

2019

SUSTAINABILITY REPORT

Building value through sound environmental,
social and governance practices

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IAN FILLINGER
President & CEO

MESSAGE FROM THE PRESIDENT & CEO

Sustainability and embracing world-leading environmental standards is part of what we do every day at Interfor. We are proud to be a company that provides sustainable and environmentally friendly forest products to our customers around the world. We also know that we must continue to look for ways to get better every day.

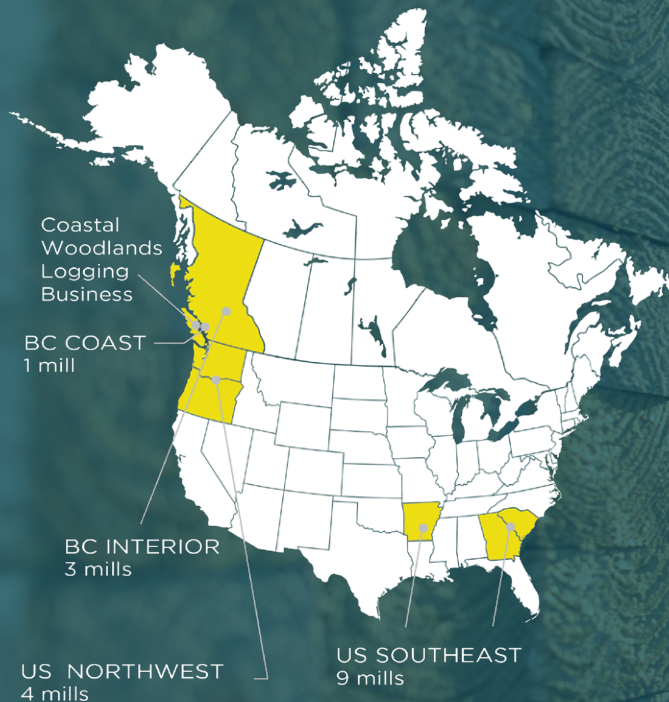
Thank you for taking the time to read our report.



Ian Fillinger
President & Chief Executive Officer

Interfor: Building Value Sustainably

Interfor is one of the world's largest lumber producers, with approximately 3,000 employees and well-positioned facilities across North America.



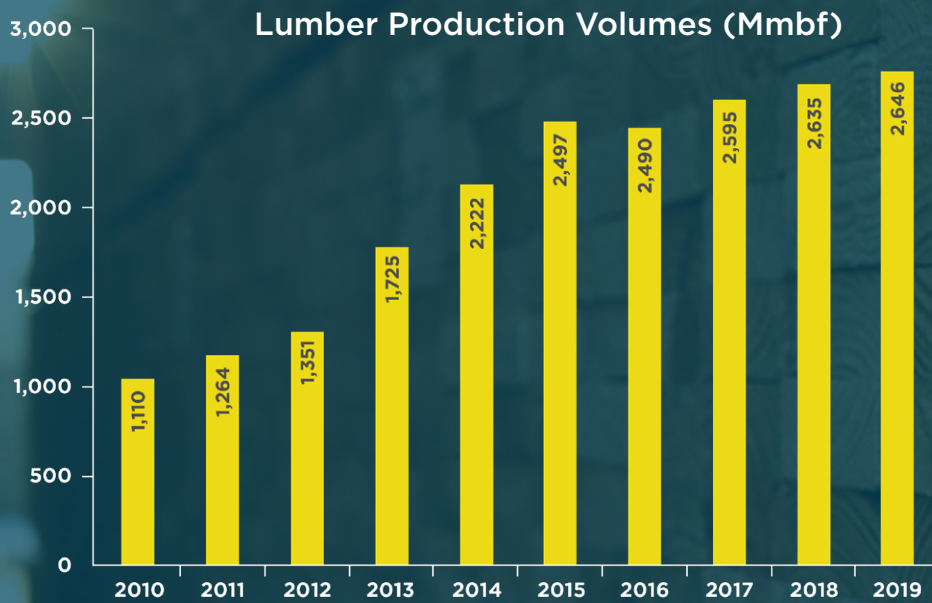
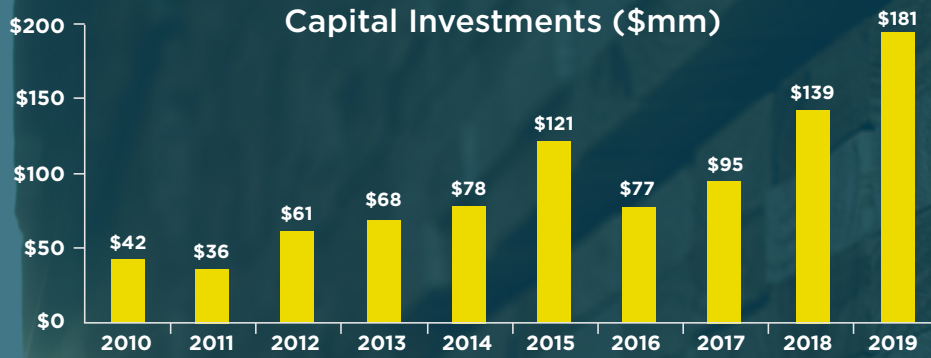
Interfor operates 17 sawmills across the United States and Canada and a coastal woodlands logging business in British Columbia.

We have earned a reputation as a supplier of high-quality lumber in 50 markets around the world and we offer one of the most diverse lines of lumber products. We have a history of investing in our people and operations. Over the past decade, we have invested \$1.4 billion to upgrade our facilities and grow our annual production capacity to approximately 3.0 billion board feet.

Our success is driven by our vision to be the most profitable, valuable and respected forest products company in the world. We know that to achieve this we must provide our customers

with quality products and service. We must also invest in people and provide safe, stable and good-paying jobs that support local economies. Finally, we must conduct ourselves and our business with honesty and integrity and be committed to continuous improvement from the forests to the mills.

