



2021 Sustainability Report

Highlights



Planting a Sustainable Future

We are looking at the forest in new ways to acknowledge what we do well and challenge ourselves in other areas. We are continuing our long history of excelling at best-in-class forestry practices and producing renewable products. We are also investing in innovative technology and tapping into the collective energy and passion of our people and partners.

By building a future that is equitable, balanced and sustainable, we can help create a world where everyone can benefit.

Together, we will frame the future.

GOOD THINGS COME FROM
CANFOR TREES

\$1.8M

in charitable giving
to 310 organizations
through Canfor's Good
Things Come From Trees

A Message from Don Kayne

President & CEO

2021 was once again a year like no other—it tested our resilience and capacity to adjust to frequently changing conditions. From the volatility of the ongoing pandemic, extensive supply chain challenges and high demand for lumber, combined with a tight labour market and devastating wildfires which impacted so many communities, these situations demonstrate the critical importance of incorporating sustainability into everything we do.

Making sustainability a core value in our business is not only the right thing to do for the planet, our people, stakeholders, partners and customers, it makes us a better company. Our employees are proud to work for us, and our customers are reassured they have the right partner for the future.

We are integrating sustainability into every aspect of our business as we develop the operational plans for achieving our goals and targets that reflect our leadership aspiration. Our efforts to mitigate climate change start with maintaining healthy, well-managed forests, reducing the carbon intensity of our operations, and building on opportunities across our value chain.

In Canada, we operate on the traditional and unceded territories of many Indigenous communities. Recognizing and respecting these rights-holders and understanding their unique and diverse interests is deeply tied to our forestry practices. Our aim is to ensure Indigenous Peoples have the opportunity to participate in the forest economy and our shared goals of conserving the environmental, social and cultural values of the forest are protected. An example of this is Arbios Biotech's low carbon biofuel plant. It sits on the traditional territory of the Lheidli T'enneh First Nation and is a joint

Making sustainability a core value in our business is the right thing to do for the planet, our people, stakeholders, partners and customers, and it makes us a better company.



venture between Canfor and Licella. Arbios is working closely with Lheidli T'enneh First Nation on a plan to jointly develop the project, understand their interests and to ensure meaningful commercial and practical participation for the Nation in the project. The plant will use innovative technology to convert low-value residuals into biofuels with applications in the transportation sector. This is an example of our commitment to bio-innovation and doing things differently to drive benefits for the planet, people and our company.

Our commitment is to become a net-zero carbon company by 2050. Our target is to reduce absolute scope 1 and 2 emissions by 42% by 2030. We will also measure our scope 3 emissions and establish a science-based reduction target by 2024.

We set our goals and targets to reflect our overall ambition and to position Canfor as a leader within our industry. We recognize that these are long-term goals and targets but we're already starting to see the positive impacts of our actions as sustainability moves deeper into the organization. This multi-year journey requires the energy, passion and ideas of all our people and I'm confident we have the right team and plan in place.

Together, we can frame the future.

Don Kayne
President & CEO, Canfor

Download our **2021 Sustainability Report**

Download our **2021 Performance at a Glance**

About Us

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

We embrace innovation in our industry and provide high-quality products to markets around the world. With our dedicated employees, we demonstrate leading environmental practices and are committed to the communities that host our operations.

Through our sawmills, 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 innovation to supply renewable solutions to create a future as sustainable as the forest.

Our Sustainability Framework

People

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

Safety, Health & Wellness

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

Inclusion & Diversity

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

Indigenous Relations

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.

Human Rights

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

Community Engagement

We will be an active corporate citizen focused on supporting education, community, sustainability and health initiatives.



Planet

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

Sustainable Forestry

We are committed to practicing 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.

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.

Air Quality

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.

Water Management

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

Waste Management

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



Products

Our products are sustainable because our manufacturing and supply chain are optimized for responsible resource use.

Residuals Management

We are committed to maximizing utilization by identifying the highest and best use, from the forest to the finished product, while supporting sustainable forests.

Supply Chain Management

We are committed to embedding sustainability throughout our supply chain.

