in the U.S.

+ In addition to employee health and safety, the Thomasville facility was able to keep metal waste out of the landfill.



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# Products

Our products are sustainable because our manufacturing and supply chain are optimized for responsible resource use.

The products we produce have unique advantages, as trees are inherently sustainable due to their cycle of growth, harvest and regrowth. How we manufacture, transport and process these precious resources demonstrates how efficient we strive to be and how we apply them to their best possible use. These processes build on the care and responsibility we take with what the forest provides. We make wood, pulp and paper products with energy use in mind; we aim to reduce our consumption of fossil fuels and be as efficient as we can while creating renewable energy to

supply our facilities and the energy grid. As our products are from renewable sources, they can displace non-renewable materials that are associated with higher carbon emissions, contributing to the low-carbon economy. Our products are climate-friendly and renewable, and are widely available for a range of consumer uses. How we work with partners in moving goods through the supply chain, the energy we use, and how we make use of residual fibres to their highest possible use speaks to the deep value and respect we have for what we receive from the forest.



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# What's Included

We produce a range of products, including high-value and specialty lumber, pulp and paper, renewable energy, bioproducts and more. This section covers the material topic areas related to **Products, including Residuals Management; Supply Chain; and Energy Management.**

With global supply chain challenges and the volatility in fibre supply in B.C., we've seen more challenges than usual across these material topic areas. Our industry has experienced curtailments due to a constrained fibre supply and low commodity prices. Slowdowns and curtailments have an impact on our energy management, as we are able to reduce the energy use per unit of production when we operate at a higher level of production. If our curtailments are in the winter, energy is still required to keep our assets from freezing and preventing significant damage or safety risk.

Even with these challenges, our goals and targets remain, and we will continue to use our resources responsibly to achieve our sustainability ambitions. Our industry in B.C. has regularly experienced ebbs and flows in the market, and we are right-sizing our operations to match the economically available fibre supply. We are confident that our diversified approach through our investment in Sweden, as well as through our operations in the U.S., will provide the economic and fibre stability to see us through any downturn, and will continue to meet both our sustainability ambitions and our customers' needs.



## Goals

### **Residuals Management**

We are committed to maximizing utilization by identifying the highest value and best use, from the forest to the finished product, while supporting sustainable forests.

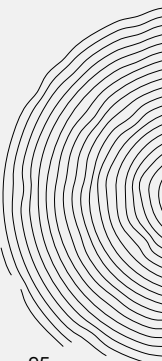
### **Supply Chain**

We are committed to embedding sustainability throughout our supply chain.

### **Energy Management**

We will optimize energy intensity across our business while expanding utilization and production of low-carbon energy solutions.

We are working with our teams to identify appropriate targets for these material topics. We will provide them in future reports.



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**Governance & Accountability**

From the transportation of fibre and goods from our suppliers, to manufacturing our products, to the ultimate delivery to our customers, oversight for the performance in the areas across our products and supply chain falls into several business areas. There is joint oversight and accountability between Canfor and Canfor Pulp over the management of our impacts on Products-related topics. See our [Sustainability Governance](#) section for more details about our Board committees and the roles and responsibilities of those charged with governance of sustainability performance. Management is informed and engaged on relevant ESG issues through regular communication with the following business units and roles.

**Residuals Management:**

- **Forest Residuals:** Our Woodlands divisions in Canada oversee sale agreements with local businesses that purchase our residual fibre. Woodlands managers and superintendents in each division oversee planning, harvesting and log purchases. The transport of pulp logs from the forest is the responsibility of Woodlands managers, who report to our General Managers of Operations.

- **Residual Fibre:** Our Residual Fibre teams are responsible for marketing, procuring and maximizing the value of residual fibre products throughout our Canadian and U.S. operations. They ensure our residual material streams find best uses at pulp and paper mills, wood pellet plants, medium density fibreboard plants, bioenergy facilities and more.

**Supply Chain Management:**

Our Senior Vice President, Supply Chain and Digital is responsible for the processes related to delivering our products to customers. For procurement-related responsibilities such as sourcing of supplies, parts and services, our purchasing and inventory teams report to the respective operations team lead. Our Canadian Woodlands

team is led by the Senior Vice President, Canadian Operations, and the team is responsible for forestry activities such as harvesting, road building, silviculture and replanting. Led by the Vice President, Residual Fibre and Business Analytics, our Residual Fibre team in Canada works closely with our Woodlands team and external parties for fibre procurement and sales.

**Energy Management:**

Our employees are expected and empowered to reduce consumption, as it is key to embracing an energy management culture. We also have designated roles with an energy management focus.

- The Energy Manager for our Canadian wood products operations oversees energy management for Canadian facilities and reports to the General Manager of Capital and Maintenance Systems, who reports to the Senior Vice President of Canadian wood products operations.
- The Energy Leader for each pulp mill reports to an Energy and Sustainability Manager, who coordinates efforts centrally; the Energy and Sustainability Manager reports to the General Manager of Strategy, Energy and Sustainability, who ultimately reports to the Vice President of Pulp Operations.
- The Energy Steering Committee is accountable for providing support and direction for the Energy Management Program at Canfor Pulp and for supporting reduction goals.
- The Environment Manager for our U.S. wood products operations oversees energy management at all U.S. facilities and reports to the Director of Environment and Sustainability; the Environment Manager also reports to the Vice President of U.S. wood products operations for energy consumption matters.





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# Residuals Management

**We are always looking to optimize and improve utilization of the wood fibre we source from the forest to create more value.**

We are committed to maximizing the value of harvested trees and identifying their best use, including exploring new opportunities such as producing biofuels and other non-traditional wood or pulp products. Throughout our operations, we are focused on integrating our processes to make the most of every single resource.

Managing our residuals effectively and efficiently maximizes the recovery of residual products, both in the forest and in our facilities, which includes ensuring the highest and best use of each of these products.



## Our Approach

Our approach includes practices such as leaving enough material behind to enrich the forest floor, repurposing materials for wildlife habitats, and finding innovative and economically viable uses for other residual materials such as woody debris in the forest. Similarly, we are exploring ways to find alternative uses for the byproducts from our manufacturing processes.

By doing so, we reduce our overall impact along with the need to landfill this material. However, we have to consider the costs associated with transportation and further processing, and whether sufficient market demand for these alternative products exist. As demand for low-carbon

alternatives to fossil fuels increases, we are undertaking several proof-of-concept projects through our Bio-Innovation team and our joint venture, Arbios Biotech. Our commitment to green energy remains through the use of biomass in our facilities and through our green energy facility in Grande Prairie, Alberta.



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**+ HIGHLIGHT**

**Switching to Biofuel Made from Pulp Residuals Means Fewer Emissions Overall**

The pulping process creates several residual products that are useful for other applications, but that also have added value, especially when they are transformed into transportation fuels. As part of the manufacturing process, Canfor Pulp produces a byproduct called soap, which is sent to a Prince George-based chemical plant where the soap is processed into crude tall oil (CTO). For decades, CTO has been used at the mills as fuel for the lime kiln, producing biogenic emissions. However, CTO is now transported to a Burnaby refinery for processing into fuels destined for B.C.-based gas stations. Since the lime kilns at the mills will no longer have CTO as a fuel source, they will switch to natural gas.

While it may seem counterintuitive to swap a renewable fuel with a fossil-based one, as it increases the type of non-biogenic emissions accounted for in our GHG inventory, the CTO used for transportation will displace fossil-fuel-based gasoline or diesel, which has a higher carbon footprint than natural gas – resulting in a better overall outcome for the planet. Pulp operations aim to apply the highest-value application to any residuals, even if it negatively impacts our scope 1 and 2 GHG emissions, and processing CTO into transportation fuel is a better use of the product and is better for the planet.

**Residuals Management in North America**

Our Canadian Woodlands operations have implemented a residual fibre program that aims to:

- Bring the best price possible and maximum value while compensating our logging contractors
- Decrease the amount of fibre left on the cut block to reduce fire risk while leaving enough behind for biodiversity considerations
- Provide fibre for pulp mills, green energy and pellet facilities
- Provide fibre for locally owned and operated small businesses

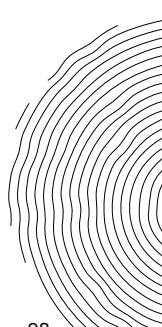
In the U.S., we approach residuals differently, as woodlots are often grown specifically for sawlog harvest, so naturally may not see the same level of residuals as we see in Canada. We work with timberland owners to determine how to meet our fibre needs while also meeting their forest management objectives and considerations for soil, water and wildlife.

**Policies and Programs for Residuals Management**

Our Log Quality Specification guidebook provides guidance on proper practices to help maximize log use for our Canadian Woodlands division. Every mill, block and stand may have different attributes, which means that ongoing feedback is necessary between logging contractors and employees to assess how to best process logs to maximize value and minimize waste, all while balancing how the mill can run effectively. Our comprehensive log quality program

ensures that the team, which includes log scalers, procurement foresters and mill managers, follows log specifications and ensures that adequate training and continual improvement are integrated throughout the supply chain. Part of the planning process involves assessing cruise plot data to gain insight on forest species, decay, waste, breakage and volumes for forecasting purposes. This allows us to approach forest blocks strategically and maximize log efficiency.

Canfor is a member of many government and industry panels and working groups that address continuous improvement. We share our practices with working groups that help inform government programs and policies in the interest of establishing and enhancing best practices. We also work together with our Indigenous partners and certification bodies to ensure sustainable forest management practices are implemented.



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**Sources of Residual Products**

**RESIDUALS FROM THE FOREST**

The primary residual products from the forest are pulp-grade logs, which are destined for chipping facilities and pulp manufacturing, and biomass logs for pellets.

Some of our operations also provide pulp logs or biomass logs to external manufacturing facilities, including post and rail manufacturers, cant mills, pellet plants

and green energy power plants. We strive to use the remaining forest residual fibre while considering economic feasibility and the specific management objectives of the woodlot site.