Building value sustainably is an ongoing effort that requires day-to-day decisions and actions that enhance the value of the products we produce, strengthen the relationships we build, and protect the environment in which we live.



Core Values

Our Core Values unite us as a company and as a community of individuals. They are the foundation of our success and a reason for our employees to be proud to work for Interfor.



We conduct ourselves with honesty and integrity.



We respect, value and engage our employees.



We embrace world-leading safety and environmental standards.



We are strategic, fact-based and proactive.



We strive for excellence in everything we do.



We are responsible for our own success.

Embracing World-Leading Safety Standards

We embrace world-leading safety standards at all our operations.

Embracing safety is one of Interfor's Core Values—values all employees live by every day. Providing a safe work environment is a fundamental obligation of the Company and each employee has a responsibility to ensure that they, and their colleagues, follow safe and approved work practices.

Safety is a shared responsibility. Managers and supervisors are accountable for providing a safe work environment, training, and endorsing safe work practices. Employees and contractors are accountable for understanding safe work practices, reporting unsafe acts and conditions, being fit for work, and safely following both standard operating and emergency preparedness procedures, all of which are prescribed in our Safety Playbook.

Safety Compliance, Oversight, Policies & Programs

We are subject to US and Canadian occupational safety laws and audit our operations to measure and improve performance. All our operations are regularly audited by independent or regulated health and safety authorities to verify compliance with safety regulations and standards.

We have a formal **Health and Safety Policy** and document procedures for safe work, hazard

identification, and risk assessment at all our operations. We have regular health and safety training programs and initiatives across all our operations and offices.

Mentors and peers are assigned to guide new employees through our new hire onboarding process. We track progressive learning and employees must demonstrate their safety skills through a verification process. We also track employee training to ensure annual refreshers are completed as needed and required certifications are kept up to date.

We have a Drug and Alcohol Policy with zero tolerance for on-the-job drug or alcohol use by employees.

Safety committees, comprising both supervisors and hourly employees, are established at each of our operations, and they complete site inspections and meet regularly to share information and best practices across operations.

We encourage employees to report their safety concerns and protect them from retaliation. Our confidential whistleblower hotline is an additional resource for our employees to report any safety concerns.

Safety Certification and Auditing

Interfor holds the following external safety certifications and memberships. Third-party auditing, verification and reporting on an annual basis are incorporated into meeting the requirements of these certifications and programs.

- We have been awarded membership in the Washington START (Safety Through Achieving Recognition Together) Program for excellence in workplace safety and health.
- We hold SAFE Certification (BC Forest Safety Council) in our Canadian manufacturing facilities and woodlands including major contractors.
- As members of the Western Wood Products Association, we share safety statistics for benchmarking.

Quality Control and Product Safety

Another aspect of safety is ensuring a quality product that meets our customers' needs.

Our mills have quality control programs in place to ensure that our products meet exacting grade standards approved by the American Lumber Standard Committee (ALSC) Board of Review in the US and the Canadian Lumber Standards Accreditation Board (CLSAB) in Canada. Our products are regularly inspected by third-party grade inspection agencies to ensure our grading is accurate. All employees involved in grading lumber, whether manually or via autogriders, are required to hold a valid grading certificate. Autogriders, a significant and valuable investment, are favored in our operations as they provide more accurate grading and result in a more consistent product offering to our customers.

We provide information to help ensure our customers and employees handle and use our products safely. Health risks related to working with our products is available on our website and in our Material Safety Data Sheets.

Contractor Safety

At all Interfor worksites, contractors are required to sign in and receive an orientation. Monitoring and reporting of safety standards, incidents and compliance is part of our ongoing, regular interaction with contractors. In our woodland operations we work with our contractors to track and report our contractor medical incident rate (MIR). In 2019, it was 2.8.



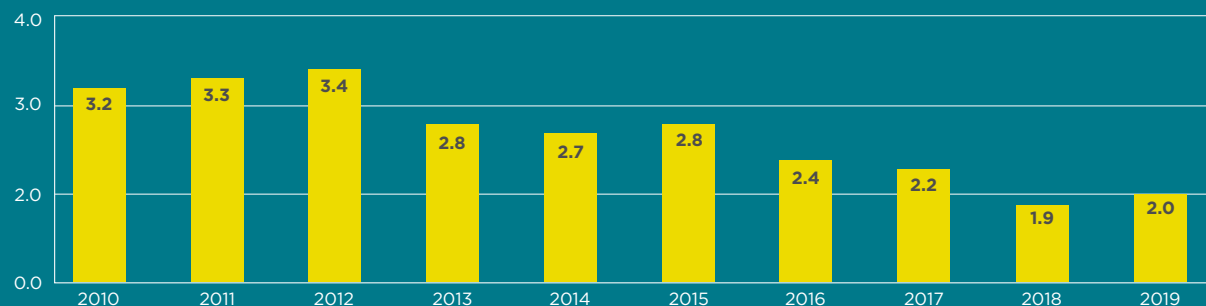
Across the Company, we focused on mobile equipment and pedestrian safety in 2019. One component of this work was a new fleet of mobile equipment with improved telematics systems which included automated pre-shift and daily checklists that lock a machine if an operator answers incorrectly, a seatbelt system that locks a machine if it's not worn, and a speed limiter on machines to prevent speeding.

In 2019, Interfor did not have any of the following:

- violations or non-conformance with regulatory labeling and/or marketing codes;
- legal fines/settlements for false, deceptive, or unfair marketing, labeling, and advertising;
- product recalls; or
- legal fines/settlements for violations of bribery, corruption, or anti-competitive standards.

