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To: Canfor Pulp FSC® CoC/CW Stakeholders

January 26, 2023

Dear Stakeholder

Stakeholder Consultation

KPMG Forest Certification Services Inc. (KPMG FCSI) to conduct an FSC® Chain and Custody/Controlled Wood Re-certification Audit of Canfor Pulp Ltd. in 2023

Purpose and scope of the audit

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Canfor Pulp Ltd. (Canfor Pulp) against the requirements of the current Forest Stewardship Council® (FSC®) chain of custody (CoC) and controlled wood (CW) standards. A stakeholder consultation process is planned for late winter 2023, with the main assessment scheduled to take place March 13 – 17, 2023.

Canfor Pulp holds a multi-site FSC CoC/CW certificate that includes the following sites:

- Intercontinental Pulp Mill (part of the 2023 audit sample)
- Northwood Pulp Mill
- Prince George Pulp and Paper Mill
- Taylor Pulp (part of the 2023 audit sample)
- Canfor Pulp and Paper Marketing (part of the 2023 audit sample)

The supply area for the above participating sites is those portions of the WWF ecoregions located within the provinces of Alberta, British Columbia and Saskatchewan that are contained on the fibre supply area maps documented within Canfor Pulp's publicly available Due Diligence Summary (DDS) (available via the provided link below).

The audit will be based on the current FSC CoC (FSC-STD-40-004 V3-1) and CW (FSC-STD-40-005 V3-1) standards.

This letter serves as an invitation to interested and affected stakeholders who wish to provide comments that are pertinent to Canfor Pulp's FSC CoC/CW certification. The comments received will be considered by KPMG FCSI in reaching its conclusions regarding Canfor Pulp's conformance with the applicable FSC CoC and CW standards.

About FSC and the CoC and CW standards

The FSC is an international non-profit organization founded in 1993 to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. It supports the development of national and regional standards to be used to evaluate whether a forest is being well-managed.

It is an association of members consisting of a diverse group of representatives from environmental and social organizations, forest and product industries, Indigenous People's organizations, community forestry groups and certification bodies from around the world. Membership is open to all who are involved in forestry or forest products and share its aims and objectives.

FSC, with its head office in the city of Bonn, Germany, is governed by an elected Board which consists of people from industry, environmental, social and labor groups, Indigenous People's representatives and others.

Your role

We would appreciate your comments on issues that are pertinent to Canfor Pulp's FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observations regarding the Company's due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the control measures adopted and implemented by the Company to mitigate the risk regarding those specified controlled wood risk indicators applicable to Canfor Pulp's defined fiber supply area. Both the specified control wood risk indicators applicable to Canfor Pulp and the associated control measures selected by Canfor Pulp to mitigate them come out of the FSC Canada National Risk Assessment (the NRA). Comments received will be considered by KPMG FCSI in assessing Canfor Pulp's performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Canfor Pulp FSC CoC/CW certification audit summary report.

A questionnaire is provided with this letter for your comments on issues that are pertinent to Canfor Pulp's FSC CoC/CW certification. However, additional materials and other methods of communication will also be accepted. Upon request, arrangements may also be made to allow stakeholders to meet with members of the audit team during the on-site portion of the audit.

Access to information

FSC requires that stakeholders be provided access to certain information as part of the consultation process, including:

- A description of the supply area and respective risk designation. This information is included within Canfor Pulp's Due Diligence System (DDS).
- A written summary of the Canfor Pulp DDS. A copy of this document is available on KPMG FCSI's website at <https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/fsc-stakeholder-consultations.html>.
- Copies of the applicable FSC CoC and CW standards. These can be obtained from FSC International at <https://fsc.org/en/document-centre>.

- A copy of the latest version of the FSC Canada National Risk Assessment can be found at: <https://ca.fsc.org/ca-en/controlled-wood/national-risk-assessment>
- The procedure for filing complaints. A copy of KPMG FCSI's dispute resolution procedures are available on KPMG FCSI's website at: <https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/kpmg-forest-certification-services.html>
- Contact information of the person or position responsible for addressing complaints. This can be obtained by visiting the KPMG FCSI website noted above.