**RESIDUALS FROM THE SAWMILLS**

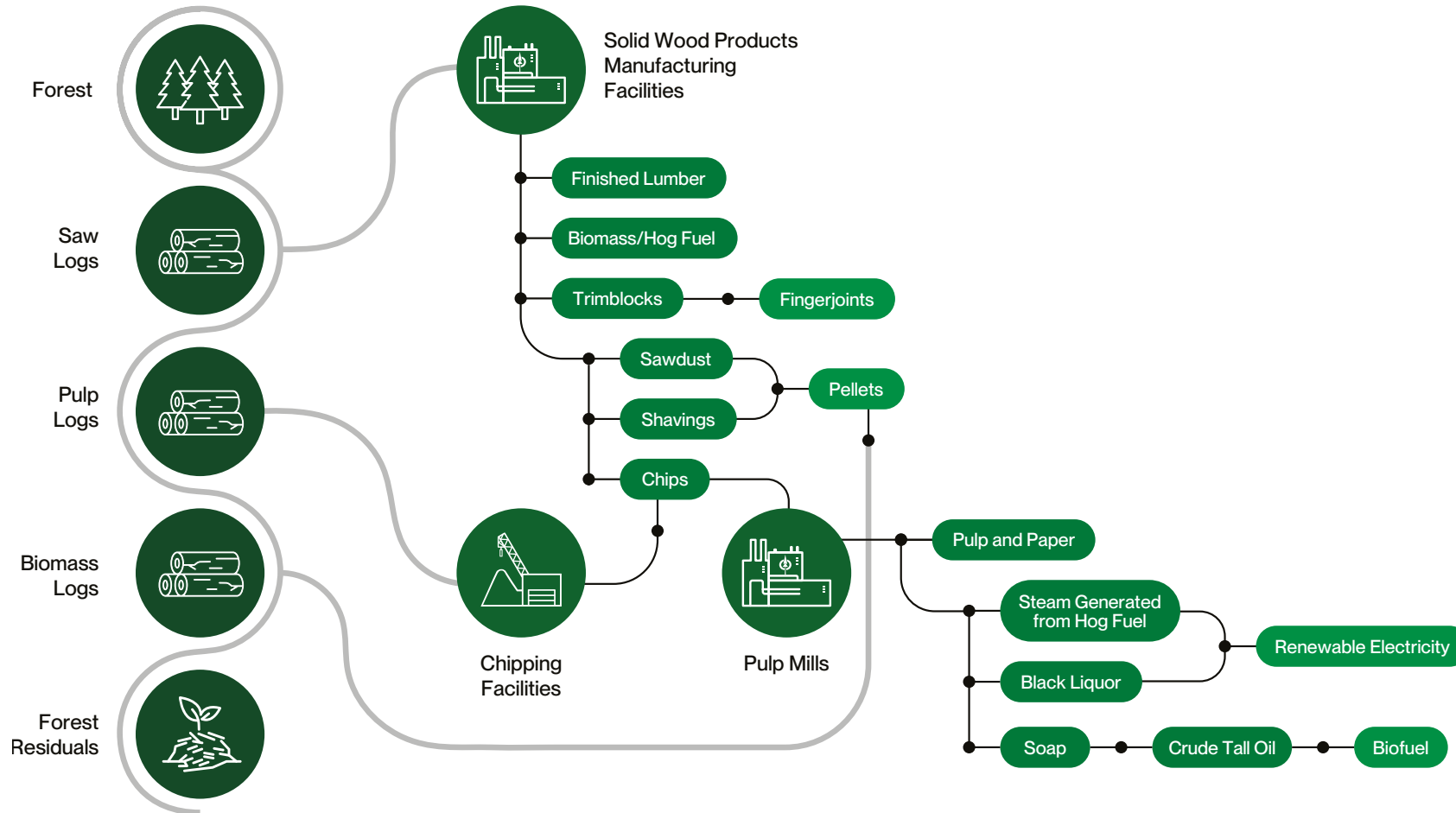
Our solid wood manufacturing facilities primarily produce finished lumber and generate process residuals. The Residual Fibre team is responsible for maximizing the value of the residual products produced at each facility. Biomass is used

in our energy systems, used to create steam for electricity by our pulp mills, or sold to third parties. Chips are used by our pulp mills or sold externally to make other products. Our sawdust, shavings and trimblocks are also made into other products.

**RESIDUALS FROM THE PULP MILLS**

Pulp operations are consumers of residual fibre products but also generate residual byproduct streams from the pulp manufacturing and production process.

Our pulp mills use chips to make pulp and specialty paper products. Our pulp operations rely mainly on biomass to generate a significant amount of renewable energy. The black liquor is used in our recovery boilers to generate steam for renewable electricity. Soap is recovered from our pulping process as crude tall oil and can be refined into biofuels.



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**+ HIGHLIGHT**

**Prince George Chip Plant Upgrade**

In 2022, we completed equipment upgrades at our Prince George Chip Plant. This plant, near our Prince George sawmill, processes pulp-grade logs into chips for use in pulp mills. Our goal for the equipment upgrade was to be able to use a higher percentage of the residual fibre available that was previously too small for chipping. This increases our harvest utilization efficiency. The upgrade involved removing the two aging ring debarkers and installing one rotary abrading debarker along with associated infeed decks and a step-feeder. We also installed new chip screens to ensure we get the appropriate size chips to the pulp mills. This also makes us more efficient in the forest by eliminating the size sorting previously required.

**+ Residual products from the wood manufacturing process can include shavings, sawdust, trim blocks, hog fuel and more.**

**Obligations Related to Residuals Management**

While there are no specific regulations requiring the use of harvesting waste, we aim to maximize the recovery of residual fibre when there is demand.

However, there are regulatory processes related to how residual fibre can be removed from its origin, how it is measured for quantity and economic value (also known as scaling and stumpage), and how the block is assessed for waste and residuals.

These regulations include financial penalties for poor utilization. An important part of our commitment to sustainability is maximizing the value of harvested fibre and efficiently identifying its best use, which in turn minimizes waste.



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**Performance**

**Recovery Process**

Wood residuals such as shavings, trim blocks, sawdust, chips and hog fuel generated by the wood products manufacturing process are recovered for use in manufacturing pulp or as fuel in our pulp operations, or they are diverted from disposal for use in other beneficial ways. In 2022, our residuals were used internally or sold externally to other wood-related operations, including pulp and paper, pellets and finger-joint plants, or to cogeneration facilities and landscapers across all North American operations.



**Residuals produced by Material (Tonnes) <sup>a,b,c</sup>**

**WOOD PRODUCTS OPERATIONS**

Material	Canada	U.S.	Sweden
Trim Blocks	53,783	0	0
Chips	1,365,999	1,863,219	593,842
Sawdust	300,233	109,445	230,225
Shavings	204,494	315,589	14,738
Salvage	0	9,161	0
Biomass Blend/Hog Fuel <sup>c</sup>	610,624	975,079	224,479
<b>Total Residuals Processed by Wood Products Operations</b>	<b>2,535,133</b>	<b>3,272,493</b>	<b>1,063,284</b>

**PULP OPERATIONS**

Material	Amount
Hog Fuel	281,430
<b>Total Residuals Processed by Pulp Operations</b>	<b>281,430</b>

a. All residuals data is collected in either oven-dried tonnes or in tonnes. For the purposes of reporting, we have conservatively reported all amounts in tonnes. For wood products operations, data includes a blend of estimates and actuals.

b. Our Taylor pulp mill was curtailed for the majority of 2022; therefore, all of its 2022 data is not included in this table.

c. The total biomass blend/hog fuel produced in 2022 is 1,810,182 tonnes. You can also find this number on page 92 as Biomass Energy utilization for our wood products operations.



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**Leading Bio-Innovation Projects**

Our Bio-Innovation team explores the opportunities for sustainable products and lower-impact business solutions, including biofuels, biochemicals and other biomaterials. The team assesses potential opportunities across the spectrum, from proof-of-concept studies to commercialization and implementation.

New bioproducts will be designed and developed that meet customer needs and societal expectations around sustainability and renewable materials. Macro trends motivating the work include those related to decarbonization, net-zero emissions, circularity, single-use plastics bans, green buildings, the ban on carcinogenic chemicals, and sustainable e-commerce.

Bio-Innovation is currently investigating the economic viability and commercial attractiveness of two bioproducts – lignin and its derivatives, and biocomposite materials – as near-term opportunities. Lignin is a wood component that is typically burned in pulp production for thermal energy and renewable electricity generation.

The Bio-Innovation team and Canfor Pulp are conducting a feasibility analysis for extracting lignin from black liquor and using it to make value-added products such as innovative bioadhesives. Lignin-based adhesive can be used in a wide range of wood products, including particle boards, plywood and fibreboard.

Using a bioadhesive in place of a traditional wood adhesive presents a desirable product for customers seeking out alternative solutions, as it doesn't contain formaldehyde, isocyanate or other harsh chemicals.

Another near-term opportunity we are exploring is biocomposite. Composite is a material made from two or more constituents with different properties so that, when they are combined, they create a material with superior performance. When one of the constituents is a natural material, the final product is called a biocomposite.

We conducted a proof-of-concept study and successfully compounded residuals (sawdust, shavings and pulp) with thermoplastic polymers, creating a biocomposite material that can be a green alternative to plastics. This innovative product has a wide range of applications in different sectors including, but not limited to, construction and building, consumer products and automotive.

**Arbios Biotech, Our Joint Venture Partnership**

Our Arbios Biotech joint venture partnership with Australia-based technology pioneer Licella is a demonstration of our commitment to environmental sustainability and the pursuit of economic diversification through bio-innovation.

**+ Biocomposite materials have a wide range of applications in different sectors including construction, consumer products and automotive products.**

**+ HIGHLIGHT**

**Arbios Facility is Now Arbios Biotech Chuntoh Ghuna**

Names often have a great deal of significance; the origin, meaning and context of our name is fundamental to who we are. To recognize the ongoing partnership with the Lheidli T'enneh First Nation, on whose unceded and traditional territory the facility is sited, the Arbios biomass facility in Prince George, B.C. has a new name: Arbios Biotech Chuntoh Ghuna. Translated from the Dakelh language, Chuntoh Ghuna means "The forest lives". Arbios has been working closely with the Lheidli T'enneh First Nation in project planning and in a voluntary environmental due diligence process. This work is helping Arbios to understand and support the Nation's interests, as Arbios and the Nation work together to develop the project.

In the spirit of this partnership and to recognize and honour the Nation, Arbios asked Elders to name the plant. According to the First Nation leaders, a plant name in the Dakelh dialect has great significance for Nation members – it demonstrates an

observance of ancestral lands and culture, and shows that it is possible for Indigenous communities and industry to work in harmony towards environmentally sound and mutually beneficial objectives.

The project team is taking a phased approach to the development of the Arbios facility. It will consist of one processing line to demonstrate Licella's innovative Cat-HTR™ process at commercial scale. It will initially be capable of converting 25,000 dry tonnes of woody biomass, including sawmill wood residue, into 50,000 barrels of sustainable bio-oil per year, producing a substitute for fossil crude. Once commercial viability is proven, Arbios can consider expanding, while further lowering the carbon intensity of the facility. The future Arbios facility is sited adjacent our Intercontinental Pulp Mill, a location that benefits from the efficiencies of existing infrastructure and the carbon-lowering benefits of being close to renewable biomass feedstocks.



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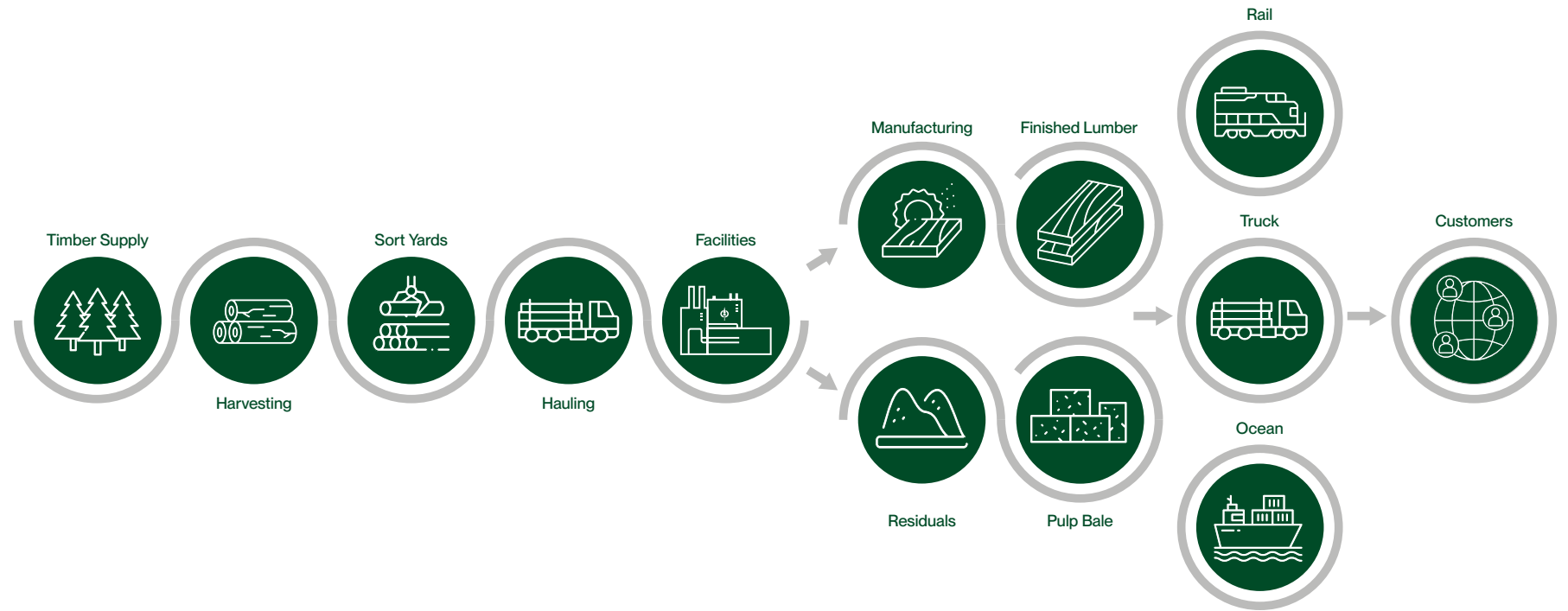
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# Supply Chain Management

The journey our products take – from the forests to our facilities to our customers – needs to be sustainable, and we need to consider more than just cost, efficiency or speed.