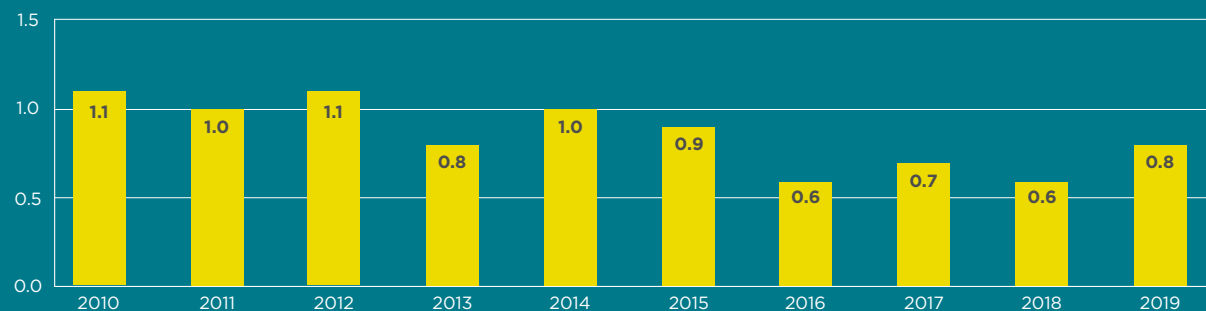
Medical Incident Rate (MIR)

The medical incident rate is calculated by multiplying the total number of recordable incidents by 200,000 and dividing by the number of hours all employees actually worked. The 200,000 hours in the formula represents how many hours are worked by 100 full-time equivalent employees in a year (100 employees working 40 hours per week for 50 weeks). Recordable incidents include: medical treatments, lost time incidents, and fatalities.



Lost Time Frequency Rate

Lost time frequency rate, is a ratio between the number of lost time incidents and the number of exposure hours, recorded within a given timeframe.



Fire Safety: Property Loss Prevention Survey

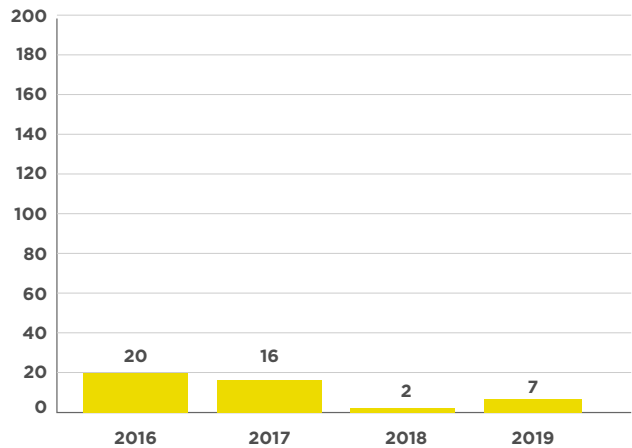
Property loss prevention surveys are conducted twice a year at every mill by an independent, third-party property field engineer who then creates a report that identifies property loss exposures and the actions needed to mitigate them—most of these are related to fire safety.

In 2015, Interfor acquired a number of mills that had minimal or no fire protection, and loss-prevention cultures significantly weaker than Interfor's. This resulted in a large number of recommendations being issued for that year's property loss prevention survey. In 2016 and 2017, the number of new recommendations dropped significantly and, as shown on this chart, it has stayed low since.

This provides evidence of two important hallmarks of Interfor's good governance and safety compliance:

- **We act on recommendations:** Nearly all have either been completed or have a plan for completion.
- **We maintain high operating standards:** The independent property field engineer is no longer making numerous recommendations.

**Property Loss Prevention Survey Results
(number of third-party recommendations)**



Developing People

Interfor builds value for employees by providing a career where they contribute, grow and prosper.

We bring out the best in our employees by offering long-term, rewarding careers supported by training and education, opportunities for promotion, and great benefits.

Recognizing the Value of Strategic, Targeted Training

Through our learning and development program, we:

- complete analysis and internal evaluations to understand our people and their training needs;
- set short-, medium- and long-term targets for training and development of our employees;
- evaluate training programs for continuous improvement using feedback from employees; and
- anchor key learnings from training and education programs by requiring homework, follow-up questions and manager sign-off on new skills.

Supporting Employee Development and Internal Promotion

Getting employees started off on the right foot is critical. All salaried employees are given

an individual onboarding plan based on their background and role. In 2017, we launched a defined onboarding process for our 2,000+ hourly employees.

Once our employees are successfully onboarded, there are a variety of programs to help them progress in their careers.

Campus Recruiting

We focus on building our workforce through our campus recruiting program. Interfor provides co-op/internship students with a defined plan for their success. Each student has a dedicated mentor and is given a meaningful project to complete. We view co-op jobs as an excellent way for students and Interfor to evaluate their potential for full-time employment in forestry and the lumber manufacturing industry. Students are encouraged to work one to two terms with us. Many are offered full-time work if there is a good fit.

Number of co-op students hired		
2017	2018	2019
21	41	28

Through our ongoing employee development programs and co-op/internship hiring program, we provide employees the opportunity to grow their skills so we can promote from within.

Percentage of all permanent salaried openings filled by internal salaried hires		
2017	2018	2019
36%	35%	58%

Offering Competitive Compensation & Benefits

In addition to competitive compensation and benefits for all employees, we have an incentive plan for permanent salaried employees that allows them to share directly in the Company's success. Hourly employees at most of our mills also share financially in performance improvements through gain-sharing programs at their divisions.

Our Employee Assistance Program offers professional and confidential counseling services to help employees deal with personal concerns and life issues such as depression, marital and family conflicts, job pressures, stress and anxiety, alcohol and drug abuse, and grief and loss.