Energy Management

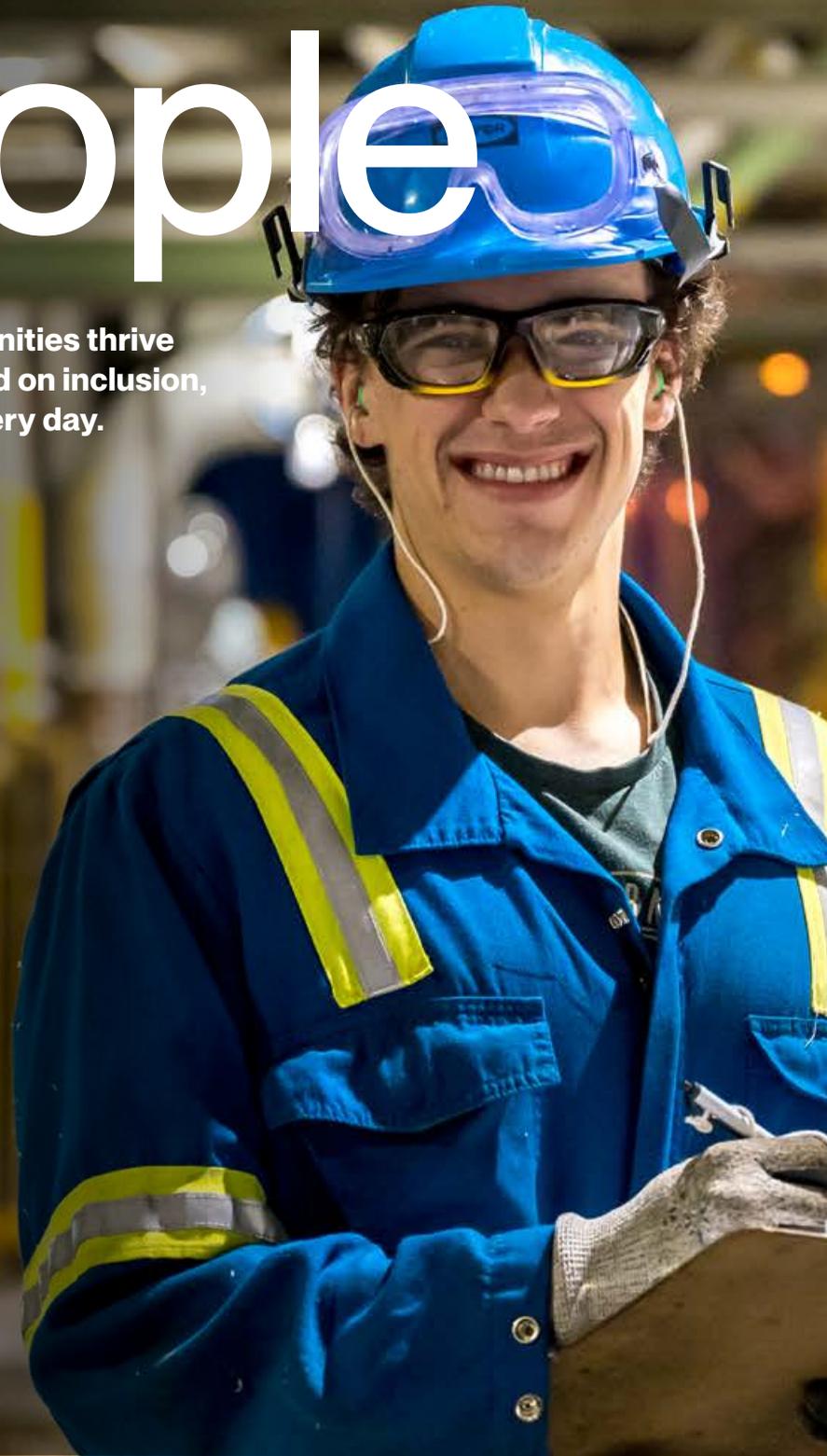
We will decrease the energy intensity of the manufacturing process and continue to generate surplus clean energy.



See page 15 of the 2021 Sustainability Report for our performance against goals and targets.