As part of our sustainability journey, we look at the environmental and social impacts of our supply chain, both on what we directly influence and where we indirectly impact others. We work with our stakeholders and partners to procure goods and services needed for our operations and to ensure delivery of our products to our customers. Our aim is always to operate fairly with our partners and to focus on local purchasing. Collaboration with partners is key to achieving our sustainability ambitions.

Our challenges in 2022 continued with the disruption in global supply chains due to the ongoing pandemic. In addition, inflation and fuel costs combined with pent-up demand from lockdowns created added pressure. To address these, we approached each challenge with creative problem-solving, such as pre-positioning products closer to the customer in advance of purchases and working with vendors on creative service packages.

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**Policies and Certification**

We are committed to establishing and maintaining a chain of custody system within selected operations to create an information link between the forest area of origin of the raw material and the materials used in our manufacturing or sold to other organizations.

From harvesting wood fibre to transporting our finished products, we ensure transparency and traceability across our operations. We aim to meet the forest management and fibre procurement requirements of these third-party certifications:

- 100% of Canfor-managed forest operations are SFI or FSC Forest Management Standards certified
- 100% of all sourced wood of our North American wood products operations are certified to the SFI Fibre Sourcing Standard
- 91% of our pulp mills' fibre is from PEFC-certified Chain of Custody sources
- 58% of all round wood purchased by Vida was from FSC or PEFC certified sources
- Vida Wood and Vida Forest holds FSC Chain of Custody certification and PEFC Chain of Custody Certification; all wood sold by Vida Wood fulfills FSC Controlled Wood criteria
- Vida Forest has PEFC Forest Management certification

We manage our Canadian fibre supply chain through a certified chain of custody process. Through Control Union Canada

Inc. (Control Union), PEFC and FSC Controlled Wood/Chain of Custody certified systems, our Canadian solid wood and pellet operations track the origin of raw material to ensure it comes from legal and responsible sources. Chain of custody provides a transparent information trail through each procurement, processing and delivery stage – from the forest, to the mill, through transportation and into our customers' hands.

Our U.S. Wood Products Operations are certified to both the SFI Certified Sourcing

standard and the SFI Fibre Sourcing Standard. Our Canadian pulp mills' fibre is 91% certified to PEFC Chain of Custody sources. When we source from Canfor-managed forests, these sources are SFI or FSC Forest Management certified.

When we procure fibre from non-Canfor-managed forests, we favour those that are also certified to a recognized sustainable forest management standard, and we promote sustainable forest management to those who have not yet achieved certification. All of our fibre, which is

certified by Control Union, SFI, FSC and PEFC, must meet specific risk assessment procedures and controls.

These procedures and controls prevent the following from entering our operations:

- Controversial sources that are associated with trading illegally harvested wood or wood harvested in violation of traditional human and labour rights
- Sources with forest management practices that do not maintain, conserve or enhance biodiversity and ecosystems
- Conflict timber and fibre sourced from areas without effective social laws





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**+ We are committed to responsible sourcing, and expect our suppliers and contractors to comply with all applicable laws and regulations.**



**SPOTLIGHT ON VIDA**

**Supply Chain Management**

The raw materials used in Vida's sawmills are supplied through Vida Forest, which buys, harvests and transports forest products. The suppliers are smaller private forest owners, large organizations or forestry companies. Vida Forest buys the harvesting rights for trees cut under its own management and delivers timber that forest owners cut themselves. To ensure that the raw material comes from sustainably managed forests, Vida Forest is certified to FSC and PEFC standards. Standards include ensuring that wood must be legally harvested, must not come from key habitats or other protected areas, and must not be in violation of the rights of Indigenous Peoples. Vida Forest also must do a natural value

assessment when buying non-FSC certified wood. All wood from Vida Forest fulfills FSC Controlled Wood criteria.

These certifications have additional demands for intact ecosystems and biodiversity conservation, including the requirement for forest owners to set aside at least 5% of productive land for conservation purposes. Vida Forest actively strives to increase the number of certified suppliers, and acts as an agent for [Prosilva AB Forest Certification](#), where Vida certifies forest owners. In 2022, 58% of Vida's purchased timber volume was certified to FSC and/or PEFC standards.

Our supply chain program covers all aspects of sustainability, and it helps us manage our fibre supply chain responsibly. Each step is closely monitored, documented and audited by Canfor employees and independent certified bodies. This provides our global customers with assurance that our finished products come from legal, sustainable and well-managed forests.

Our policies delineate our expectations to avoid sourcing and trading raw material from illegally harvested areas and forests where high conservation values are threatened. We are committed to responsible sourcing, and expect our suppliers and contractors to comply with all applicable laws and regulations. This

includes respecting human rights as defined by the Universal Declaration of Human Rights and associated covenants, and the International Labour Organization.

**Expectations of our Wood Suppliers**

Suppliers we source fibre from must operate responsibly by agreeing to meet or exceed our minimum standards. We work with suppliers to help them understand and meet our standards. We require suppliers to comply with all applicable laws and regulations. Our Bullying and Harassment Policy applies to all employees, contractors, suppliers, agents and their employees. Our Code of Conduct and our Foreign Anti-Corruption

**Read More**

**Canfor Corporation**

- [Environment Policy](#)
- [Log Procurement Program Policy](#)
- [Chain of Custody Policy](#)

**Canfor Pulp**

- [Environment Policy](#)
- [Fibre Procurement Policy](#)
- [Chain of Custody Policy](#)

Compliance Policy applies to all Canfor employees and contractors when working with stakeholders.

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**+ HIGHLIGHT**

**New South Express Log Hauling Pilot**

New South Express (NSE) is Canfor's trucking division that operates in our U.S. region, transporting lumber and residuals to sawmills and customers. Since 2006, NSE has grown from 55 drivers in two states to 195 drivers operating across seven states in the southeast. The U.S. is currently facing a shortage of drivers, making it more difficult to get the logs from private landowners' sites to our facilities in a timely manner. To meet the needs of our U.S. operations, NSE is entering the log hauling arena through a pilot program. Our Estill plant in South

Carolina was chosen as the first site due to the highest need for additional help. The program has already expanded to three more plants. Expanding the division into log hauling meant keeping our same high safety standards and top-of-the-line equipment. As a bonus, seasoned log haul drivers who love what they do now have a place with NSE. Not only does this help get the logs where and when we need them, but it supports the entire logging and timber supply chain where we operate.

**Performance**

**Transportation Services**

Like many other organizations, the reliability of our supply chain continues to be disrupted by global forces outside our control. We saw improvements to issues such as high fuel prices, labour shortages and port congestion in 2022. However, rising inflation, higher interest rates and global geopolitical tensions impacted our business overall, and our supply chain felt this pressure.

As the global markets and trade lanes adjust to rebalance supply and demand, we will continue to proactively manage these risks by working with our transportation partners to keep transportation services effective and efficient. We will continue to arrange for inventory to be closer to our customers, and to take advantage of supply chain capacity to ensure we meet our customers' requirements.



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**Climate Change and Scope 3 GHG Emissions**

In 2022, we committed to setting a science-based reduction target (aligned to SBTi) for scope 3 emissions by 2024. We continue to refine our scope 3 data collection and calculations processes.

As we begin this work with our supply chain partners, we are seeing progress on initiatives to reduce GHG emissions. These initiatives include switching to electric-powered warehouse equipment, using longer truck and trailer combinations, and switching transportation modes from trucks to rail wherever possible.

**Procurement and Supplier Engagement**

Our Purchasing Policy encourages supporting small local suppliers in our operating communities, including Indigenous partners where appropriate. See our [Indigenous Relations](#) section for more details about procurement with Indigenous partners.

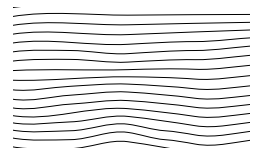
Our suppliers provide the goods and services we need for maintenance and repairs, as well as raw materials and other essentials for our operations. We regularly engage with our suppliers to review and provide feedback.

In these reviews, our Canadian wood products operations teams have also started discussions with our suppliers on our respective sustainability opportunities and challenges. We are looking to continue to expand our supplier engagement across all areas in our business, and to identify opportunities to partner on sustainability matters.

**+ HIGHLIGHT**

**Optimizing Our Shipping Network**

In 2022, we continued to work with some of our major rail partners to identify opportunities where we could group rail shipments when they had the same origin and destination. Grouping shipments saves on extra switching and handling by the rail carrier at the interchange yards. The outcome is fewer greenhouse gas emissions, as the extra sorting is eliminated. We are also exploring opportunities to reduce transport truck emissions through better network planning. Trucks create four times the volume of emissions in comparison to rail; optimizing the network to use rail for long-distance shipping and truck for closer destinations will mean lower scope 3 emissions overall.



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# Energy Management

**We need energy for our operations. How we source and consume the energy we use – especially energy sourced from fossil fuels – has an impact on the planet.**

Energy consumption needs to be managed responsibly. We strive to take advantage of low-carbon solutions, and we are exploring ways to reduce our energy use through innovation and technology. With the volatility in residual fibre supply, we have experienced more downtime in our mills than in recent years. This presents a particular challenge when managing energy consumption, as stable operations maximize energy efficiency. We invest in infrastructure where needed and maintenance, which supports operational reliability and, as a result, minimizes our overall emissions and energy use.



## **Our Approach**

Energy consumption at our operations is monitored and assessed by key performance indicators. We investigate significant variances and conduct regular energy audits to identify and assess improvement projects. Our employees play a vital role in helping to use energy efficiently, reduce consumption, and strengthen our culture and commitment to energy management. We work closely with governments, utility organizations and other stakeholders to optimize our processes and conserve energy,

and we continually seek effective and innovative approaches. Within Canfor, energy use is evaluated during our capital expenditure reviews. The integration of these considerations reinforces the need for efficient energy management and for integrating sustainability-based decisions into our business processes.

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A significant portion of Vida's energy consumption is biofuel based, with biofuel generated from its own production. Vida carries out energy audits for business units, with recommendations for monitoring and implementing action plans. The group evaluates metrics on the consumption of heat, electricity and diesel per unit produced, with the aim to continuously become more energy efficient.



Elko Mill implementing a new sort yard system that allows for more energy-efficient operations

**Energy Policies**

We have energy policies for both our pulp operations and our wood products operations. These policies outline our commitment to energy management through efficiency, conservation and innovation.

See more: [Energy Policy for Canfor Pulp](#); [Energy Policy for Wood Products Operations](#)

**Energy Management Assessments**

As part of our strategic energy management plans, an Energy Management Assessment (EMA) is

completed every two years at our Canadian pulp mills and sawmills to realign strategic energy management initiatives and to establish deliverables for Canadian operations.