Ensuring a Diverse and Inclusive Workplace

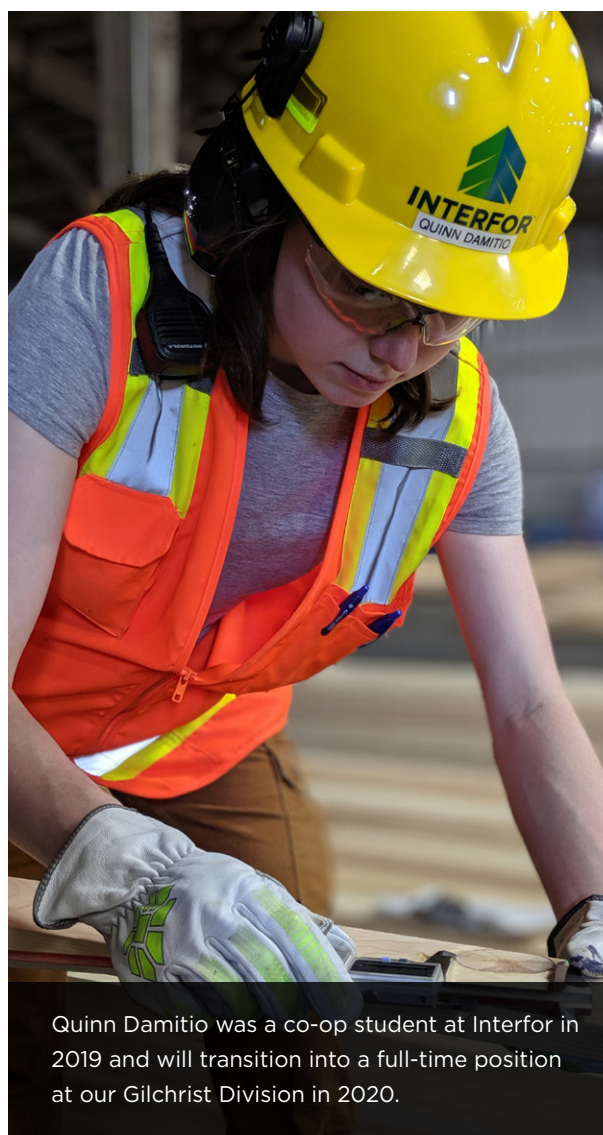
Interfor is an equal opportunity employer with high ethical standards. Our **Code of Conduct & Ethics** goes beyond compliance with workplace laws in Canada and the United States to promote workplaces that are free from harassment and discrimination. It is backed by a whistleblower hotline where employees can confidentially raise concerns.

We use training programs and workshops to further awareness and understanding regarding diversity and promote a professional and inclusive work environment. Bullying and harassment prevention is covered in our leadership training and reinforced through respectful workplace training as well as regular employee discussions.

Efforts to improve the diversity of our workforce are ongoing. Action plans are in place at a mill level and we are focused on increasing the number of women and minorities throughout our workforce. One example of this work is the inclusion of HBCUs (historically black colleges and universities) in our campus recruitment strategy to increase the number of minority students applying for co-op positions.

Meeting our Operational Changes Obligations

Across the Company, Interfor provides employees affected by operational changes with a notice period in accordance with employment standards regulations and collective agreements.



Quinn Damitio was a co-op student at Interfor in 2019 and will transition into a full-time position at our Gilchrist Division in 2020.

Respecting Freedom of Association

Interfor respects each employee's right to join or not join an association or union of their choice, free from coercion and without fear of harassment or intimidation. Interfor is committed to constructive engagement and stable relationships with our employees and,

where applicable, bargaining in good faith with the organizations that represent them.

Number of employees covered by a collective bargaining agreement	471
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Interfor Employee Demographics

As of December 31, 2019

	Full time	Part time	Temporary	Total
Number of employees by type	2,938	4	45	2,987

	Salaried		Hourly		Total
	Male	Female	Male	Female	
Canada	222	138	543	21	924
United States and other	308	100	1,539	116	2,063
Total	530	238	2,082	137	2,987

	Men	Men %	Women	Women %
Under 30	529	90%	62	10%
30-39	610	87%	95	13%
40-49	580	86%	96	14%
50+	893	88%	122	12%
Total	2,612	87%	375	13%

Conserving Forest Values: Biodiversity & Conservation

Interfor is a leader in sustainable forestry management and responsible purchasing, sourcing logs in a manner that ensures environmental, economic and social opportunities for current and future generations.

Interfor manages nearly 2.4 million hectares of forests on public lands in BC. These lands are 100% third-party certified to the globally recognized Sustainable Forestry Initiative® (SFI) 2015-2019 Forest Management Standard, and covered under forest stewardship plans that achieve government objectives for soils, timber, wildlife, water, fish, biodiversity, visuals and culturally important areas. We understand that forest values are important to First Nations, our communities and the public. Two chapters in this report, *Building Economic Partnerships with First Nations* and *Working with Communities & Contributing to Healthy Local Economies*, provide detailed information regarding engagement before harvesting begins and how we address input and concerns in our planning.



Interfor operates under a range of formal frameworks and internal procedures to protect wildlife, biodiversity and forests of high conservation value.

Sustainable Forestry Certification

Our commitment to sustainable forestry practices was amplified in 2000/01 when we became the first Canadian company to achieve independent third-party SFI certification across all our Crown forest lands in Canada. Since then, our forestry practices have been subject to **annual third-party audits with the results posted on our website**. SFI surveillance audits for Interfor's BC coastal and interior woodlands operations cited good practices such as:

- a detailed analysis of past audits and compliance trends over time included in the annual management review;
- high levels of attention and professional support for bridge planning and installations;
- a supplier ledger that provides an effective means of tracking log suppliers and supporting records to ensure conformity with the fiber sourcing policy;
- a requirement for logging contractors to sign off an acknowledgement that they have reviewed the detailed logging plans prepared by Interfor; and
- a high level of awareness at all levels from planning to operations regarding species-at-risk habitat requirements.

Interfor also has a culture of continuous improvement. Through third-party SFI certification, we address non-conformities and act on opportunities for improvement identified in the annual audit reports.

The 2019 audits for both BC coastal and interior woodlands found we had addressed all non-conformities from previous audits, and identified three new minor non-conformances related to:

- follow-up not completed on one action from the Interfor 2018 Internal Audit Operations Audit Action Plan on the BC Coast;
- frequency of interim inspections on active harvesting operations in the BC Interior; and
- keeping staff training records up to date in the BC Interior.

The reports, available on our website, also listed opportunities for improvement for the BC Interior woodlands. These included resolving mapping data inconsistencies related to tenure and private land boundaries, improving availability of site-specific information in pre-works, improving culvert installations, and improving the risk assessment process for private land procurement.

