



Canfor and Canfor Pulp's 2020 Scope 1 & 2 Greenhouse Gas Emissions Base Year Report

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Canfor Corporation and Canfor Pulp Products Inc.

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1 Overview

The purpose of this report is to present Canfor Corporation and Canfor Pulp Product Inc.'s (Canfor Pulp's) 2020 base year scope 1 and 2 greenhouse gas (GHG) emissions. Canfor Corporation and Canfor Pulp have established the target of reducing scope 1 and 2 emissions by 42% by 2030, from a 2020 base year. In this document, the use of the word "Canfor" includes Canfor Corporation and Canfor Pulp.

Canfor's scope 1 and 2 emissions and biogenic emissions are presented by business unit in Table 1 below. These values supersede previously published values in the 2020 and 2021 sustainability reports and changes reflect the results of structural changes to the organization and third-party assurance.

Table 1: 2020 Scope 1 and 2 GHG Emissions (tonnes of CO₂e)

	Pulp Operations	Wood Products Operations: Canada	Wood Products Operations: U.S.	Vida Operations	Total
Scope 1	500,596	134,694	68,012	14,253	717,555
Scope 2 (Location Based)	7,952	40,686	89,901	15,201	153,740
Scope 2 (Market Based)	7,952	40,686	90,210	15,201	154,049
Scope 1 & 2 (location-based, non-biogenic emissions)	508,548 ✓	175,380	157,913	29,454	871,295✓
Scope 1 & 2 (market-based, non-biogenic emissions)	508,548 ✓	175,380	158,222	29,454	871,604✓
Biogenic Emissions	2,779,825✓	547,364	814,625	244,711	4,386,525✓

Canfor has engaged KPMG LLP, an independent third party, as the assurance provider to conduct limited assurance over Canfor's 2020 scope 1 & 2 location- and market-based GHG emissions and biogenic emissions, denoted with a check mark symbol. A limited assurance engagement was performed over Canfor Corporation (which includes Canadian wood products operations (also known as Wood Products Canada), U.S. wood products operations (also known as Canfor Southern Pine), Canfor Pulp Products Inc. and Vida Group). A separate limited assurance engagement was performed over Canfor Pulp Products Inc. See Appendix 1: Independent Practitioner's Limited Assurance Reports.

2 GHG Reporting Principles and Inventory Boundary

2.1 GHG Inventory Overview

This GHG inventory overview describes the procedures for compiling a corporate-wide inventory of scope 1 and 2 emissions. Canfor has structured their GHG inventory to follow the accounting and reporting guidelines of The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the "GHG Protocol")¹ and the GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard,² published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). This protocol is the international accounting tool most widely used by government and business leaders to understand, quantify, and manage GHG emissions.

¹ World Resources Institute and World Council for Sustainable Development. *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition*. Available online: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>.

²World Resources Institute and World Council for Sustainable Development. *GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard*. Available online: <https://ghgprotocol.org/sites/default/files/2023-03/Scope%20%20Guidance.pdf>



2.2 Reporting Period

Canfor's 2020 GHG inventory represents emissions for the 2020 calendar year.

2.3 Organizational Boundary

Canfor uses the operational control approach for the estimation of GHG emissions across all international facilities that Canfor owns or is the majority shareholder of and has operational control over. The GHG inventory boundaries were established across all facilities based on ownership and control. As per The GHG Protocol, under the operational control approach, a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control. By this definition, Houston Pellet Limited Partnership is outside the GHG inventory boundary and is excluded.

Canfor organizes the GHG inventory according to geographic business units (Canfor Pulp, Wood Products Canada, Canfor Southern Pine, and the Vida Group). Each facility within Canfor's operational control has been categorized into one of eleven facility types: sawmills, pulp mills, pellet mills, glued laminate (glulam) facilities, remanufacturing (reman) facilities, packaging facilities, Vida Building Products, New South Express transportation division, offices, and woodlands camps and other.

2.4 Excluded Sources

This inventory does not include emissions from land-use management, land-use change, or carbon stored from harvested wood products.

2.5 Operational Boundary

Emission sources were evaluated across Canfor's scope 1 and scope 2 emissions relative to the emission source categories in the GHG protocol. Through a review of Canfor's business practices, it was determined that the following source categories were applicable:

- **Scope 1:** Stationary combustion, mobile combustion, process emissions and fugitive emissions
- **Scope 2:** Purchased electricity and purchased heat

Scope 2 (indirect) GHG emissions are emissions from the generation of purchased electricity and hot water consumed by Canfor. 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 production 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.

2.6 Renewable Energy and Offsets

Canfor did not purchase Renewable Electricity Certificates (RECs) in 2020 and does not account for the use of carbon offset credits within the GHG inventory.

