



CANFOR CORPORATION SUSTAINABILITY REPORT 2008



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

FORESTRY REPORT

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

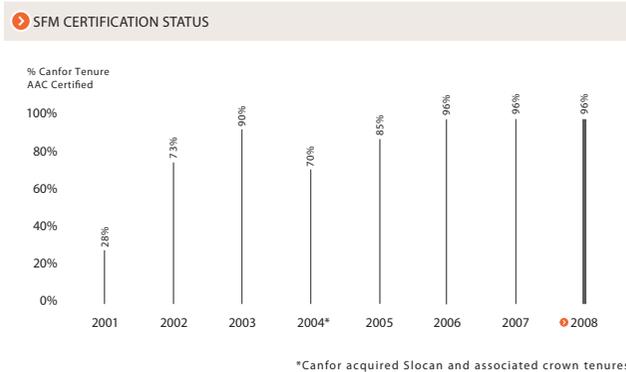
The goal of the system is to maintain and enhance the long term health of forest ecosystems, for the benefit of all living things both locally and globally, while providing the environmental, economic and social opportunities for the benefit of both present and future generations.

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

SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

Canfor continues to be a leader in sustainable forest management certification. In addition to its EMS certification, 96% of its allowable annual cut under forest tenures is independently certified to the Canadian Standards Association (CSA) standard for Sustainable Forest Management (CAN.CSA-Z809-02).

As of 2008, Canfor has 16 facilities certified to the Programme for the Endorsement of Forest Certification Schemes (PEFC): Chain of Custody of Forest Based Products – Requirements Standard.



WILDLIFE AND HABITAT MANAGEMENT

In 2008, Canfor continued conservation planning for species at risk by participating with provincial governments in both BC and Alberta, key environmental groups and other stakeholders. Key initiatives designed to assist with the recovery of Woodland Caribou continue to be implemented at our Grande Prairie operations in Alberta. Canfor's Vavenby division continued to work with government agencies on planning for the recovery of Mountain Caribou populations in the North Thompson Valley of BC. Final comments were provided to agencies in the fall of 2008 and government published a regulation in December 2008 setting out its expectations for mountain Caribou habitat protection and management.

COMPLIANCE WITH REGULATIONS

Canfor is committed to maintaining a transparent system for environmental reporting, including compliance reporting. During 2008, Canfor's forestry operations had a total of 4 non-compliance incidents on the company's forest tenures. In each case, the company took the necessary actions to mitigate any environmental consequences and correct conditions that may have led to the incidents.

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

FPAC SUSTAINABILITY INITIATIVE AND REPORT – INDUSTRY COMMITS TO CARBON NEUTRALITY

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

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

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

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

OBJECTIVES AND TARGETS FOR 2009

FOREST MANAGEMENT SYSTEM

We will maintain the Forest Management System during 2008. Surveillance audits to the ISO 14001 standard will be carried out at 4 operations during 2009.

In 2008, 11 sites had their environmental management systems re-certified to the ISO-14001 standard.

SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

We will maintain existing CSA SFM certifications. In 2008, 11 sites were re-certified to the CSA Z809 –02 standard.

SFM AUDITS

In 2009, Canfor will undertake 13 internal audits and 13 external audits, encompassing CSA, ISO, PEFC and OSHA standards.

MANUFACTURING

COMPLIANCE REPORT

Canfor is committed to transparency in our environmental reporting and includes compliance reporting as part of this process. The following is an inventory of compliance for Canfor's wholly-owned manufacturing operations.

In 2008, Canfor had the following non-compliance situations (reported in accordance with government non-compliance reporting criteria):

AIR

At wood products operations, excessive emissions were observed from a planer cyclone by the ministry of environment; a baghouse aborted to the atmosphere on three occasions in one day due to mechanical issues; a burner operated below compliance temperature for a portion of one operating day due to mechanical issues and wet fuel; another burner operated below compliance temperature due to fuel conveyor issues; a third burner was out of compliance for portions of four operating days due to heavy snowfall or mechanical problems related to very cold weather. As concerns the planer cyclone, capital expenditure approval is being sought for modifications to improve the performance; in the other instances mechanical problems were corrected and/or weather related issues ceased with improvements in the weather.