Since the audits were completed, Interfor has developed corrective action plans. Auditors will conduct follow-up assessments in 2020.

Accountable Professionals

Professional foresters and forest technologists working for Interfor are registered and regulated by the Association of BC Forest Professionals. We also engage other qualified persons with expertise such as professional engineers and geoscientists, hydrologists, biologists and archaeologists.

Biodiversity & Conservation

We operate under a range of formal frameworks and internal procedures to protect wildlife, biodiversity and forests of high conservation value.

We play a leading role in managing and protecting forests of high conservation value, including old forests:

- We are a founding member of the historic land use agreement in BC's Great Bear Rainforest, which includes legislation to protect 85% of the forest—including 70% of old growth—over time.
- Our sustainable forest management certification confirms that we protect Forests with Exceptional Conservation Value as well as old-growth forests.
- Through the BC Old Growth Management Area process we contribute to the identification and conservation of old-growth forests, giving priority to areas with high biodiversity value.

Benefits of Third-Party Certification

Certification is a market-based, non-regulatory forest conservation tool designed to recognize and promote environmentally responsible forestry and sustainability of forest resources. Currently there are more than 50 forest certification standards worldwide, reflecting the diversity of forest types, ecosystems and tenures. There are subtle differences, but most promote sustainable forest management through principles, criteria and objectives consistent with local government processes and public expectations.



Like other credible forest certification programs, the SFI standard promotes principles, criteria and objectives that are viewed around the world as the basis of sustainable forest management. It has balanced governance, with a board that represents environmental, social and economic interests, and it revises its standard regularly through an open public process.

Species at Risk and Wildlife

Identifying, tracking and conserving habitat and habitat features for species at risk and other focal species is built into our operational planning process. Training for our staff includes learning to identify species at risk as well as rare blue- and red-listed ecosystems. Our logger training includes information on species at risk, and we require all woodlands employees and contractors to report sightings.

We manage and maintain areas that have been identified as meeting the unique winter habitat requirements of ungulates based on forest cover, aspect and elevation. Our woodlands operations maintain mapped networks of winter range for deer, moose and goats.

In many cases we work closely with First Nations communities to better understand and manage wildlife habitat based on traditional ecological knowledge. For example, we work closely with a number of coastal First Nations to improve mapped networks and protect grizzly bear habitat.



In 2019, working under a new BC provincial order designed to protect wildlife habitat features, our Kootenay operations identified Williamson's sapsucker nests for protection. The Williamson's sapsucker is a blue-listed species in BC that nests in tree cavities, which are generally more common in old forests. While nests like these were previously addressed and managed in our planning process, this new regulation provides additional rigor through 18 distinct feature classifications, mandatory reporting and specific management guidelines.

The Great Bear Rainforest Order (GBRO) is another great example of a formal framework that affords world-leading management and protection for a wide range of forest values on BC's Pacific Coast. We work with First Nations, government officials, industry partners and stakeholders to implement the new forestry approaches of the GBRO. Key initiatives have included:

- using LiDAR data to develop a tree height model to comply with the GBRO riparian objectives that state harvesting must take place one-and-a-half tree lengths away from high-value fish habitat boundaries;
- providing professional guidance on interpreting and implementing the environmental standards in the GBRO as guidance documents are published;
- seeking—on a continuous basis—input from First Nations, the public and other organizations on the landscape reserve designs, compiling the information and adjusting plans accordingly; and
- partnering with the BC provincial government to support western red cedar trials and genomic studies regarding browse resistant traits.



Working with Log Suppliers

The environmental performance of our major suppliers is a key factor in our log supply. Interfor mills in BC and the US South are certified to the SFI 2015-2019 Fiber Sourcing Standard. This conformance includes, but is not limited to, working with log suppliers on the following:

- Compliance with applicable federal, provincial, state and local social laws and regulations such as: freedom of association and right to collective bargaining, freedom from discrimination, harassment and abusive behavior, and no child labor or forced labor.
- Best management practices to protect water quality and conserve biological diversity. Working with the Western Canada SFI Implementation Committee, Interfor provides log suppliers with a *Wood Purchase Information Package* that outlines the objectives of SFI and provides information on practices for ensuring sustainable harvesting such as conserving biological diversity, water quality management, soil conservation, fuel handling and spill response.
- Use of qualified resource and logging professionals. We use state logger training or equivalent programs in the US to ensure our procurement suppliers are trained in the SFI standard and at least one supervisor at each logging site is a Qualified Logging Professional, which means they are accredited or trained through an SFI-recognized program.
- Broadening the practice of sustainable forestry on all lands through community involvement, socially responsible practices, and through recognition and respect of Indigenous Peoples' rights.

In our **Wood Procurement Policy**, we clearly state our commitment to avoiding trading wood or wood fiber from controversial sources. 100% of Interfor's log supply is from Canada or the USA.

Disturbance versus Deforestation

Disturbance is a natural process within forested ecosystems, integral to forest health and function. Sustainable forest management seeks to mimic natural disturbance in harvesting operations to the extent possible. Disturbance from sustainable forest harvesting is not deforestation or land conversion, nor do areas harvested using sustainable forest practices require reclamation. For more information regarding disturbance as applicable to our woodland operations, please refer to the following fact sheets from Natural Resources Canada: **Disturbances and Deforestation** and **Deforestation in Canada: Myths and Facts**.

Other practices implemented in our wood procurement programs include:

- individual supplier risk assessments used to identify potential concerns;
- signed purchase wood agreements that clarify our expectations with suppliers; and
- site inspections to monitor our suppliers for non-conformance with our policy.

In addition to the assurance provided by our fiber sourcing programs, many of our log suppliers have third-party sustainable forest management certification such as SFI, Canadian Standards Association (CSA) and Forest Stewardship Council (FSC). For example, in 2019 more than half of our purchased log supply in our BC Interior woodlands was purchased from sources certified to SFI, CSA or FSC.