The most recent EMA was completed with senior leadership from wood products operations in November 2022 to agree on future areas of focus. Additionally, we hosted two workshops, one with mill managers and one with maintenance leaders, to expand on the focus areas and to create action plans for 2022 and 2023.

Completed energy-efficiency upgrades in 2022 include:

- Elko sawmill compressor system: savings of approximately 348,000 kilowatt hours (kWh) per year
- Prince George sawmill compressor system: savings of approximately 840,000 kWh per year
- Plateau sawmill exterior, kiln and mobile shop LED lighting: savings of approximately 288,000 kWh per year

Canfor's total energy consumption was 54,288,204 gigajoules in 2022. There was an overall decrease in energy consumption due to increased curtailment and downtime in our B.C. sawmills and pulp mills due to lack of fibre supply and challenging market conditions. Despite curtailments, mills still

require energy use to keep systems warm. There was also a decrease in biomass because there is less biomass available when sawmills are producing less. However, there were some increases in certain fuel types as new facilities were added to Wood Products U.S. and Vida Operations. Our

operations continue to identify opportunities to improve our energy efficiency. We conduct energy audits to evaluate our programs, policies and practices, and to encourage continuous improvement. These audits are completed by internal auditors and cover energy efficiency, legal compliance and internal processes.

**Total Energy Consumption within Organization (Gigajoules, GJ) <sup>a, b</sup>**

a. Non-renewable fuel types in the below table are purchased from external sources. Most renewable fuel types are sourced internally. We consume these fuel types to produce both electricity and heat.

b. Our data follows the same operational boundary as our GHG inventory. Our 2022 data includes our three new Alberta facilities. Our 2021 data has been restated to include Vida operations, but does not include our three new Alberta facilities.

Source	Fuel Type	2022					2021	
		Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Vida Operations	Corporate Offices & Other Locations	Total	Total
<b>Non-Renewable Sources</b>	Diesel	85,138	376,886	644,733	181,411	29,917	1,318,085	1,231,332
	Gasoline	0	33,538	8,485	0	16,113	58,136	25,465
	Natural Gas	8,342,849	1,507,965	463,567	0	57,754	10,372,135	9,978,281
	Propane	47,076	25,044	807	0	0	72,927	54,106
	Fuel Oil	0	0	0	2,251	0	2,251	3,256
	<b>Subtotal</b>	<b>8,475,063</b>	<b>1,943,433</b>	<b>1,117,592</b>	<b>183,662</b>	<b>103,784</b>	<b>11,823,534</b>	<b>11,292,440</b>
<b>Renewable Sources</b>	Crude Tall Oil	3,531	0	0	0	0	3,531	27,315
	NCGs	2,561	0	0	0	0	2,561	41,626
	Pulping Liquor	22,327,088	0	0	0	0	22,327,088	25,496,797
	Biomass	4,202,446	3,754,848	6,249,537	2,508,811	0	16,715,642	18,219,378
	Biodiesel	0	0	0	1,805	0	1,805	0
	<b>Subtotal</b>	<b>26,535,626</b>	<b>3,754,848</b>	<b>6,249,537</b>	<b>2,510,616</b>	<b>0</b>	<b>39,050,627</b>	<b>43,785,116</b>
<b>Fuel Consumption</b>	<b>Subtotal</b>	<b>35,010,689</b>	<b>5,698,281</b>	<b>7,367,129</b>	<b>2,694,278</b>	<b>103,784</b>	<b>50,874,161</b>	<b>55,077,556</b>
<b>Purchased Electricity for Consumption</b>	Non-Renewable	20,539	189,332	790,811	319,363	2,246	1,322,291	1,156,967
	Renewable	957,521	1,148,836	77,026	272,238	10,353	2,465,974	3,132,254
	<b>Subtotal</b>	<b>978,060</b>	<b>1,338,168</b>	<b>867,837</b>	<b>591,601</b>	<b>12,599</b>	<b>3,788,265</b>	<b>4,289,221</b>
<b>Electricity Sold</b>	<b>Subtotal</b>	<b>(338,364)</b>	<b>(200,423)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(538,787)</b>	<b>(976,109)</b>
<b>Purchased Hot Water for Consumption</b>	Renewable	0	0	0	164,565	0	164,565	146,918
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164,565</b>	<b>0</b>	<b>164,565</b>	<b>146,918</b>
<b>Total Energy Consumption within Organization</b>		<b>35,650,385</b>	<b>6,836,026</b>	<b>8,234,966</b>	<b>3,450,444</b>	<b>116,383</b>	<b>54,288,204</b>	<b>58,537,586</b>
<b>Energy from Non-renewable Sources</b>		8,495,602	2,132,765	1,908,403	503,025	106,030	13,145,825	12,449,407
<b>Energy from Renewable Sources</b>		27,493,147	4,903,684	6,326,563	2,947,419	10,353	41,681,166	47,064,288
<b>Total Energy (Including Electricity Sold)</b>		<b>35,988,749</b>	<b>7,036,449</b>	<b>8,234,966</b>	<b>3,450,444</b>	<b>116,383</b>	<b>54,826,991</b>	<b>59,513,695</b>

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**Biomass Electricity Generation**

Our pulp mills in Prince George generate renewable energy for internal use; where possible, we sell excess energy to the BC Hydro electrical grid.

In Alberta, our Canfor Green Energy (CGE) biomass cogeneration facility provides renewable heat and electricity to our Grande Prairie sawmill and sells excess energy to the Alberta electricity grid. In 2022, CGE generated 97,397 MWh and sold 55,673 MWh of power to the Alberta electricity grid.

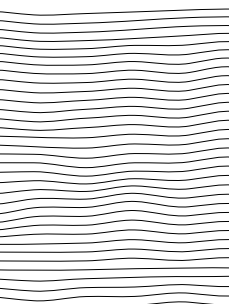
The Organic Rankine Cycle (ORC) at our Chetwynd, B.C., pellet plant utilizes renewable heat and generates renewable electricity from biomass generated at the adjacent sawmill. The ORC utilizes combustion heat from this biomass and converts a portion of it to electricity. In 2022, the Chetwynd ORC generated 8,723 MWh of power. The remaining heat is used to dry sawdust for use as pellet production feedstock.

**Capital Investments for Energy Reductions**

The capital investment process for all our operations is undergoing review to consider energy intensity and carbon impact, in addition to cost considerations. At our Canadian sawmills, we identified the opportunity for significant energy reductions and upgraded our compressors at the Polar, Plateau and Prince George sawmills. We have also undergone LED lighting upgrades at multiple sawmills. At our U.S. sawmills, we focused on performing a detailed review of our energy contracts and costs. Additional metering is being considered to improve energy management. Our

Intercontinental Pulp Mill implemented an Energy Management Information System (EMIS) similar to the EMIS already in place at our Northwood Pulp Mill; it came online in November 2022, and model refinement is now underway.

This system compares actual energy consumption to dynamic targets in real time. It also records electricity consumption and generation as well as natural gas, biomass and steam consumption in each of the steam and bleach plant areas. The EMIS will allow us to quickly capture deviations from efficient operation and make corrections to our process.



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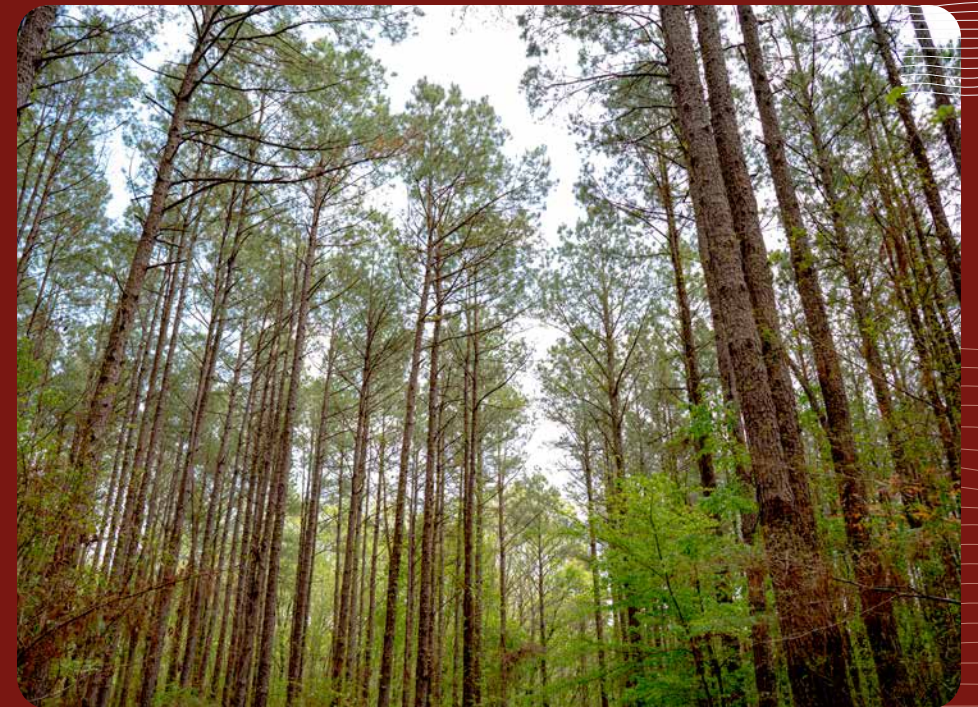
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This report contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as “forward-looking statements”). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as “expects”, “anticipates”, “projects”, “intends”, “plans”, “will”, “believes”, “seeks”, “estimates”, “should”, “may”, “could”, “work to”, “potential”, “focus”, “targets”, “goals” and variations of such words and similar expressions are intended to identify such forward-looking statements.

These statements are based on Management’s current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual

events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and Canfor assumes no obligation to update such information to reflect later events or developments, except as required by law.

These statements speak only as of the date of this report. Forward-looking statements in this report include but are not limited to: statements relating to our sustainability strategy; short-term and long-term sustainability goals; strategic priorities and our goals, targets, commitments and plans and our expectations regarding those goals, targets, commitments and plans.

The forward-looking statements in this report are based on a number of estimates, projections, beliefs and assumptions Management believed to be reasonable as of the date of this report, though inherently uncertain and difficult to predict, including but not limited to expectations and assumptions concerning: the development and

performance of technology; our ability to attract and retain skilled employees; costs of closure; environmental compliance costs generally; and assumptions regarding the development of our business generally. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, experience or achievements of Canfor to be materially different from those expressed or implied by the forward-looking statements.

Risks and uncertainties that could influence actual results include, but are not limited to: risks associated with the consequence of climate change; operational problems; regulatory action; environmental compliance challenges; changes in laws and governmental regulations; costs of compliance with environmental and other laws and regulation; risks relating to the development and use of new technology or lack of appropriate technologies needed to advance our goals; natural disasters and adverse weather conditions; changes in commodity prices; global pandemics; business continuity events;

general business and economic conditions; and the future operation and financial performance of the company generally. We caution that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements.

There can be no assurance that Canfor will achieve its goals and objectives. Further information regarding risk and uncertainties is also discussed under “Risk and Uncertainties” in Canfor and Canfor Pulp’s management’s discussion and analysis and other documents available at [www.sedar.com](http://www.sedar.com). The forward-looking statements speak only as of the date of this report.

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# Alignment with Reporting Frameworks

In 2022, we have prepared disclosures in alignment with the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The following indices reference the location of where our response to these reporting requirements can be found.



## Topic-Specific Data Boundaries

Impacts that make sustainability topics relevant to us may occur outside Canfor or Canfor Pulp, or they may only be material for some of our locations or operations. When our reporting on a sustainability disclosure only concerns specific operations, regions or other data collection boundaries, based on materiality, this is specified in connection with the respective disclosure. Unless

otherwise stated, the scope of this report covers Canfor Corporation and Canfor Pulp Products Inc., including all consolidated subsidiaries, excluding Canfor's 60% interest in Houston Pellet, Inc. See further discussion in "Reporting Period, Organizational Boundaries and Methodology" on [page 9](#).