KPMG FCSI Contact information

All comments and requests for additional information should be directed to Cindy Hutchison at:

KPMG Forest Certification Services Inc.
PO Box 10426, Pacific Centre
Vancouver, B.C.
V7Y 1K3
Fax: (604) 691-3031
Email: cindyhutchison@kpmg.ca

Our commitments

- 1 The source of specific comments received will remain confidential unless the commenting party specifically indicates to the contrary.
- 2 We will respond to all stakeholders who provide comments and provide information on how their comments were taken into account.
- 3 A summary of stakeholder comments and how they were considered by KPMG FCSI will be included in the Canfor Pulp FSC CoC/CW certification audit summary report.

Yours very truly,



Craig Roessler, RPF(BC), EP(EMSLA)
KPMG FCSI
(604) 691-3115

Enclosures



Scope

Canfor Corporation and Canfor Pulp Ltd.’s due diligence system (DDS) supports each allied company’s multi-site chain of custody certification registered under FSC-CW/CoC certificate codes:

Canfor Corporation: KF-COC-001058/KF-CW-001058

Canfor Pulp Ltd.: KF-COC-001056/KF-CW-001056

The list of participating sites, by company covered by the multi-site certifications include:

Canfor Corporation:

- Radium Hotsprings Sawmill,
- Elko Sawmill,
- Skookumchuck Whole Log Chipping Operation,
- Canfor Wood Products Marketing.

Canfor Pulp Ltd.:

- Prince George Pulp & Paper Mill,
- Intercontinental Pulp Mill,
- Northwood Pulp Mill,
- Taylor Pulp Mill,
- Canfor Pulp Sales.

Information on Canfor Corporation and Canfor Pulp Ltd. is available at <https://www.canfor.com/>

FSC Products Groups

Canfor Corporation:

- W1.2/SPF, Fdi, Lw bark hog fuel,
- W3.1/SPF, Fdi, Lw wood chips,
- W3.2/SPF, Fdi, Lw sawdust,
- W3.3/SPF, Fdi, Lw shavings,
- W1.1/SPF, Fdi, Lw logs,
- W6.1/SPF, Fdi, Lw lumber,
- W5.2/Fdi, Lw rough green lumber.

Canfor Pulp Ltd.

- P1.1/mechanical pulp,
- P1.1.2/mechanical, bleached - refiner pulp,
- P1.3/chemical pulp, bleached,
- P1.4/chemical pulp, unbleached,
- P2.3/wrapping and packaging paper.

Species used in Canfor Corporation & Canfor Pulp Ltd.’s FSC® Product Groups

Pines	Spruces	True Firs	Other Conifers	Hardwoods
Lodgepole Pine (<i>Pinus contorta</i>), Jack pine (<i>Pinus banksiana</i>),	White Spruce (<i>Picea glauca</i>), Engelmann Spruce (<i>Picea engelmannii</i>), Black spruce (<i>Picea mariana</i>) Hybrid White Spruce (<i>Picea spp.</i>),	Balsam fir (<i>Abies lasiocarpa</i>),	western larch (<i>Larix laricina</i>), Douglas-fir (<i>Pseudotsuga menziesii</i>), Hemlock (<i>Tsuga heterophylla</i>),	Aspen (<i>Populus tremuloides</i>), Balsam poplar (<i>Populus trichocarpa</i>), Paper Birch (<i>Betula papyrifera</i>)

Defined Fibre Supply Areas

Canfor Corporation and Canfor Pulp Ltd. have defined fibre supply areas in British Columbia, Alberta and Saskatchewan that are shown in the following figures.