Working with Other Suppliers

More than 99% of Interfor's non-log suppliers and vendors are based in Canada or the USA, countries which are both considered to have effective environmental and social laws.

Our BC sawmills are certified under both SFI and PEFC Chain-of-Custody Standards and our Wood Purchasing Guide encourages our customers to choose products from sustainably managed forests.

Interfor manages forests sustainably and does not engage in any deforestation or conversion of forests to non-forest use. We do not use, purchase or conduct research or field trials on

genetically modified trees, and we do not use nanotechnology in any of our products.

We minimize chemical use, only using them where required to achieve reforestation objectives while protecting people, wildlife and the environment. We prohibit the use of WHO type 1A and 1B pesticides, and where practicable we avoid the use of all other pesticides and herbicides.

Forest Values on the Ground

- In the US South, Interfor financially supports the Georgia Tree Farm Program to promote sustainable forest management to non-industrial landowners in areas where we purchase logs. We participate on the executive committee for the tree farm, contributing organizational leadership direction and support.
- In partnership with the Olympic Forest Collaborative, Interfor supported a stewardship project designed to accelerate the development of old forest characteristics within the Olympic National Forest through developing selective harvest prescriptions. These forest characteristics are needed by sensitive and threatened species.
- On BC's Pacific Coast, we continue to support First Nations, environmental organizations and the Canadian government in efforts to restore fish habitat on the Effingham River.
- We support BC Wildlife Federation's research that aims to learn how to restore mule deer populations in BC by studying how landscape change and the predator-prey community are affecting current populations. In 2019, our staff contributed in-kind support to set up and install a number of trail cameras in the summer, then retrieve them and download the images for the research team in late fall.



Interfor took part in a congressional field tour hosted by Congressman Derek Kilmer to review the Olympic National Forest stewardship project with members of the US House of Representatives Appropriations Subcommittee on Interior and Environment and the Olympic Forest Collaborative.

From left to right: Thomas O'Keefe, American Whitewater; Congressman David Joyce (R) Ohio, Ranking Member; Jon Owen, Pew Trust; Paul Bialkowski, Interfor; Congresswoman Betty McCollum (D) Minnesota, Chair; Matt Comisky, American Forest Resource Council; Patricia Jones, Olympic Forest Coalition; Congressman Derek Kilmer (D) Washington, Committee Member; Connie Gallant, Olympic Forest Coalition; and Jill Silver, Olympic Forest Coalition.

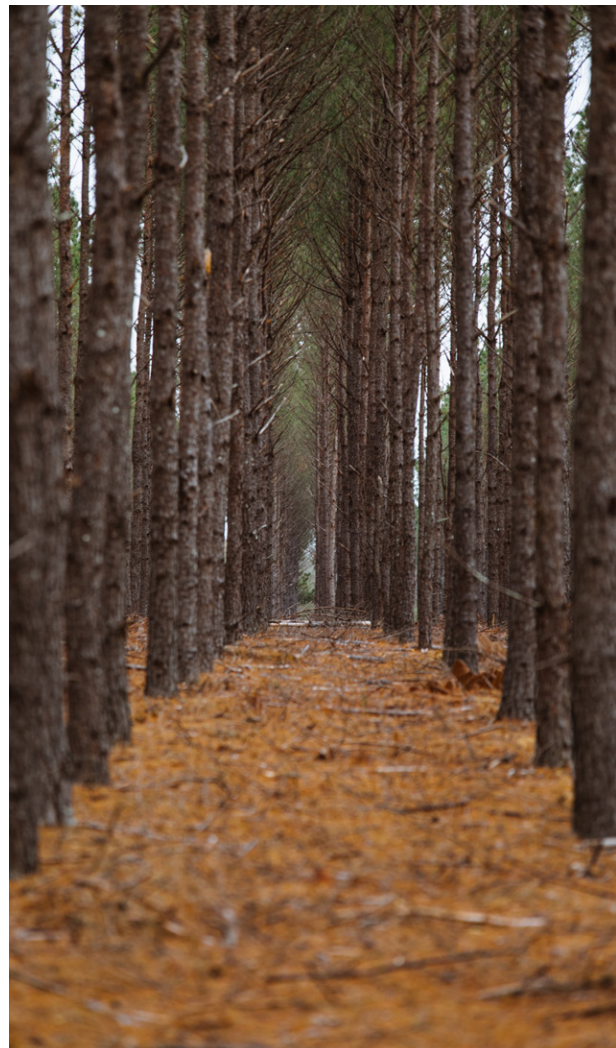
Reducing Environmental Impacts

We're committed to protecting the environment by adhering to the highest standards in sustainable woodlands and mill management.

Environmental Management System

We maintain an internal Environmental Management System (EMS) that provides a structure to identify, address and manage environmental issues for all manufacturing facilities and harvesting operations in the US and Canada:

- **Policy:** Our EMS is guided by our **Environmental Policy**.
- **Verification:** We perform regular audits—both internal and independent third-party audits—to verify our EMS effectiveness.
- **Training & awareness:** EMS awareness is part of new staff onboarding. There is also annual refresher training, EMS field tours, and regular reporting of issues at business review meetings.
- **Internal and external communication on EMS issues:** Our operations complete quarterly reports of environmental incidents that are provided to our executive team and, when above certain thresholds, they are reported to Board's Environment and Safety Committee. First Nations and regulatory authorities also receive reports of incidents as applicable to their respective territories and jurisdictions.



Spill Prevention and Preparedness

Fuel and chemical handling, including storage, is a key part of our EMS. Our woodlands operations have strict guidelines that specifically address handling fuel and other chemicals around water sources. In addition to maintaining emergency spill response kits across our operations, we use spill plans and emergency spill response drills to ensure our teams are well prepared in the event of an incident.

Water

Access to water is a universal human right. Interfor's operations do not include any water-intensive processes and none of our operations are within regions with High or Extremely High Baseline Water Stress according to the 2019 WRI Aqueduct Water Risk Atlas.