Acronym Legend	
<b>SR</b>	2022 Sustainability Report
<b>AIF</b>	2022 Annual Information Form <sup>a</sup>
<b>AR</b>	2022 Annual Report <sup>a</sup>
<b>IC</b>	2023 Information Circular (dated March 13, 2023)

a. References to Canfor's 2022 AR, AIF and 2023 IC include the consolidated results and management of Canfor Corporation, which includes Canfor's 70%-owned subsidiary Vida and Canfor's 60%-owned partnership HPLP; however, the 2022 Sustainability Report excludes HPLP, unless otherwise indicated within the information included in this report.

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Canfor Corporation (Canfor) and Canfor Pulp Products Inc. (Canfor Pulp) has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022. This means that our reporting covers all the General Disclosures, as well as Topic-Specific Standards we deem material. In this GRI

Content Index, we list our disclosures with reference to the GRI Standards and reference to the locations where disclosures are addressed in our annual reporting. The location references are complemented in the index with additional information, such as reasons for omissions as necessary. The GRI 1 used for this report is GRI 1: Foundation 2021.

GRI Standard #	Indicator Name	Location/Commentary
<b>GRI 2: GENERAL DISCLOSURES 2021</b>		
<b>The organization and its reporting practices</b>		
GRI 2-1	Organizational details	SR: About Canfor (page 5) Canfor AIF: Incorporation (page 3); Corporate Structure (page 4); Business Segments (page 10) Canfor Pulp AIF: Incorporation (page 3); Corporate Structure (page 3); Business Segments (page 6) Canfor AR: Company Overview (page 5) Canfor Pulp AR: Company Overview (page 3) <a href="#">Our operations</a>
GRI 2-2	Entities included in the organization's sustainability reporting	SR: About This Report (page 8) Canfor AR: Reporting Entity (page 69) Canfor Pulp AR: Reporting Entity (page 44)
GRI 2-3	Reporting period, frequency and contact point	Sustainability reporting period: SR: About This Report (page 8) Financial reporting period: Canfor AR: Reporting Entity (page 69). Canfor Pulp AR: Reporting Entity (page 44) Publication Date of Sustainability Report: May 2023 Contact point for questions about the report: <a href="mailto:info@canfor.com">info@canfor.com</a>
GRI 2-4	Restatements of information	SR: About This Report (page 8); Our Materiality Assessment (page 17)
GRI 2-5	External assurance	SR: About This Report (page 8)
<b>Activities and workers</b>		
GRI 2-6	Activities, value chain and other business relationships	Canfor AR: Company Overview (page 5); Overview of Consolidated Financial Results (page 17); Summary of Financial Position (page 26) Canfor Pulp AR: Company Overview (page 3); Overview of Consolidated Financial Results (page 9); Summary of Financial Position (page 14) SR: About Canfor (page 5); Supply Chain Management (page 103); Canfor AIF: Business Segments (page 10); Lumber Markets and Distribution (page 17); Significant Events (page 5) Canfor Pulp AIF: Business Segments (page 6); CPPI Markets and Distribution (page 9); Incorporation (page 3); Corporate Structure (page 3); Significant Events (page 4) We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports
GRI 2-7	Employees	Canfor AIF: Human Resources (page 17) SR: About Canfor (page 5); Inclusion and Diversity (page 35)

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GRI Standard #	Indicator Name	Location/Commentary
GRI 2-8	Workers who are not employees	Omission: Canfor does not have any workers who are performing a significant portion of work of the businesses that are not employees
<b>Governance</b>		
GRI 2-9	Governance structure and composition	<a href="#">Canfor Board Mandate: All</a> <a href="#">Canfor Governance Manual: All</a> Canfor AIF: Directors and Officers ( <a href="#">page 22</a> ) Canfor IC: Election of Directors ( <a href="#">page 7</a> ); The Board of Directors ( <a href="#">page 23</a> ) <a href="#">Canfor Pulp Board Mandate: All</a> <a href="#">Canfor Pulp Governance Manual: All</a> Canfor Pulp AIF: Directors and Officers ( <a href="#">page 12</a> ) Canfor Pulp IC: Election of Directors ( <a href="#">page 8</a> ); The Board of Directors ( <a href="#">page 28</a> )
GRI 2-10	Nomination and selection of the highest governance body	Canfor Governance Manual: Joint Governance and Sustainability Committee ( <a href="#">page 20</a> ) Canfor IC: Nomination of Directors ( <a href="#">page 24</a> ); Board/Committee Assessments of Effectiveness and Renewal ( <a href="#">page 28</a> ) Canfor Pulp Governance Manual: Joint Corporate Governance Committee ( <a href="#">page 20</a> ) Canfor Pulp IC: Nomination of Directors ( <a href="#">page 30</a> ); Board/Committee Assessments of Effectiveness and Renewal ( <a href="#">page 34</a> )
GRI 2-11	Chair of the highest governance body	Canfor IC: Ethical Business Conduct ( <a href="#">page 24</a> ) Canfor Pulp IC: Ethical Business Conduct ( <a href="#">page 30</a> ) As of April 2021, John Baird is the Chairman of the Canfor and Canfor Pulp Boards. Mr. Baird is not an executive officer of Canfor or Canfor Pulp.
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Canfor Board Mandate: Leadership ( <a href="#">page 1</a> ); Strategy ( <a href="#">page 5</a> ) Canfor Pulp Board Mandate: Leadership ( <a href="#">page 1</a> ); Strategy ( <a href="#">page 5</a> ) Canfor IC: Joint Governance and Sustainability Committee ( <a href="#">page 26</a> ) Canfor Pulp IC: Joint Governance and Sustainability Committee ( <a href="#">page 32</a> )
GRI 2-13	Delegation of responsibility for managing impacts	SR: Our Approach to Sustainability ( <a href="#">page 18</a> )
GRI 2-14	Role of the highest governance body in sustainability reporting	The executive management team and Canfor and Canfor Pulp Board of Directors reviewed the 2022 Sustainability Report. This review involves an iterative process where subject matter experts are involved in preparing the information. The relevant executive management is involved in reviewing and approving disclosures for accuracy and quality. The board reviews the final draft and approves publication of the sustainability report.
GRI 2-15	Conflicts of interest	Canfor Governance Manual: Ethics and Conflicts of Interest ( <a href="#">page 9</a> ) Canfor AIF: Directors and Officers ( <a href="#">page 22</a> ) Canfor IC: Board of Directors - Independence and Other Directorships ( <a href="#">page 23</a> ) Canfor Pulp Governance Manual: Ethics and Conflicts of Concerns ( <a href="#">page 9</a> ) Canfor Pulp AIF: Directors and Officers ( <a href="#">page 12</a> ) Canfor Pulp IC: Board of Directors - Independence and Other Directorships ( <a href="#">page 28</a> )
GRI 2-16	Communication of critical concerns	Canfor Governance Manual: Reporting of Concerns ( <a href="#">page 9</a> ) Canfor Pulp Governance Manual: Reporting of Concerns ( <a href="#">page 9</a> ) SR: Feedback Mechanisms ( <a href="#">page 23</a> )
GRI 2-17	Collective knowledge of the highest governance body	Canfor IC: Joint Governance and Sustainability Committee ( <a href="#">page 26</a> )
GRI 2-18	Evaluation of the performance of the highest governance body	Canfor Governance Manual: Self Evaluation ( <a href="#">page 8</a> ) Canfor IC: Board/Committee Assessments of Effectiveness and Renewal ( <a href="#">page 28</a> ) Canfor Pulp Governance Manual: Self Evaluation ( <a href="#">page 8</a> ) Canfor Pulp IC: Board/Committee Assessments of Effectiveness and Renewal ( <a href="#">page 34</a> )

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GRI 2-19	Remuneration policies	Canfor IC: Compensation Discussion and Analysis ( <a href="#">page 10</a> ); Director Compensation ( <a href="#">page 20</a> ) Canfor Pulp IC: Compensation Discussion and Analysis ( <a href="#">page 15</a> ); Director Compensation ( <a href="#">page 25</a> )
GRI 2-20	Process to determine remuneration	Canfor IC: Compensation Discussion and Analysis ( <a href="#">page 10</a> ) Canfor Pulp IC: Compensation Discussion and Analysis ( <a href="#">page 15</a> )
GRI 2-21	Annual total compensation ratio	Omission: information is unavailable at this time
<b>Strategy, policies and practices</b>		
GRI 2-22	Statement on sustainable development strategy	SR: Message from CEO ( <a href="#">page 2</a> , <a href="#">page 3</a> ); Message from CFO and SVP, Sustainability ( <a href="#">page 3</a> )
GRI 2-23	Policy commitments	SR: Our Approach to Sustainability ( <a href="#">page 18</a> ); Human Rights ( <a href="#">page 49</a> ); Indigenous Relations ( <a href="#">page 43</a> ); Inclusion and Diversity ( <a href="#">page 35</a> ) <a href="#">Our values</a> Canfor Governance Manual: Code of Conduct ( <a href="#">page 37</a> ) Canfor Board Mandate: Ethics and Integrity ( <a href="#">page 2</a> ) Canfor Pulp Governance Manual: Code of Conduct ( <a href="#">page 31</a> ) Canfor Pulp Board Mandate: Ethics and Integrity ( <a href="#">page 1</a> ) Canfor IC: Ethical Business Conduct ( <a href="#">page 24</a> ) Canfor Pulp IC: Ethical Business Conduct ( <a href="#">page 30</a> )
GRI 2-24	Embedding policy commitments	SR: Our Sustainability Governance ( <a href="#">page 20</a> ); Human Rights ( <a href="#">page 49</a> ); Supply Chain Management ( <a href="#">page 103</a> )
GRI 2-25	Processes to remediate negative impacts	SR: Feedback Mechanisms ( <a href="#">page 23</a> ); Each section in the report discloses applicable strategies, policies, procedures and metrics to remediate relevant negative impacts.
GRI 2-26	Mechanisms for seeking advice and raising concerns	Canfor Governance Manual: Reporting of Concerns ( <a href="#">page 9</a> ); Reporting violations of the code ( <a href="#">page 45</a> ) Canfor Pulp Governance Manual: Reporting of concerns ( <a href="#">page 9</a> ); Reporting violations of the code ( <a href="#">page 44</a> )
GRI 2-27	Compliance with laws and regulations	SR: Incidents of Reported Discrimination ( <a href="#">page 52</a> ); Environmental Compliance ( <a href="#">page 62</a> )
GRI 2-28	Membership associations	SR: Membership of Associations ( <a href="#">page 16</a> )
<b>Stakeholder engagement</b>		
GRI 2-29	Approach to stakeholder engagement	SR: Engaging with Stakeholders and Partners ( <a href="#">page 14</a> )
GRI 2-30	Collective bargaining agreements	SR: Human Rights ( <a href="#">page 49</a> ); Canfor AIF: Human Resources ( <a href="#">page 17</a> ); Canfor Pulp AIF: Human Resources ( <a href="#">page 9</a> )
<b>GRI 3: MATERIAL TOPICS 2021</b>		
GRI 3-1	Process to determine material topics	SR: Our Materiality Assessment ( <a href="#">page 17</a> )
GRI 3-2	List of material topics	SR: Our Materiality Assessment ( <a href="#">page 17</a> )
GRI 3-3	Management of material topics	Each material topic section in this report discloses its potential or actual impacts, relevant policies and commitments, actions taken to manage impacts, mechanism to track action effectiveness, and applicable stakeholder engagement processes.
<b>GRI 201 Economic Performance 2016</b>		
GRI 201-1	Direct economic value generated and distributed	Canfor AR: Consolidated Financial Statements ( <a href="#">page 57</a> )
GRI 201-2	Financial implications and other risks and opportunities due to climate change	SR: Sustainable Forestry ( <a href="#">page 64</a> ); Climate Change ( <a href="#">page 73</a> ); Appendices: TCFD Index ( <a href="#">page 124</a> ) Canfor AR: Management Discussion & Analysis ( <a href="#">page 3</a> )