EFFLUENT

No issues in 2008.

LANDFILL

In 2008, Canfor had compliance issues with landfills at 4 operations as follows: at one wood products operation a Ministry of Environment inspection indicated an unauthorized historical deposit of chips and subsequently issued an information order to Canfor; at another operation leachate was found discharging from a wood residue landfill; at another operation leachate was being generated from decomposition of an historical deposit of chips; at another operation landfill quantities were in excess of permitted limits and at another operation the landfill was found to be out of compliance due to wood debris greater than 1 metre in length in the landfill, excessive slopes, standing water in an ash disposal area and leachate at the base of the landfill. In all cases, management plans have been implemented or are in the process of being implemented to address the compliance issues and prevent recurrence. Steps have also been taken to ensure that other operations are managing their landfills in compliance with permit conditions.

SPILLS

Canfor manufacturing operations had 2 reportable spills in 2008. All were contained, cleaned up and preventive actions taken. The spills included: one spill of hydraulic oil due to a ruptured hose and one spill of thermal oil due to a drum punctured by a forklift.

PERFORMANCE VERSUS OBJECTIVES IN 2008

AIR QUALITY

We will work with other industry representatives and the BC Ministry of Environment to develop an achievable phase out program for BC's remaining Tier 2 beehive burners.

PERFORMANCE

Development of a Tier 2 beehive burner phase out program is still in progress. In 2008, Canfor shut Tier 2 burners at two sawmills as a result of fibre supply agreements with third parties: a pulp mill for generation of heat and power, and a wood pellet producer..

AUDITS

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

PERFORMANCE

Audits were conducted at five sawmills as planned. The NCP panel plant audit did not occur as the plant was destroyed by a fire.

OBJECTIVES AND TARGETS FOR 2009

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

AUDITS

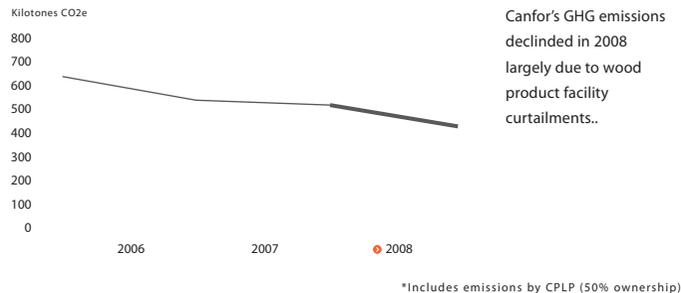
We will conduct corporate environmental audits of five sawmills and one remanufacturing plant.

IMPROVING OUR PERFORMANCE

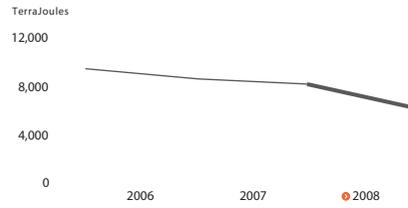
Canfor's GHG emissions were lower in 2008 compared with 2007 largely due to reduced operational levels, including indefinite closures of three operations and permanent closure of another that used natural gas for veneer or lumber drying.

Wood residue usage has increased to over 90% in 2008, from 53% of total residue generated in 2004. Increased usage in 2008 over 2007 was in part due to permanent shutdown of Canfor's one remaining Tier 1 beehive burner at Fort St. John in April 2008 and wood residue being sold to third parties including the oil and gas industry, a local pulp mill and the Grande Prairie cogeneration facility. Reduced operational levels also reduced wood residue supply and increased external demand for that reduced supply.