Figure 1: British Columbia Defined Fibre Supply Area



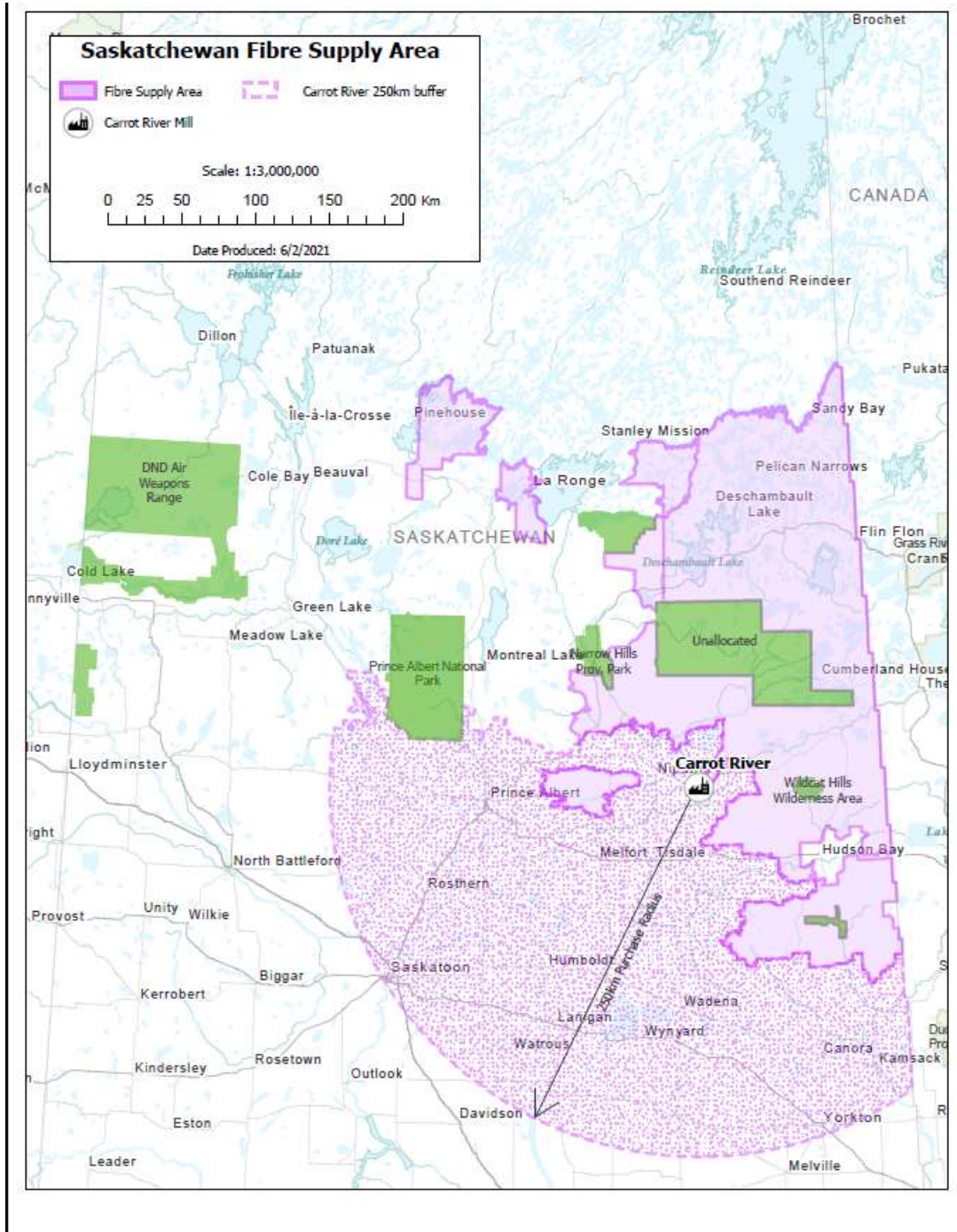


Figure 2: Alberta Defined Fibre Supply Area





Figure 3: Saskatchewan Defined Fibre Supply Area





Risk Assessment & Control Measures

The most current version of the National Risk Assessment (NRA) for Canada was approved November 5, 2019 and is available at <https://fsc.org/en/document-centre/documents/resource/344>.

Risk Mitigation under sec. 4.12 of the Controlled Wood Standard.

Table #1 identifies the NRA indicators with specified risk within the British Columbia, Alberta and Saskatchewan defined fibre supply areas and the control measures selected by Canfor Corporation and Canfor Pulp Ltd.

Table #1 – Specified Risk and Control Measures

Controlled Wood Indicator	Selected Control Measure(s)
2.3 The rights of Indigenous and Traditional Peoples are upheld.	1
<p>Control Measure #1: Indigenous Peoples with legal and/or customary rights within the Forest Management Unit do not <i>oppose*</i> the Forest Management Plan.</p>	
3.1 HCV 1: Species diversity.	8
<p>Control Measure #8: Evidence demonstrates that forests in the sourcing area have a <i>management plan</i>¹ that contributes to the recovery of woodland caribou <i>critical habitat*</i>, as identified in the Federal Recovery Strategy. The management plan identifies and implements: a) Best Management Practices (BMPs) that reduce disturbance to and restore <i>critical habitat*</i> including, but not limited to: • access management (e.g. road decommissioning, integrated access plans, restoration of linear features); OR ▪ aggregate harvesting (i.e. harvest scheduling to minimize disturbance footprint). OR b) Harvest deferrals, set asides, and/or <i>protection areas</i>² within areas of <i>critical habitat*</i>, where forest operations are not permitted. Rationale is provided as to how such actions will contribute to reducing the level of disturbance over time in <i>critical habitat*</i>, in support of meeting the threshold³ requirements in the Federal Recovery Strategy.</p>	