Canfor Pulp generates and serializes RECs for sale on open exchanges. Canfor generated carbon offsets under the British Columbia and Alberta provincial offset systems for fuel switching and electricity generation projects in 2020.

3 GHG Emissions Quantification

3.1 Included Greenhouse Gases:

All seven major GHGs (carbon dioxide [CO₂], methane [CH₄], nitrous oxide [N₂O], hydrofluorocarbons [HFCs], perfluorocarbon [PFCs], sulfur hexafluoride [SF₆], and nitrogen trifluoride [NF₃]) outlined in the GHG Protocol were evaluated for applicability across Canfor's twelve facility categories for each scope 1 and scope 2 sources. Through this evaluation it was determined that PFCs, SF₆, and NF₃ are not emitted from Canfor operations. Emissions have been calculated for CO₂, CH₄, N₂O, and HFCs. Hydrochlorofluorocarbons (HCFCs) fugitive emissions were included in the refrigerant category, however, are an immaterial source of emissions.

3.2 Global Warming Potentials

Canfor utilized the Global Warming Potentials (GWPs) published by the IPCC Fifth Assessment Report (AR5) for the 2020 inventory.

3.3 Emission Factors

Canfor's approach to selecting emission factors for scope 1 and scope 2 emissions involves an annual review to take the most recent factors for each calendar year that are applicable for the regions in which Canfor operates at the time of inventory compilation. Country-specific government sources are selected as primary data sources, and industry organizations as secondary sources where primary data sources are unavailable. This approach ensures that Canfor's GHG inventory reflects the most up to date information on emission factors and reflects the changes to emission factors over time for purchased electricity as energy grids shift to low carbon infrastructure. Key sources of emission factors include:

- Environment and Climate Change Canada
- US Environmental Protection Agency
- Swedish Environmental Protection Agency

3.4 Uncertainty

The quantification of GHG emissions is subject to uncertainty due to the inherent limitations of the calculation methodologies and the assumptions being made in lieu of specific measurements. GHG emissions are, to the extent possible, calculated based on directly measured or metered activity data. Where such data cannot be metered directly from the equipment, Canfor utilizes scientifically supported quantification methodologies and assumptions that are supported by governments and research-oriented industry associations.

Processes without direct energy metering as an output of combustion, including landfills, lime kiln processes and wastewater, present difficulty in accurately quantifying emissions. In these cases, methods published by the US EPA³ and IPCC⁴ were utilized. Uncertainties are addressed through documenting assumptions and continuous improvement in data sourcing, emission factor selection, and calculation methodology.

³ U.S. Environmental Protection Agency. Technical Support Document for the Pulp and Paper Sector: Proposed Rule for Mandatory Reporting of Greenhouse Gases. U.S. Environmental Protection Agency, Office of Air and Radiation. [Online] February 11, 2009. https://www.epa.gov/sites/default/files/2015-03/documents/subpartaa-tds-pulp_and_paper.pdf.

⁴ IPCC. Chapter 3: Solid Waste Disposal. 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. [Online] 2019. https://www.ipcc-nggip.iges.or.jp/public/2019rf/pdf/5_Volume5/19R_V5_3_Ch03_SWDS.pdf

4 Base Year Selection and Recalculation Policy

4.1 Base Year Selection

Canfor and Canfor Pulp have chosen 2020 scope 1 and 2 market-based emissions as the base year for our target, as a relevant year for which reliable data exists.

4.2 Recalculation Policy

It is possible that Canfor's approach to GHG reporting may change over time, and updates to the base year policy and applicable reporting may be required. Three scenarios would trigger a base year recalculation: an adjustment due to structural changes to the business or inventory boundary, an adjustment due to methodology changes during an annual review, or the discovery of significant errors or several cumulative errors that are collectively significant.

The significance threshold for updating the base year is a change in the total scope 1 and 2 emissions greater than 5%. When any of the above criteria are met, Canfor will publicly restate the base year GHG emissions. The base year may be restated as a result of recalculations that do not exceed the 5% threshold at Canfor's discretion in any of the above scenarios. Canfor follows the GHG Protocol for guidance on base year recalculation and restatements.

Adjustments due to Structural Changes to the Business or Inventory Boundary

Divestments or acquisitions of facilities can significantly change a company's structural inventory boundary. If changes to Canfor's structural inventory boundary impacts the 2020 base year above the significance threshold, then base year will be recalculated. Canfor also recognizes that minor structural changes, in isolation, can over time cumulatively exceed the significance threshold when paired with other minor structural changes. For this scenario, Canfor will analyze and track the impacts of each structural change to the 2020 base year and account for cumulative changes. Once such cumulative changes exceed the significance threshold then the 2020 base year will be restated.