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GRI Standard #	Indicator Name	Location/Commentary
GRI 201-3	Defined benefit plan obligations and other retirement plans	Canfor AR: Employee Future Benefits ( <a href="#">page 43</a> ) Canfor Pulp AR: Employee Future Benefits ( <a href="#">page 48</a> )
<b>GRI 203 Indirect Economic Impacts 2016</b>		
GRI 203-1	Infrastructure investments and services supported	SR: Community Resilience ( <a href="#">page 53</a> )
<b>GRI 206 Anti-competitive Behavior 2016</b>		
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Canfor AR: Softwood Lumber Agreement ( <a href="#">page 54</a> )
<b>GRI 301: Materials 2016</b>		
GRI 301-2	Recycled input materials used	Not applicable: Canfor is a primary forest products manufacturer. Canfor Pulp manufactures products from residuals generated in the manufacturing process, which are byproducts of the lumber manufacturing process. Neither company uses recycled input material that are not byproducts produced by the organization.
<b>GRI 302: Energy 2016</b>		
GRI 302-1	Energy consumption within the organization	SR: Energy Management ( <a href="#">page 108</a> )
GRI 302-5	Reductions in energy requirements of products and services	Not applicable: our sold products do not have energy requirements.
<b>GRI 303: Water and Effluents 2018</b>		
GRI 303-1	Interactions with water as a shared resource	SR: Sustainable Forestry ( <a href="#">page 64</a> ); Water Management ( <a href="#">page 85</a> )
GRI 303-2	Management of water discharge-related impacts	SR: Water Management ( <a href="#">page 85</a> )
GRI 303-3	Water withdrawal	SR: Water Management ( <a href="#">page 85</a> )
<b>GRI 304: Biodiversity 2016</b>		
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SR: Sustainable Forestry ( <a href="#">page 71</a> )
GRI 304-2	Significant impacts of activities, products and services on biodiversity	SR: Sustainable Forestry ( <a href="#">page 64</a> )
GRI 304-3	Habitats protected or restored	SR: Sustainable Forestry ( <a href="#">page 72</a> )
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	SR: Sustainable Forestry ( <a href="#">page 70</a> )
<b>GRI 305: Emissions 2016</b>		
GRI 305-1	Direct (Scope 1) GHG emissions	SR: Climate Change ( <a href="#">page 73</a> )
GRI 305-2	Energy indirect (Scope 2) GHG emissions	SR: Climate Change ( <a href="#">page 73</a> )
GRI 305-3	Other indirect (Scope 3) GHG emissions	SR: Climate Change ( <a href="#">page 73</a> )
GRI 305-6	Emissions of ozone-depleting substances (ODS)	SR: Air Quality ( <a href="#">page 81</a> )
GRI 305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	SR: Air Quality ( <a href="#">page 81</a> )
<b>GRI 306: Waste 2020</b>		
GRI 306-1	Waste generation and significant waste-related impacts	SR: Waste Management ( <a href="#">page 89</a> )

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GRI 306-2	Management of significant waste-related impacts	SR: Waste Management (page 89)
GRI 306-3	Waste generated	SR: Waste Management (page 89)
GRI 306-4	Waste diverted from disposal	SR: Waste Management (page 89)
GRI 306-5	Waste directed to disposal	SR: Waste Management (page 89)
<b>GRI 308: Supplier Environmental Assessment 2016</b>		
GRI 308-1	New suppliers that were screened using environmental criteria	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
<b>GRI 401: Employment 2016</b>		
GRI 401-1	New employee hires and employee turnover	Information unavailable: We are currently reviewing employee turnover rate methodology such that it is comparable to industry peers. We will continue to expand this disclosure in future reports.
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR: Safety, Health and Wellness (page 29)
<b>GRI 403: Occupational Health and Safety 2018</b>		
GRI 403-1	Occupational health and safety management system	SR: Safety, Health and Wellness (page 29)
GRI 403-2	Hazard identification, risk assessment, and incident investigation	SR: Safety, Health and Wellness (page 30)
GRI 403-3	Occupational health services	SR: Safety, Health and Wellness (page 29)
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	SR: Safety, Health and Wellness (page 29)
GRI 403-5	Worker training on occupational health and safety	SR: Safety, Health and Wellness (page 31)
GRI 403-6	Promotion of worker health	SR: Safety, Health and Wellness (page 29)
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable: We do not have workers who are not employees and whose work and workplace are not controlled by Canfor, where our operations, products or services are directly linked to significant occupational health and safety impacts on those workers by our business relationships. See GRI 403-1 to 403-6 on scope of workers covered by our OHS management system.
GRI 403-8	Workers covered by an occupational health and safety management system	SR: Safety, Health and Wellness (page 29)
GRI 403-9	Work-related injuries	SR: Safety, Health and Wellness (page 29)
<b>GRI 404: Training and Education 2016</b>		
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	SR: Inclusion and Diversity (page 35)
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
GRI 405-1	Diversity of governance bodies and employees	SR: Inclusion and Diversity (page 35)
<b>GRI 406: Non-discrimination 2016</b>		
GRI 406-1	Incidents of discrimination and corrective actions taken	SR: Human Rights (page 49)

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GRI Standard #	Indicator Name	Location/Commentary
<b>GRI 411: Rights of Indigenous Peoples 2016</b>		
GRI 411-1	Incidents of violations involving rights of Indigenous Peoples	SR: Indigenous Relations ( <a href="#">page 43</a> )
<b>GRI 414: Supplier Social Assessment 2016</b>		
GRI 414-1	New suppliers that were screened using social criteria	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.
GRI 414-2	Negative social impacts in the supply chain and actions taken	Information unavailable: We do not currently track this information for all suppliers. We are in the process of reviewing our supply chain as it relates to our sustainability vision and strategy and will continue to expand this disclosure in future reports.

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Canfor reports Sustainability Accounting Standards Board (SASB) standards disclosure topics and metrics for "Forestry Management" and "Pulp and Paper Products" standards. The following disclosure for "Forestry Management" is

only applicable to Canadian forestlands sustainably managed by Canfor. Canfor does not manage forestlands in the United States or Sweden. We strive to be further aligned to SASB standards and plan to address any omissions in future reporting years.

<b>Forestry Management</b>		
CODE	ACCOUNTING METRIC	OUR RESPONSE
<b>Ecosystem Services &amp; Impacts</b>		
RR-FM-160a1	Area of forestland certified to a third-party forest management standard, percentage certified to each standard	Canfor directly manages forestland in Canada only. The total forestland area under Canfor management in Canada is over 12 million hectares. 100% of Canfor-managed forests are certified to third-party forest management standards. The proportion by certified to each standard based on area is: FSC - 10.3% SFI - 89.7%
RR-FM-160a2	Area of forestland with protected conservation status	Canfor currently reports on our management approach for areas with protected conservation status. See our Sustainable Forestry section on <a href="#">page 64</a> . Canfor does not currently report area of forestland with protected conservation status. Canfor is evaluating if area by hectares for this topic or an alternate metric may be more representative and relevant for future reporting periods.
RR-FM-160a3	Area of forestland in endangered species habitat	Canfor currently reports on our management approach for endangered species habitats, see our Sustainable Forestry section on <a href="#">page 64</a> . Canfor does not currently report area of forestland in endangered species habitat. Canfor is evaluating if area by hectares for this topic or an alternate metric may be more representative and relevant for future reporting periods.
RR-FM-160a4	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	Canfor practices sustainable forest management and prepares forest stewardship management plans that include a range of considerations including biodiversity, wildlife habitat, water quality and recreation. See Sustainable Forestry by Regions in Sustainable Forestry section on <a href="#">page 66</a> .



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<b>Forestry Management</b>		
<b>CODE</b>	<b>ACCOUNTING METRIC</b>	<b>OUR RESPONSE</b>
<b>Rights of Indigenous Peoples</b>		
RR-FM-210a1	Area of forestland in Indigenous land	We have existing agreements with several of the Indigenous Nations on whose traditional territories we operate and continue discussions with many other Indigenous Nations to enter into additional agreements. See our Indigenous Relations section on <a href="#">page 46</a> .
RR-FM-210a2	Description of engagement processes and the due diligence practices with respect to human rights, Indigenous rights and the local community	Our Indigenous Engagement Strategy is detailed on <a href="#">page 44</a> , see also Treaty Rights in our Indigenous Relations section on <a href="#">page 45</a> and Human Rights section on <a href="#">page 49</a> .
<b>Climate Change Adaptation</b>		
RR-FM-450a1	Description of strategy to manage opportunities for and risks to forest management and timber production presented by climate change	See both the Sustainable Forestry and Climate Change sections on <a href="#">page 64</a> and <a href="#">page 73</a> .
<b>ACTIVITY METRICS</b>		
RR-FM-000A	Area of forestland owned, leased, and/or managed by the entity	Total area of forestland managed by Canfor is over 12 million hectares.
RR-FM-000B	Aggregate standing timber inventory	In Canada, we source wood primarily through long-term tenure agreements on publicly owned land. Inventory information is held by government.
RR-FM-000C	Timber harvest volume	Total wood fibre supply from Canfor tenures was 8.1 million cubic metres for year ended December 31, 2022. ( <a href="#">page 15</a> , Canfor Annual Information Form)

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**SASB : Pulp and Paper**

The following disclosure for "Pulp and Paper Products" is applicable to our subsidiary Canfor Pulp Products Inc (Canfor Pulp), unless otherwise stated. We strive to be further aligned to SASB standards and plan to address any omissions in future reporting years.

Pulp and Paper Products		
CODE	ACCOUNTING METRIC	OUR RESPONSE
<b>Greenhouse Gas Emissions</b>		
RR-PP-110a1	Gross global scope 1 emissions	See our "Climate Change" section on <a href="#">page 73</a> .
RR-PP-110a2	Discussion of long-term and short-term strategy or plan to manage scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	See our "Climate Change" section on <a href="#">page 73</a> .
<b>Air Quality</b>		
RR-PP-120a1	NOx (excluding N <sub>2</sub> O)	See our "Air Quality" section on <a href="#">page 81</a> .
	SO <sub>2</sub>	See our "Air Quality" section on <a href="#">page 81</a> .
	Volatile Organic Compounds (VOCs)	The amount of VOCs/HAPs are not currently reported as part of our sustainability report, but certain VOCs and HAPs are disclosed annually in our report to Canada's National Pollutant Release Inventory for our Canadian operations.  We are seeking to refine the calculation methodology and will consider its applicability to Canfor and report in future years.
	Particulate matter	See our "Air Quality" section on <a href="#">page 81</a> .
RR-PP-130a1	Hazardous Air Pollutants (HAPs)	The amount of VOCs/HAPs are not currently reported as part of our sustainability report, but certain VOCs and HAPs are disclosed annually in our report to Canada's National Pollutant Release Inventory for our Canadian operations.  We are seeking to refine the calculation methodology and will consider its applicability to Canfor and report in future years.
	Total energy consumed	See our "Energy Management" section on <a href="#">page 108</a> .
RR-PP-130a1	Percentage grid electricity	See our "Energy Management" section on <a href="#">page 108</a> .
	Percentage from biomass	See our "Energy Management" section on <a href="#">page 108</a> .
	Percentage from other renewable energy	See our "Energy Management" section on <a href="#">page 108</a> .
	Total self-generated energy	See our "Energy Management" section on <a href="#">page 108</a> .