Our EMS includes specific objectives and measures related to water quality. In addition to our strict fuel and chemical handling measures in our woodlands, our riparian management commitments define reserve and management zone buffers that are to be left around streams, wetlands and lakes in our harvesting operations to protect water quality. Maintaining natural drainage patterns is a core element of our standard operating procedures, and our soil management objectives contribute to water quality by protecting soil structure and productivity as well as preventing soil erosion.

Our woodlands operations use stakeholder engagement and specific measures regarding community watersheds to mitigate potential impacts to drinking water.

As a small water-user, our wastewater discharge is limited and the jurisdictions in which we operate employ a range of permits and authorizations and their associated requirements to govern wastewater. In our industrial operations we use various methods including water sampling, oil water separators and settling ponds to ensure site runoff does not lead to contamination of neighboring water sources.

Recycling and Use of Recycled Materials

Our Vancouver head office partakes in a comprehensive recycling program including composting and e-waste that has diverted 82% of office building waste from landfills. Our other offices and operations have recycling programs for different materials from paper and cardboard to scrap metal and used oil.

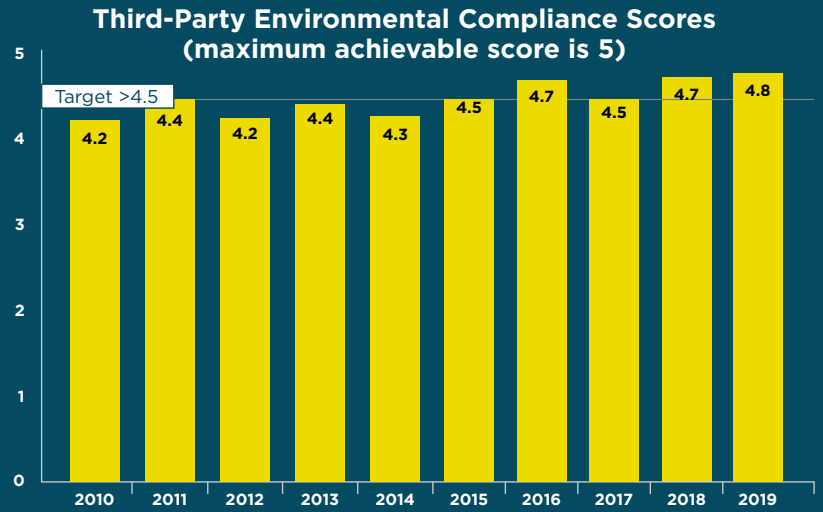
With the exception of two remanufacturing operations, Interfor is a primary manufacturer and therefore the use of recycled wood or fiber is not applicable to our operations. Our Cedarprime and Perry facilities remanufacture lumber produced by primary sawmilling operations, creating value-added products.



This 3/4 x 8 Bevel is one of the value-added products produced at Cedarprime.

Measuring Performance

We have environmental monitoring programs in place pertaining to water use, air emissions, waste management, fuel handling and spill prevention. We use third-party auditors to conduct compliance audits with a scoring system to track our performance, and set a target score of 4.5 (out of the maximum achievable score of 5). In 2019, we achieved a rating of 4.8 averaged across all our operations, which is deemed to be compliant and low risk.



Mitigating Climate Change

Interfor recognizes the global significance of climate change and the need to address this important issue by managing our own environmental impacts and supporting the use of wood as a sustainable construction material.

At Interfor, we do our part to help combat climate change by improving energy use in manufacturing processes, reducing greenhouse gas (GHG) emissions and adopting sustainable forest management practices. Some of our key initiatives include:

- Sustainable forest management:** The UN Intergovernmental Panel on Climate Change recognizes that in the long term a sustainable forest management strategy, aimed at maintaining or increasing carbon stocks while producing an annual sustained yield of timber, will generate a significant mitigation benefit. In 2019, Interfor planted 10.6 million trees and the wood products we sold had between 3.5 and 4 million tonnes* of carbon stored in them.
- Transition to renewable energy sources:** Interfor has prioritized transitioning the most energy-intensive portion of our facilities to renewables. More than 80% of our sawmill facilities that have kiln-drying operations use a renewable biogenic energy source for heat and power.
- Modernization:** Interfor's modernization projects include energy efficiency efforts in Canada and the US. For more information, see Investing in Infrastructure & Technology chapter on page 28.
- Strategic energy management:** We work with electricity companies to monitor and track our energy use, and install energy-efficient hardware when we perform upgrades. For example, we recently upgraded air compressors at our Gilchrist and Longview mills. Interfor's Canadian operations are a participant in the BC Hydro Energy Manager Program. Through this program we have identified opportunities to reduce energy consumption and completed lighting and compressor improvement projects.
- Emissions targets:** Interfor is aligned with the Forest Products Association of Canada's "30 by 30" Climate Change Challenge, pledging to contribute to an industry-wide effort to



Over 80% of Interfor's sawmill facilities that have kiln drying operations use residuals (chips, bark, shavings and sawdust) as a heat and power source for drying lumber.

* Estimate determined using the Canadian Wood Council Carbon Calculator

help Canada move to a low-carbon economy by removing 30 megatonnes (MT) of CO₂ per year by 2030. This is more than 13% of Canada's emissions target under the Paris Agreement, which aims to limit the global average temperature rise to well below 2 degrees Celsius.

Clean Air

Our Perry, Baxley and Thomaston mills each use an electrostatic precipitator (ESP) on their sawdust boiler. The ESP is a pollution control device that uses electricity to remove particulate matter in the exhaust system of the boiler.

Interfor is well positioned in mitigating climate change. In 2019, all of our sawmills combined produced less than 410,393 tonnes* CO₂e (carbon dioxide equivalent) of GHG emissions, whereas there were between **3.5 and 4 million tonnes** of carbon stored in the lumber we sold in 2019.**

Greenhouse Gas Emissions

We operate in the following jurisdictions and report our GHG emissions based on the applicable reporting thresholds:

Jurisdiction(s)	GHG Reporting Threshold
BC Provincial	10,000 tonnes (excluding biogenic CO ₂)
Washington State	10,000 tonnes (including biogenic CO ₂)
US Federal - EPA	25,000 tonnes (excluding biogenic CO ₂)

Interfor's facilities are low GHG emitters, with only four of our sawmills meeting the minimum reporting threshold for GHG emissions in their respective jurisdictions. Our remaining 13 sawmills do not emit enough GHG emissions to meet the reporting thresholds in the regions where we operate.