▶ CANFOR GREENHOUSE GAS EMISSIONS*

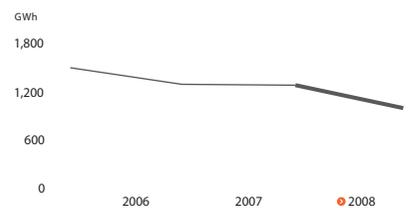


CANFOR NATURAL GAS USE



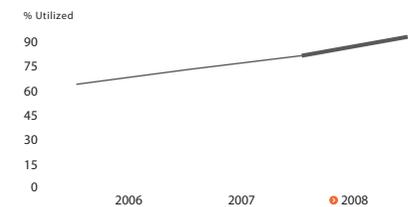
Natural Gas usage was less in 2008 due to wood product facility curtailments.

CANFOR ELECTRICITY PURCHASES



Electricity purchases were less in 2008 due to wood product facility curtailments and reduced purchases by CPLP.

CANFOR WOOD RESIDUE UTILIZATION



Canfor is close to utilizing 100% of its wood products facility residuals.

OCCUPATIONAL HEALTH AND SAFETY

Despite turbulent market conditions, Canfor's operations stayed true to the company's philosophy of "Safety Comes First at Canfor." In 2008, the Company continued the trend of improved safety performance towards a company-wide objective of a 2.0 Medical Incident Report (MIR) annual average, ending the year with a 2.72 MIR. The injury rate in our sawmills is less than half that of the rest of the industry.

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

The annual President's Safety Awards, in its 58th year, added two categories in order to better reflect the working conditions at certain sites. The awards recognize operating divisions for their exceptional health and safety performance. The winners of this year's President's Safety Awards produced impressive performance results, considering the very difficult operating environment. The 2008 award winners were Camden Sawmill for the lowest MIR; Vavenby Sawmill for the greatest percentage MIR improvement, 2007 to 2008; and the Rustad Sawmill for the lowest MIR for three consecutive years, 2006-2008.

The commitment all of our employees showed in 2008 and the results that they produced is proof of our unwavering focus on safety at the workplace.

➤ CORPORATE CITIZENSHIP

In 2008, the forest sector experienced a downturn of unprecedented magnitude. News from the industry was dominated by announcements of financial losses, market curtailments, and mill closures. Canfor maintained key commitments and long-term agreements, but reduced or eliminated some donations to reflect the challenging economic times.

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

FOCUS ON PARTNERSHIPS – UNITED WAY

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

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

FOCUS ON COMMUNITY ENHANCEMENT – CHARLES JAGO NORTHERN SPORTS CENTRE

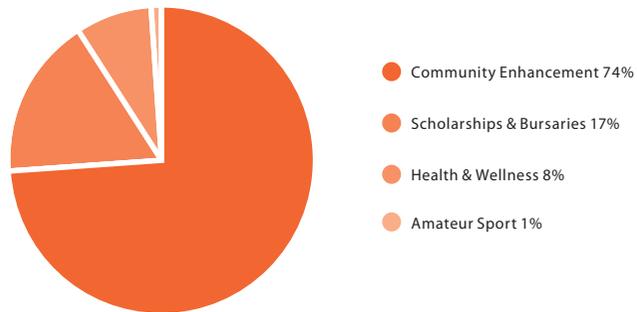
In 2008, Canfor was pleased to partner with the University of Northern British Columbia in the construction of the Charles Jago Northern Sports Centre. The 145,150 square foot facility sits at the entrance of the UNBC campus, providing training opportunities for high-performance athletes and much needed rental space for minor sport groups. In addition, the facility houses state-of-the-art fitness equipment available for public use through individual memberships.

Canfor partnered with the District of Houston in support of the new Aquatic Leisure Centre.

Canfor partnered with the District of Vanderhoof in support of its public library.

In 2008, Canfor proudly provided financial support to many diverse community groups, events and initiatives in our operating regions.

CORPORATE SUPPORT BY SEGMENT 2008



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

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

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



www.canfor.com