Table #1 – Specified Risk and Control Measures

Controlled Wood Indicator	Selected Control Measure(s)
3.2 HCV 2: Landscape-level ecosystems and mosaics.	2 & 5
<p>Control Measure #2: Evidence demonstrates that a minimum of 80% of the IFL is not <i>threatened*</i> by forest management operations in the <i>long-term*</i>. AND The cumulative impacts of forest harvesting will not reduce the IFL to below 50,000 ha.</p> <p>Control Measure #5: Forest operations do not reduce IFLs below 50,000ha, AND all meet applicable options below: a) For an IFL between 50,000ha and 62,500, cumulative impacts forest operations do not affect more than 10% of the IFL. b) For an IFL between 62,501 and 75,000 ha, cumulative impacts forest operations do not affect more than 20% of the IFL. c) For an IFL between 75,001 and 200,000 ha, cumulative impacts forest operations do not affect more than 30% of the IFL. d) For an IFL between 200,001 and 500,000 ha, cumulative impacts forest operations do not affect more than 35% of the IFL. e) For an IFL larger than 500,001 ha, cumulative impacts forest operations do not affect more than 45% of the IFL.</p>	
4.1 Conversion of natural forests to plantations or non-forest use in the area under assessment is less than 0.02%, or 5000 hectares average net annual loss for the past 5 years (whichever is less). Applies to BC & Alberta only.	1, 2 & 3
<p>Control Measure #1: Evidence demonstrates that supplied material does not originate from areas converted to non-forest.</p> <p>Control Measure #2: Evidence demonstrates that supplied material originates from acceptable sources of conversion, including: ▪ Conversion that results in conservation benefits (e.g. ecological restoration, species at risk protection), and ▪ Publicly approved changes in zoning within urban areas</p> <p>Control Measure #3: The Organization demonstrates support for existing integrated land management processes designed to reduce the cumulative impact of changes to non-forest landscapes. ▪ Documented support promoting integrated land management processes that aim to reduce the cumulative impact of conversion of forests to non-forest uses; ▪ Participation in integrated land management discussions; and ▪ Working within their sphere of influence to enact mitigation strategies designed to reduce the impact of conversion to non-forest uses</p>	



Complaints

The complaints process addresses complaints and complaints that have escalated into disputes.

Complaints regarding Canfor Corporation's forest management and controlled wood certification can be forwarded to:

Ms. Sara Cotter, RPF, FMS & Tenures Coordinator
Canfor Administration Centre
5162 Northwood Pulp Mill Road, PO Box 9000
Prince George, BC, V2L 4W2
T: 250-962-3500
F: 250-962-3582

E: Sara.Cotter@canfor.com

Complaints regarding Canfor Pulp Ltd.'s controlled wood certification can be forwarded to:

Arthur Tsai, Advisor Communications and Marketing
100-1700 West 75th Ave
Vancouver, BC, V6P6G2
T: 604-264-6213
F: 604-661-5253
E: Arthur.Tsai@canfor.com

Complaint Process

- Within two weeks of receiving the complaint provide an initial response that notifies the complainant/s that the complaint has been received and inform the complainant/s of the complaints procedure,
- Conduct a preliminary assessment to determine whether evidence provided in the complaint is or is not substantial, by assessing the evidence provided against the risk of damaging the value (FM certification) or using material from unacceptable sources (CW/CoC certification),
- Engage in dialogue with the complainant/s that aims to solve the complaint provided and assessed as being substantial before further action is taken,
- Canfor Corporation/Canfor Pulp Ltd. will forward all substantial complaints and complaints that have elevated into disputes to the certification body and FSC Canada within two weeks of receipt of the complaint along with information on the steps taken to resolve the complaint with a description of how a precautionary approach will be used,
- Employ a precautionary approach towards FM operations and continued sourcing of the relevant material while a complaint is pending,
- Investigate a complaint assessed as substantial within two months of its receipt and determine corrective actions to be taken by Canfor Corporation/suppliers and the means to implement and enforce the corrective action. If a corrective action cannot be determined and/or enforced operations at the site or relevant material and/or suppliers shall be excluded from the FSC-FM certified lands and/or the Canfor Corporation/Canfor Pulp Ltd. controlled wood supply chain,
- Conduct follow up verification to ensure corrective action has been taken by Canfor Corporation/suppliers and that it is effective,
- Exclude the relevant material/suppliers from the Canfor Corporation/Canfor Pulp Ltd. controlled wood supply chain if no corrective action has been taken,
- Notify the complainant, the certification body and FSC Canada of the results of the complaint and any actions taken to achieve resolution,
- Maintain records of correspondence, investigation evidence and all actions taken to resolve the complaint.