People

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



Safety, Health & Wellness

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

At Canfor, safety is everyone's responsibility. We take a proactive approach to safety and we work as a team to improve safety across our company.

We're always working toward our commitment of a zero-incident workplace and supporting the health and wellness of our people, and we aim to meet and exceed health and safety regulations in every jurisdiction where we operate. We provide programs, policies and training on a range of related subjects to support these goals, including occupational health and safety, industrial hygiene, safety compliance training, emergency response and preparedness, and loss prevention.

Canfor understands that employee wellness is a key component of employee health. That's why, in addition to our robust health and financial benefits programs, we offer access to an occupational health nurse and nurse practitioner, employee assistance programs, and digital cognitive behavioural therapy.

Canfor also offers other programs tailored to the targeted needs of our people and are supplemented by wellness campaigns. Together, these empower our people to take charge of their own well-being.



1.42

Our company-wide total recordable incident frequency (TRIF) for the year, a decrease from 2020

2021

Creation of the Global Safety Team with representation from all of our wood products and pulp operations, and with the intention to standardize our reporting and best practices



#1

Benefits Canada magazine awarded Canfor "Best Financial Wellness Program of 2021"

People

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

Inclusion & Diversity

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

Canfor is stronger when we embrace diversity — of abilities, backgrounds, experiences and points of view.

The result is more effective problem-solving, increased innovation, better teamwork and a safer and more welcoming workplace. Our aim is to continue to foster an inclusive and equitable culture and increase diversity in our workforce.

We're committed to improving opportunities for all Canfor employees, with a strong focus on under-represented groups. We expect our employees to always demonstrate

respect and act in accordance with our policies that aim to ensure:

- Canfor is committed to improving opportunities for all our employees, with a strong focus on under-represented groups
- Equitable and inclusive access to opportunities
- Champion a culture of inclusion through employee-led Employee Network Groups
- A workplace free from discrimination

Canfor has a zero-tolerance policy for discrimination or racism and will investigate any such claims.



13%

of new hires were women, compared to 11% in 2020. We are actively working to increase the number of women we hire and enhance diversity in all roles across Canfor



94%

of salaried employees across North America completed Inclusion & Diversity Awareness training

24%

of North American new hires identified as being a member of an under-represented group



2021

Canfor's U.S. wood products operations named "Supplier of the Year for Equity and Inclusion" by Deltac Homes



People

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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.

We value our working relationships with Indigenous communities on whose traditional 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 resource sector.

We prioritize meaningful engagement with Indigenous groups, 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.

All of Canfor's Canadian operations, manufacturing facilities and corporate offices overlap with traditional Indigenous territories. We care about the wellness of Indigenous Peoples and these relationships influence every aspect of our work: procurement, employment, partnership agreements and community investments. We acknowledge that forests are an integral part of the livelihoods of Indigenous Peoples, and see opportunities for mutually beneficial partnerships with Indigenous communities.

97%

of Canadian salaried employees participated in the Indigenous Cultural Awareness and Understanding training



3.4%

of our spend by Canadian wood products operations was with Indigenous vendors and we aim to increase this to 5% by 2025



93

new Indigenous employees hired, compared to 62 in 2020

Planet

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

Sustainable Forestry

Goal: We are committed to practicing 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 forest management is essential for the planet and people. We value wood for being renewable, high quality, reliable and environmentally sustainable as a carbon-storing building product and as raw material for our pulp and paper products.

We recognize that harvesting and building roads in forested areas can affect wildlife and water quality. That's why we are continuously working to lessen these potential effects by implementing credible, science-based, ecosystem-focused and sustainable forest management practices.

In Canada, we source wood primarily through long-term tenure agreements on publicly owned land. In the U.S.,

we do not manage forest lands directly, but deliver on our commitment to sustainable forestry through our certified fibre-sourcing practices. We have independent forest certifications, which assures customers that they are buying products from forests managed to comprehensive environmental, social and economic standards. All our practices meet and exceed regulations set by government.

Forest management can have a range of potential social and ecological effects. We aim to build collaborative partnerships and develop innovative solutions so we can contribute positively to forest health, enhance the resilience and productivity of the forests we manage, and mitigate climate change.