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**Pulp and Paper Products**

**Water Management**

RR-PP-140a1	(1) Total water withdrawn	See our "Water Management" section on <a href="#">page 85</a> .
	(2) Total water consumed	See our "Water Management" section on <a href="#">page 85</a> .
	(3) Percentage of each in regions with High or Extremely High Baseline Water Stress	See our "Water Management" section on <a href="#">page 85</a> .
RR-PP-140a2	Description of water management risks and discussion of strategies and practices to mitigate those risks	See our "Water Management" section on <a href="#">page 85</a> .

**Supply Chain Management**

RR-PP-430a1	Percentage of wood fibre sourced from: (1) Third-party certified forestlands and percentage to each standard and (2) Meeting other fibre sourcing standards and percentage to each standard	See our "Sustainable Forestry" section on <a href="#">page 64</a> .
RR-PP-430a2	Amount of recycled and recovered fibre procured	Canfor is a primary producer of high-quality wood products. Canfor Pulp manufactures products from residuals generated in the manufacturing process, which are byproducts of the lumber manufacturing process. Neither company uses recycled input material that are not byproducts produced by the organization. See our "Residuals Management" section on <a href="#">page 97</a> .

**ACTIVITY METRICS**

RR-PP-000A	Pulp production	Canfor Pulp produced 717,983 tonnes of bleached and unbleached kraft pulp and Bleached Chemi-Thermo Mechanical Pulp (BCTMP). (See <a href="#">page 8</a> of Canfor Pulp's AIF for breakdown by production type)
RR-PP-000B	Paper production	Canfor Pulp produced 131,824 tonnes of bleached and unbleached kraft paper in 2022. (See <a href="#">page 9</a> of Canfor Pulp's AIF for breakdown by production type)
RR-PP-000C	Total wood fibre sourced	For our pulp operations, when running at full capacity, ongoing annual fibre requirements are approximately 2.5 million oven-dried metric tonnes (ODTs) of wood chips and 400,000 ODTs of hog fuel. ( <a href="#">Page 7</a> , Canfor Pulp AIF)

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## Task Force on Climate-related Financial Disclosures Index

The Task Force on Climate-related Financial Disclosures (TCFD) created by the Financial Stability Board are structured around four thematic areas: governance, strategy, risk management, and metrics

and targets. In addition to Our Response to Climate Change on [page 73](#) and our Climate Change section of the report, we have included a summary of our responses to each recommendation and links to where detailed information can be found in our Annual Reports and Sustainability Report.

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#### THEMATIC AREA: GOVERNANCE

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
a. Board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> <li>Canfor's Board Committees, Executive Management, and supporting teams provide oversight and accountability for identifying, assessing and managing climate-related risks and opportunities.</li> <li>Canfor's Board Committees (the Joint Governance &amp; Sustainability Committee; the Joint Audit Committee; and the Joint Environmental, Health &amp; Safety Committee) provide oversight of climate-related issues, and strategic guidance to our sustainability program and approach to ensure these topics are appropriately considered within our strategy, business planning and risk management approach.</li> <li>Canfor's Board Committees meet on a quarterly basis and are informed on sustainability- and climate-related topics and key activities through regular updates from management as well as through a Sustainability Scorecard that tracks progress towards goals and targets for key material sustainability topics.</li> <li>We will continue to define the role of the Board in providing oversight of climate-related issues to ensure continued monitoring of evolving risks and requirements.</li> </ul>	<p><a href="#">Canfor and Canfor Pulp Governance Manual</a> Sustainability Report (SR): <a href="#">Our Sustainability Governance</a></p>
b. Management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> <li>There are several management-level positions with associated climate-related responsibilities, as well as Energy &amp; Environmental Leads within each business unit, who are responsible for monitoring climate-related issues and providing regular updates to Executive Management and quarterly updates to the Board's Joint Governance &amp; Sustainability Committee.</li> <li>Our Presidents and CEOs holds ultimate accountability for successful sustainability performance. Our Chief Financial Officer (CFO) &amp; Senior Vice President, Sustainability oversees the development and execution of the sustainability strategy and disclosure across the business.</li> <li>Reporting to the CFO &amp; Senior Vice President, Sustainability, the Director, Environment &amp; Sustainability is responsible for Canfor's sustainability- and climate-related efforts and works closely with operations and other sustainability-related positions such as the Manager, Climate Change &amp; Carbon, and internal committees such as the Corporate Environmental Management Committee (CEMC) and the Sustainability Working Group (SWG). Collectively, they monitor and disclose on climate-related issues, implement Canfor's climate strategy, engage as needed with the Executive Management team, update the quarterly Sustainability Scorecard, and deliver quarterly updates to the Board and relevant Committees.</li> <li>Canfor's CEMC has additional oversight over climate-related topics such as sustainable forestry, air quality, water management and waste management.</li> <li>Canfor's SWG represents key stakeholders across business units and is responsible for cross-functional engagement and information sharing on sustainability topics.</li> <li>We will continue to develop and strengthen standard procedures to support upward reporting of climate-related issues.</li> </ul>	<p>SR: <a href="#">Our Sustainability Governance</a> SR: <a href="#">Planet section - Governance and Accountability</a></p>

**THEMATIC AREA: STRATEGY**

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
<p>a. Climate-related risks and opportunities identified over the short, medium and long term</p>	<p>Canfor recognizes the significant impact climate change will continue to have on our forests, the communities we operate in and our business, and we are committed to playing a leading role in reducing our emissions. We have defined our decarbonization road map for our scope 1 and 2 emissions and are in the process of developing our strategies towards scope 3.</p> <ul style="list-style-type: none"> <li>• Climate-related risks and opportunities include, but are not limited to:               <ul style="list-style-type: none"> <li>◦ Chronic and acute physical risks such as the increasing frequency and severity of weather conditions, forest fires, hurricanes, earthquakes, and timber diseases and insect infestations.</li> <li>◦ Transition risks including changes in laws, regulations, and industry standards associated with climate change.</li> <li>◦ Reputational risks due to rising prominence of environmental, social and governance concerns among Canfor's stakeholders and Indigenous partners.</li> <li>◦ The opportunity to play a key role in the shift to a circular, sustainable, low-carbon global economy. This includes the displacement of carbon-intensive building materials (e.g., cement, steel, plastic) with sustainable forest products; identification of beneficial uses for forest residuals and manufacturing residuals such as wood chips, shavings and sawdust; development of innovative bioproducts (e.g., biofuels, biochemicals, biomaterials); and the pursuit of other innovative and strategic partnerships to drive sustainable economic business diversification.</li> <li>◦ The opportunities identified in the development of our decarbonization road map to improve efficiency and realize operational savings over the medium and long term.</li> </ul> </li> <li>• As part of our continued journey towards a low-carbon future, we are working to bolster the processes and time horizons used to assess climate-related issues and their potential impact on the business.</li> </ul>	<p>Canfor Corporation Annual Report (AR): <a href="#">Management's Discussion and Analysis</a>            Canfor Pulp AR: <a href="#">Management's Discussion and Analysis</a>            SR: <a href="#">Climate Change section – Our Approach</a>            SR: <a href="#">Climate Change section – Climate Change Vulnerability Assessment</a>            SR: <a href="#">Residuals Management section</a></p>
<p>b. Impact of climate-related risks and opportunities on the businesses, strategy and financial planning</p>	<ul style="list-style-type: none"> <li>• Climate-related risks and opportunities are incorporated in Canfor's overall Sustainability Strategy and processes for reviewing and aligning our overall Corporate and Sustainability strategies. This includes looking at current risks as well as emerging and forecasted risks across all material sustainability topics, including climate change, and assessing them for materiality and potential impacts on Canfor's business.</li> <li>• Climate change physical risks may adversely affect Canfor's timber supply, resulting in reduced supply chain availability and/or may have similar effects on our suppliers and customers. Any of the damage caused by these events could increase costs and decrease Canfor's production capacity, thereby having an adverse effect on Canfor's financial results. We mitigate these risks by performing analyses of our fibre supply, preparing a emergency response plans and performing Climate Change Vulnerability Assessments, which assess these risks on our woodland regions. These Climate Change Vulnerability Assessments form the basis for further climate scenario analyses planned in the coming year.</li> <li>• Climate change transition risks include risks associated with changes to laws, regulations and industry standards, which may result in additional reporting requirements, operational complexity and financial expenditures. There could also be financial impacts associated with the commercial viability and scalability of emission reductions and technology. There also may be reputation risks due to rising prominence of ESG concerns among our stakeholders and Indigenous partners. These concerns could influence public opinions about Canfor and the broader industry and could adversely affect our reputation, business, strategy and operations. Some of our mitigation actions towards these risks include quantifying and obtaining third-party assurance of our scope 1 and 2 GHG emissions to measure performance towards our climate change targets. We have also performed an initial estimate of scope 3 GHG emissions to assess our material impacts in our value chain. We are monitoring our operating costs including the impact of carbon tax and related increase to fuel price; considering energy and emissions data into our capital planning process including developing an internal price of carbon; and actively monitoring government regulations.</li> <li>• The opportunity to play a key role in the shift to a circular, sustainable, low-carbon global economy may result in innovative and strategic partnerships that may lead to sustainable economic business diversification.</li> <li>• The opportunities identified in the development of our decarbonization road map aims to improve efficiency and realize operational savings over the medium and long term.</li> </ul>	<p>Canfor Corporation AR: <a href="#">Management's Discussion and Analysis</a>            Canfor Pulp AR: <a href="#">Management's Discussion and Analysis</a>            SR: <a href="#">Our Sustainability Governance – Risk Management</a>            SR: <a href="#">Climate Change section – Climate Change Vulnerability Assessment</a>            SR: <a href="#">Climate Change section – Building on our Decarbonization Plan</a></p>

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- Canfor considers adaptation and mitigation strategies to manage and reduce carbon emissions and has established a high-level decarbonization road map. This road map will form the basis for further integration of climate-related issues into Canfor's corporate strategy, operations and financial planning processes, and establishment of potential supporting programs such as an internal carbon price in the future. See Strategy section C for details on Canfor's plans to enable the transition to a low-carbon economy.
- c. Resilience of the strategy to different climate scenarios, including a 2°C or lower scenario
- Our approach to scope 1 and 2 decarbonization focuses on several key decarbonization levers, including potential abatement strategies such as:
- Energy and process efficiency: Implementing strategies and technologies to improve energy and fuel efficiency in existing infrastructure and vehicles.
  - Fuel switching: Switching from higher-emission fuels to lower-emission fuels such as renewable biofuels, biodiesel, renewable natural gas, hydrogen and biomass.
  - Electrification: Electrification of vehicles and stationary mobile equipment.
  - Investing in renewables: Producing or procuring electricity from renewable sources.
  - Other innovative technologies: Continuing to investigate and invest in emerging technologies and solutions that will help us reduce emissions in the long term, such as carbon capture, utilization and storage; hydrogen fuel; and direct air capture.
  - We are furthering our climate scenario analyses across our Woodlands operations. We have conducted an assessment in three areas: Fort St. John, B.C., Chetwynd, B.C. and Grande Prairie, Alberta. We are in the process of completing vulnerability assessments for the remaining Woodlands operations. This work will inform our assessment of impacts on our forest ecosystem, land, water, and socio-economic and cultural conditions. This work explores the implications of Representative Concentration Pathways (RCP) 8.5 warming scenario to assist with preparing for severe outcomes. The time horizons reviewed will include present day to the year 2046, 2047 to 2072, and 2073 to 2100. This assessment will inform our development of adaptation and mitigation processes to reduce anticipated impacts.
  - As we invest in our approach to managing climate-related risks going forward, we will continue to explore additional tools to identify and measure potential impacts and expand our analysis.