When structural changes occur in the middle of the year, the base year emissions will be recalculated for the entire reporting year, and the entire current year emissions will be included in the GHG inventory, to the extent that data is available.

Material changes to Canfor's operations may occur over time due to market opportunities or constraints, such as changes in production volumes or product mix, the opening of facilities, or the temporary or permanent closure of facilities, resulting in in the organic growth or decline of GHG emissions. The base year will not be recalculated due to organic growth or decline (such as temporary or permanent curtailments); however appropriate disclosure will be made in public reporting to provide the impact from the organic growth or decline.

Adjustments due to Methodology Changes

Canfor annually reviews emission calculation methodologies and emission factors. As a result of this review, there is a possibility that changes to the methodology can materially impact Canfor's reported emissions. If a change of methodology reflects an improvement in accuracy, and it is possible to apply that methodology to the base year data, then the base year may be recalculated. If the change exceeds the significance threshold, then the base year will be restated. Changes in emission calculation methodologies will be described in the GHG inventory Management Plan annually, irrespective of whether the change results in a material impact to Canfor's emissions calculations.

The base year will not be recalculated due to the availability of new versions of emission factors that reflect an updated understanding of the emission source or, in the case of scope 2, updates to emission factors that represent current generation sources on an electricity grid.

Adjustments due to Significant Errors

During Canfor's annual review of emission calculations, it is possible that an error in the base year calculation may be discovered. If the corrected calculation results in a change in reported GHG emissions that exceeds the significance threshold, then the base year will be restated.

5 Internal Review and Auditing

5.1 Management Review

Data sources for the GHG inventory are subject to management review monthly to compare month-over-month consumption and close out invoices in a timely manner. The compilation of the GHG inventory is supported by industry best practice and is reviewed continually by the Manager of Climate Change and Carbon who also oversees annual review of methodological revisions and baseline updates. Prior to final closeout the GHG inventory is signed off by the Director, Environment and Sustainability.

5.2 Internal Verification

Internal review of the GHG inventory is completed in a two-stage approach. The first review is conducted upon gathering all emission source data from each of Canfor's business units to verify completeness of data and identify errors in the data gathered. The second review is completed after emission calculations have been completed to ensure each emission factor correctly corresponds to the appropriate emission source. Key areas for internal auditing include verifying invoice transcription; verifying current units; unit conversions; application of emission factors; and checking Excel formulas and data references.

Appendix 1: Independent Practitioner's Limited Assurance Reports





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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

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 Base Year Greenhouse Gas Report (the "Report") ("subject matter information") and as described in the table below, for the year ended December 31, 2020.

Subject Matter Information	Reported amount and units*	Applicable criteria
Total Scope 1 GHG emissions and Scope 2 location-based GHG emissions	871,295 Tonnes CO ₂ e	<ul style="list-style-type: none">• The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard Revised Edition; and• The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard.
Total Scope 1 GHG emissions and Scope 2 market-based GHG emissions	871,604 Tonnes CO ₂ e	
Biogenic emissions	4,386,525 Tonnes CO ₂ 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.

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 Control

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 Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and 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.



Canfor Corporation
Limited Assurance Report
May 12, 2023

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, 2020, is not prepared and presented, in all material respects, in accordance with the applicable criteria as at the date of our report.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants
May 12, 2023
Vancouver, Canada



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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 Base Year Greenhouse Gas Report (the “Report”) (“subject matter information”) and as described in the table below, for the year ended December 31, 2020.

Canfor Pulp Products Inc. GHG emissions for the year ended December 31, 2020

Subject Matter Information	Reported amount and units*	Applicable criteria
Total Scope 1 GHG emissions and Scope 2 location-based GHG emissions	508,548 Tonnes CO ₂ e	<ul style="list-style-type: none"> • The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard Revised Edition; and • The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard.
Total Scope 1 GHG emissions and Scope 2 market-based GHG emissions	508,548 Tonnes CO ₂ e	
Biogenic emissions	2,779,825 Tonnes CO ₂ e	

* The figures are separately reporting 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.

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amendment to the GHG Protocol Corporate Standard, for GHG emissions reporting (collectively the “applicable criteria”).

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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.

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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,
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- Where relevant, performing walkthroughs to test the design of internal controls relating to data collection and reporting of the subject matter information;
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Canfor Pulp Products Inc.
Limited Assurance Report
May 12, 2023

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, 2020, is not prepared and presented, in all material respects, in accordance with the applicable criteria as at the date of our report.

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Chartered Professional Accountants

May 12, 2023

Vancouver, Canada