54M

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



100%

of our Canfor-managed forests are certified to the Sustainable Forestry Initiative® (SFI) or the Forest Stewardship Council® Forest Management Standards

3

seedlings planted for every tree harvested



100%

of all sourced wood in the U.S. was certified to the SFI Fibre Sourcing Standard

Planet

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

Climate Change

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.

Climate change is the most urgent environmental issue we face today. The potential impact on our communities and business is far-reaching.

The risks associated with climate change, including increased frequency of wildfires, flooding, extreme weather events and insect infestations can have a significant impact on our people, communities and business.

These events affect the forests and the communities we operate in and may cause supply chain interruptions. We recognize the urgent need to take climate action requires

us to continue to evolve our practices to meet the needs of tomorrow. Our best tool to help tackle climate change is healthy forests that are sustainably managed. Additionally, our wood-based products can be a significant contributor to a low-carbon economy to help mitigate climate change.

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

1.5°C

We've committed to set near- and long-term emission reductions that are in line with the Science Based Targets initiative (SBTi) to limit global warming to 1.5°C



42%

absolute reduction target of scope 1 and 2 emissions by 2030 from a 2020 baseline

2024

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



\$250M+

will be invested over the next 8 years in carbon reduction projects



Products

Our products are sustainable because our manufacturing and supply chain are optimized for responsible resource use.

Residuals Management

We are committed to maximizing utilization by identifying the highest and best use, from the forest to the finished product, while supporting sustainable forests.

Canfor works hard to optimize the productive use of the wood fibre that comes from the forests.

It's an essential component in assessing what is best for the environment and ensuring that maximum value is retained by identifying the highest and best use of each log. That's why Canfor puts such an emphasis on residuals management.

We're committed to harnessing green energy through the use of forest residuals, enhancing the efficiency of our material use and increasing the percentage of wood fibres that are productively processed and create value.

At Canfor, we continue to make advances in bio-innovation to achieve long-term economic growth through diversification of sustainable products and lower-impact business solutions. This includes opportunities in areas

such as biofuels, biochemicals and biomaterials. In 2020, we established our Bio-Innovation team, which works to assess potential opportunities across the spectrum, from proof-of-concept to commercialization to implementation. An example of our commitment to bio-innovation and environmental sustainability is through our joint venture, Arbios Biotech, with technology pioneer Licella. The partnership leverages the strengths and capabilities of both companies to convert wood residues and other biomass to renewable biofuels and biochemicals.

We remain committed to embedding sustainability throughout our supply chain and have set targets to decrease the energy intensity of the manufacturing process through generating surplus clean energy. Where possible, we sell excess energy to the B.C. power grid.

5.9M

tonnes of residuals diverted from landfills for use as hog fuel or processed into value-added products



87,882

MWh of renewable electricity generated from our Canfor Green Energy biomass cogeneration facility

80%

of our energy consumption is from renewable sources



A Message from Pat Elliott

CFO, Canfor & Canfor Pulp,
and SVP, Sustainability

When we published our 2020 Sustainability Report, we set targets for four of our material topic areas within the pillars of People, Planet and Product. Throughout this year, we have focused on the deep integration needed within the business to make progress against these targets. This included adding resources to the sustainability team in the form of new roles and systems, engaging our working group and internal experts, and starting the process for developing realistic targets – and plans to achieve them – for a further four material topic areas: Climate Change, Water Management, Waste Management, and Air Quality. We separated Waste Management and Residuals Management as individual topic areas as it was important to differentiate actual waste versus the materials that still have value-add potential for biofuel, green energy or other uses.

I'm excited about how far we have come over the last two years and how much we can still achieve. The journey to a sustainable, net-zero carbon company has only just begun.



Our reporting has continued to evolve for increased transparency to respond to changing standards and expectations for our industry. We are pleased to include disclosures aligned with the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board standards, as well as continuing with the Global Reporting Initiative standards. We will closely monitor any future proposals to ensure we integrate them into later reporting years.