SR: [Climate Change section – Building on our Decarbonization Plan](#)  
SR: [Climate Change section – Climate Change Vulnerability Assessment](#)

**THEMATIC AREA: RISK MANAGEMENT**

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
a. Processes for identifying and assessing climate-related risks	<p>Canfor leverages its Enterprise Risk Management (ERM) processes to identify, assess and manage enterprise risks, including climate change.</p> <ul style="list-style-type: none"> <li>• Sustainability- and climate-related risks are typically identified through Canfor's Executive and/or Sustainability team, Environmental Managers, and through our engagement with broader stakeholder groups such as Indigenous communities, industry associations, customers and certification bodies; and are escalated to the relevant business unit, Executive Management, and/or relevant Board Committee as needed.</li> <li>• In 2022, as part of the continued evolution of our ERM program, we updated our risk framework and ERM policy. We conducted an updated risk assessment with vice presidents and directors from across the organization. The outcome was an updated ERM Risk Register, with evaluation of each risk in accordance with our risk assessment criteria.</li> <li>• Our policy assesses enterprise-level risks on the dimensions of likelihood, consequence and velocity, which informs our chosen treatment strategies. The risk treatment incorporates risk mitigation actions approved by the executive team.</li> <li>• As part of the updated risk assessment, we identified climate change as a high-rated risk and have determined treatment strategies for monitoring this risk. See Strategy section b for details on our approach to mitigating climate-related risks.</li> <li>• Canfor also actively monitors regulatory changes to assess their impact on operations, including any climate-related regulations, through a number of channels:               <ul style="list-style-type: none"> <li>◦ Business Unit Environmental Managers become aware of upcoming regulatory shifts and bring them to the attention of Sustainability leaders or the CEMC.</li> <li>◦ Sustainability leaders and/or Executive Management then elevate issues as needed to the Joint Sustainability &amp; Governance, Audit, and/or Environmental, Health &amp; Safety Committees of the Board.</li> </ul> </li> </ul>	<p>Canfor Corporation AR: <a href="#">Management's Discussion and Analysis</a> Canfor Pulp AR: <a href="#">Management's Discussion and Analysis</a> SR: <a href="#">Our Sustainability Governance – Risk Management</a></p>

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b. Processes for managing climate-related risks	<ul style="list-style-type: none"> <li>Each of our enterprise-level risks is assigned to an individual at the vice president level or higher for ownership and accountability for the implementation of mitigating actions and controls.</li> <li>Climate change risk has been assigned to the CFO &amp; Senior Vice President, Sustainability. Individual actions and mitigating controls for each risk driver relating to climate-risk have been determined.</li> <li>The status of these actions and controls is reviewed quarterly by the Joint Audit Committee to ensure risks are appropriately managed and controlled.</li> </ul>	SR: <a href="#">Our Sustainability Governance – Risk Management</a>
c. Integration of climate-related risks into overall risk management	<ul style="list-style-type: none"> <li>Enterprise risks are typically identified and updated in the Risk Register through continuous inputs by risk owners or broader stakeholder groups such as Indigenous communities, industry associations, certification bodies and customers. Specifically, climate-related risks and opportunities are part of our overall risk management and include both physical and transition risks.</li> </ul>	SR: <a href="#">Our Sustainability Governance – Risk Management</a>

**THEMATIC AREA: METRICS & TARGETS**

Recommended disclosure	Disclosure summary & commentary	Links to more information in our Sustainability Report and Annual Report
a. Metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	<ul style="list-style-type: none"> <li>Canfor uses key metrics to measure climate-related impacts, incentivize strong performance and disclose progress over time.</li> <li>We measure and disclose performance metrics related to water, energy, sustainable forestry, greenhouse gas emissions, and waste across our operations. See relevant section and/or metrics table for historical and current performance metrics.</li> <li>We consider the impact of the evolving policy and regulatory landscape, including regulated carbon prices, in select strategy and planning processes (e.g., Canada's current and projected carbon pricing and the impact on energy costs).</li> <li>We are continually working to leverage key metrics to measure, drive and disclose our performance. To do so, we will continue to explore opportunities to establish metrics to integrate climate-related issues into our remuneration policies and incentives supporting the transition to a low-carbon economy (such as an internal carbon price), as well as develop industry-specific metrics to provide additional insight into our performance.</li> <li>Our salaried employees are eligible for a short-term incentive plan that provides rewards based on Canfor's organizational performance. There are two components to this plan: financial and business results. Business results consider sustainability performance by reporting on metrics related to diversity and inclusion, health and safety and the environment. Under the executive short-term incentive plan, sustainability-specific objectives fall under the Safety and the Strategy Execution components. These components cover workplace safety, employee health and wellness, inclusion and diversity, employee experience and engagement, training and development, and the environment.</li> </ul>	SR: <a href="#">Water Management section</a> SR: <a href="#">Energy Management section</a> SR: <a href="#">Sustainable Forestry section</a> SR: <a href="#">Waste Management section</a> SR: <a href="#">Climate Change section – GHG inventory</a> SR: <a href="#">Performance at a Glance</a> SR: <a href="#">Our Sustainability Governance – Risk Management</a>
b. Scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks	<ul style="list-style-type: none"> <li>Canfor developed a baseline inventory of its scope 1 and 2 GHG emissions in 2020 and reported on our scope 1 and 2 emissions for 2021 and 2022.</li> <li>Canfor estimated our 2020 scope 3 emissions. We are investigating opportunities to collaborate across our supply chain and meaningfully track our scope 3 emissions.</li> <li>Canfor measures and reports GHG emissions in line with the GHG protocol.</li> <li>We have engaged KPMG LLP as an independent third party to provide limited assurance over our GHG emissions. See <a href="#">page 129</a> for their assurance reports over our scope 1 and 2 GHG emissions for 2022, and our website for the assurance reports over our baseline scope 1 and 2 GHG emissions for 2020.</li> </ul>	SR: <a href="#">Climate Change section</a> SR: <a href="#">Performance at a Glance</a> SR: <a href="#">Independent Practitioner's Limited Assurance Reports</a>
c. Targets used to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> <li>Canfor's long-term goal is to become a net-zero carbon company by 2050 through practising climate-positive forest management, producing sustainable forest products and developing impactful partnerships.</li> <li>We are committed to the Science Based Targets initiative (SBTi) and we plan to undergo the SBTi validation process within the next two years. Our targets are to reduce our absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 baseline year, and to measure our scope 3 emissions and set a science-based reduction target by 2024. We expect the scope 3 target to evolve through the SBTi validation process.</li> </ul>	SR: <a href="#">Performance at a Glance</a> SR: <a href="#">Water Management section</a> SR: <a href="#">Energy Management section</a> SR: <a href="#">Sustainable Forestry section</a> SR: <a href="#">Waste Management section</a> SR: <a href="#">Climate Change section</a>

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Canfor Corporation

Canfor Pulp Products Inc.

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- Canfor has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the Science Based Targets initiative (SBTi). Canfor has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign. We will undergo validation with the Science Based Targets initiative within the next two years.
- We have set additional targets against several climate-related topics. For details on medium- and long-term targets, refer to the relevant sections of the report.
- There is a risk that these goals and targets may not be met or not be achieved within expected time periods, that some or all of the expected opportunities may fail to materialize, result in increased capital expenditures or other costs to our operations. This may be due to events and circumstances, such as, but not limited to: general global economic, market and business conditions; pricing, supply, demand for our products; governmental and regulatory requirements and actions; ability to access capital; commercial viability and scalability of emission reduction strategies and technology; impacts from natural disturbances and extreme weather conditions.



# Independent Practitioner's Limited Assurance Report



KPMG LLP  
(604) 691-3000  
www.kpmg.ca

To the management of Canfor Corporation (the "Entity")

We have undertaken a limited assurance engagement on certain subject matter information of the Entity, included in the accompanying Sustainability Report (the "Report") ("subject matter information") and as described in the table below, for the year ended December 31, 2022.

Subject Matter Information	Reported amount and units*	Applicable criteria
Total Scope 1 GHG emissions and Scope 2 location-based GHG emissions	851,092 Tonnes CO <sub>2</sub> e	<ul style="list-style-type: none"> <li>The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard Revised Edition; and</li> <li>The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard.</li> </ul>
Total Scope 1 GHG emissions and Scope 2 market-based GHG emissions	851,541 Tonnes CO <sub>2</sub> e	
Biogenic emissions	4,570,067 Tonnes CO <sub>2</sub> e	

\* The figures are consolidated and include entities that are under the operational control for Canfor Corporation which include Canadian wood products operations, U.S. wood products operations, Canfor Pulp Products Inc. and Vida Group.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Management's Responsibility

Management is responsible for the preparation and presentation of the subject matter information in accordance with the applicable criteria.

There are no mandatory requirements for the preparation, publication or presentation of greenhouse gas ("GHG") performance metrics. As such, the Entity applies the World Resources Institute/ World Business Council for Sustainable Development's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, and the GHG Protocol Scope 2 Guidance, an amendment to the GHG Protocol Corporate Standard, for GHG emissions reporting (collectively the "applicable criteria").

Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for determining the Entity's objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error.

## Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the subject matter information based on evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements (ISAE) 3410 *Assurance Engagements on Greenhouse Gas Statements*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter(s) has come to our attention to cause us to

believe that the subject matter information is materially misstated.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the subject matter information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

Our engagement included: assessing the appropriateness of the Entity's Scope 1 and Scope 2 GHG emissions, the suitability of the criteria used by the Entity in preparing the subject matter information in the circumstances of the engagement and evaluating the appropriateness of the: methods, policies and procedures, and the reasonableness of estimates made by the Entity.

Our engagement included, amongst others, the following procedures:

- Inquiries with relevant staff at the corporate level to understand the data collection and reporting processes for the subject matter information,
- Assessment of the suitability and application of the applicable criteria in respect of the subject matter information;
- Where relevant, performing walkthroughs to test the design of internal controls relating to data collection and reporting of the subject matter information;
- Comparing the reported data for the subject matter information to underlying data sources on a sample basis;
- Inquiries regarding key assumptions, estimates and the appropriateness of

the associates methods, policies and procedures;

- The re-performance of calculations on a sample basis; and,
- Reviewing the presentation of the subject matter information in the Report to determine whether the information presented is consistent with our overall knowledge of, and experience with, the environmental performance of the Entity.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter, including environmental, social and governance aspects.

### **Practitioner's Independence and Quality Management**

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements,

professional standards and applicable legal and regulatory requirements.

### **Significant Inherent Limitations**

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time, and it is important to read the Entity's reporting methodology which can be found in the relevant footnotes of the Report.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that the subject matter information as described above and disclosed in the Entity's Report for the year ended December 31, 2022, is not prepared and presented, in all material respects, in accordance with the applicable criteria as at the date of our report.



Chartered Professional Accountants  
May 12, 2023  
Vancouver, Canada



**KPMG LLP**  
(604) 691-3000  
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# Independent Practitioner's Limited Assurance Report



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To the management of Canfor Pulp Products Inc. (the "Entity")

We have undertaken a limited assurance engagement on certain subject matter information of the Entity, included in the accompanying Sustainability Report (the "Report") ("subject matter information") and as described in the table below, for the year ended December 31, 2022.

Subject Matter Information	Reported amount and units*	Applicable criteria
Total Scope 1 GHG emissions and Scope 2 location-based GHG emissions	501,005 Tonnes CO <sub>2</sub> e	<ul style="list-style-type: none"> <li>The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard Revised Edition; and</li> <li>The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard.</li> </ul>
Total Scope 1 GHG emissions and Scope 2 market-based GHG emissions	501,005 Tonnes CO <sub>2</sub> e	
Biogenic emissions	2,485,730 Tonnes CO <sub>2</sub> e	

\* The figures are separately reporting for Canfor Pulp Products Inc. only.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Management's Responsibility

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