Where substantial opposition from Indigenous Peoples to Canfor Corporation/Canfor Pulp Ltd.'s activities is identified Canfor Corporation/Canfor Pulp Ltd. as the case may be will cease operations at the identified site and address the event following the complaint process outlined above.

Stakeholder Questionnaire – 2023 Canfor Pulp Ltd. FSC® Chain of Custody/Controlled Wood Re-certification Audit

To: Cindy Hutchison, KPMG FCSI

Fax #: 604-691-3031

Email: cindyhutchison@kpmg.ca

From: _____

Phone #: _____

Organization (if applicable): _____

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Canfor Pulp Ltd. (Canfor Pulp) against the requirements of the current Forest Stewardship Council® (FSC®) chain of custody (CoC) and controlled wood (CW) standards. A stakeholder consultation process is planned for the late winter of 2023, with the main assessment scheduled to take place March 13 – 17, 2023. This questionnaire is intended to obtain information from interested and affected stakeholders regarding issues that are pertinent to Canfor Pulp’s FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observations regarding the Company’s due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the control measures adopted and implemented by the Company to mitigate the risk regarding those specified controlled wood risk indicators applicable to Canfor Pulp’s defined fiber supply area. Both the specified control wood risk indicators applicable to Canfor Pulp and the associated control measures selected by Canfor Pulp to mitigate them come out of the latest version of the FSC Canada National Risk Assessment (the NRA). Comments received will be considered by KPMG FCSI in assessing Canfor Pulp’s performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Canfor Pulp FSC certification report. However, the identity of individuals/organizations providing comments will be kept confidential by KPMG FCSI unless the party providing comments specifically indicates in writing to the contrary.

NB: In order to be considered during the 2023 audit, comments must be received no later than March 17, 2023.

<p>1. Do you have any specific concerns regarding the Canfor Pulp due diligence system (DDS), the control measures adopted and implemented by the Company to mitigate the risk respecting the controlled wood indicators for which the NRA has determined specified risk within Canfor Pulp’s defined fibre supply area or other issues that are pertinent to the Company’s FSC CoC/CW certification?</p> <p><u>Comments:</u></p>	<p>YES/NO/ NA</p>
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Stakeholder Questionnaire – 2023 Canfor Pulp Ltd. FSC® Chain of Custody/Controlled Wood Re-certification Audit

To: Cindy Hutchison, KPMG FCSI

Fax #: 604-691-3031

Email: cindyhutchison@kpmg.ca

From: _____

Phone #: _____

Organization (if applicable): _____

<p>2. If you answered yes to question 1 above, have you communicated your concerns to Canfor Pulp?</p> <p><u>Comments:</u></p>	<p>YES/NO/ NA</p>
<p>3. If you answered yes to question 2 above, in your opinion has Canfor Pulp made a reasonable attempt to address your specific concerns?</p> <p><u>Comments:</u></p>	<p>YES/NO/ NA</p>

Stakeholder Questionnaire – 2023 Canfor Pulp Ltd. FSC® Chain of Custody/Controlled Wood Re-certification Audit

To: Cindy Hutchison, KPMG FCSI

Fax #: 604-691-3031

Email: cindyhutchison@kpmg.ca

From: _____

Phone #: _____

Organization (if applicable): _____

<p>4. Do you have any other concerns regarding Canfor Pulp’s FSC CoC/CW certification that have not been addressed in the above questions?</p> <p><u>Comments:</u></p>	<p>YES/NO/ NA</p>
<p>5. Are there any specific issues or requirements of the FSC CoC or CW standards (FSC-STD-40-004 V3-1 and FSC-STD-40-005 V3-1) that you believe merit special attention during the 2023 Canfor Pulp FSC CoC/CW audit?</p> <p><u>Comments:</u></p>	<p>YES/NO/ NA</p>