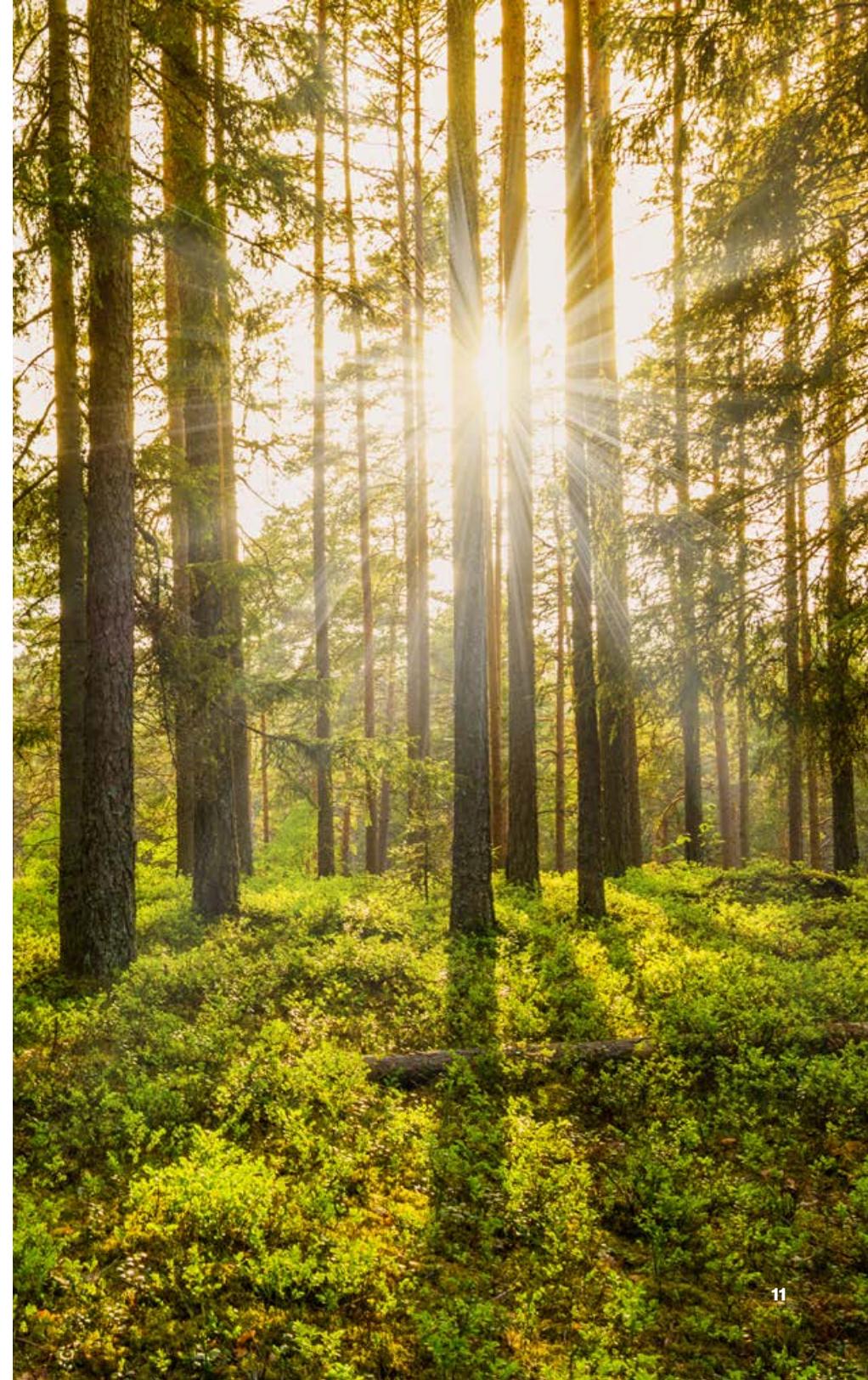
I'm excited about how far we have come over the last two years and how much we can still achieve. The journey to a sustainable, net-zero carbon company has only just begun.

A handwritten signature in black ink, appearing to read 'Pat Elliott', written in a cursive style.

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

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