GHG Emissions			
	2017	2018	2019
Locations	Total GHG (CO ₂ e tonnes)	Total GHG (CO ₂ e tonnes)	Total GHG (CO ₂ e tonnes)
Reporting sawmills	141,438	130,563	137,893
All others	<275,000	<275,000	<275,000
Total*	<416,438	<405,563	<412,893

* Reflects actual emissions for four sawmills that exceed reporting thresholds (Grand Forks, Port Angeles, Gilchrist and Molalla) and assumes reporting threshold levels for the remaining 13 sawmills the emitted below the reporting thresholds for their respective jurisdictions.

** Estimate determined using the Canadian Wood Council Carbon Calculator.

Climate Risks

Our governance processes include an evaluation of risks. With a changing climate comes a range of risks that have the potential to impact Interfor's business. Identifying, understanding and planning for the mitigation of these risks is part of Interfor's overall risk management process and closely ties to our duty as a manager and steward of public forested lands in Canada.

Extreme Weather, Wildfire and Forest Health

Increased frequency of extreme storms poses a risk to our business. In areas where there is the potential for hurricanes and tornadoes, our US South operations have emergency response and preparedness plans in place to ensure employee safety covering:

- procedures for severe weather;
- severe weather alarms;
- notification systems for when operations are closed due to weather risk; and
- designated meeting points.

Severe rainfall can result in flooding and landslides, both of which have the potential to impact Interfor's operations and supply chain. We have programs in place and are taking further steps to mitigate the impacts of severe rainfall such as:

- developing comprehensive flood plans for our at-risk sites;
- tracking snowpack and water levels as an advance indicator of flood potential;
- implementing preventative building and site improvements where water damage has occurred in the past;
- employing rainfall shutdown procedures in our woodland operations;
- utilizing culverts that are more resilient to debris flows/floods on our forest roads; and
- employing enhanced sediment control measures on erosion prone sites.

In addition, drought and extended periods without rainfall have been experienced, most recently in our BC Interior operations. With drought comes increased likelihood of catastrophic wildfires. Interfor's woodlands operations have strong wildfire preparedness, prevention and response programs. We develop annual fire plans that include:

- responsibilities of Interfor and contractors regarding fire preparedness and response;
- restrictions on activities and shutdown requirements;
- daily and continuous weather monitoring protocols;
- fire control procedures;
- emergency contact information and reporting procedures in the event of a fire; and
- fire-watch checklists and fire hazard assessment forms.

The fire plan is provided to all of Interfor's woodlands contractors. Following the release of the plan and during fire season, Interfor staff and contractors complete regular on-site fire preparedness inspections for high-risk activities in woodlands operations.

In 2019, our BC Woodlands had three operational fires. All were acted upon immediately by our contractors with the fire suppression resources they had on-site and were fully extinguished on the day of discovery. We commend our staff and contractors for upholding our high standards of awareness, preparation and preventive measures (including shutdown) to avoid industrial fires.

Transition to a Low-Carbon Economy

With the transition to a low-carbon economy, we expect a range of policy, legal, market and technology changes. For example, changes in land-use policy may reduce the available timber harvesting land base and constrain log

supply, while technological advances in energy production may create an imperative to update infrastructure sooner than anticipated. In addition to our efforts to modernize our operations, reduce energy consumption and lower GHG emissions, some of the things Interfor is currently doing to contribute to, as well as mitigate risk from, the transition to a low-carbon economy include:

- staying abreast of government strategies that apply to public forested lands managed by Interfor including the BC Ministry of Forests,

Lands and Natural Resource Operations Climate Change Strategy 2015-2020;

- contributing as an active participant in innovative land-use policy discussions in Canada through the BC Forest Sector Competitiveness Strategy which recognizes climate change as both a risk and opportunity for the sector; and
- implementing a carbon accounting project to determine options for enhancing our current GHG tracking and reporting process.

Taking Action in Response to Climate Change

In addition to wildfire, drought can pose a threat to the health and success of forests. Drought stress can result in reduced tree survival and limited resistance to forest pests including disease and insects. At the same time, changes in climate, such as warmer, shorter winters, can lead to insect and disease outbreaks. The Canadian Forest Service's Forest Change program provides information about the impacts of climate change on Canada's forests and how to adapt to changing conditions. The initiative reports on indicators that reflect past trends and future projections for changes across Canada. It also provides adaptation tools and resources for forest managers. Some of the actions that Interfor is directly involved in to understand and mitigate impacts of climate change on forest health include:

- prioritizing mixed species planting and diversity when planting new forests to improve resilience, with 11 commercial species used in our 2019 tree planting operations;
- selecting seedlings with consideration to their adaptability to future climate changes in the areas where they will be planted; and
- participating in BC's Climate-Based Seed Transfer working group to develop policy and tools that will help guide professionals in climate change forest management decisions.

Species Used in Mixed Species Planting

- | | | |
|--|---|--|
|  Douglas Fir |  Western Larch |  Hybrid Spruce |
|  Subalpine Fir |  Lodgepole Pine |  Amabilis Fir |
|  Western Red Cedar |  Western White Pine |  Sitka Spruce |
|  Western Hemlock |  Ponderosa Pine | |

Climate Opportunities

In addition to the acute, chronic and transition risks discussed earlier, opportunities related to climate change also exist for Interfor:

Carbon capture: The public forest lands managed by Interfor will continue to play a significant role in carbon sequestration. Lumber made from forests continues to store carbon in long-lived building materials before being released into the atmosphere to complete the carbon cycle. There may be an opportunity for forest managers to accelerate or augment carbon capture by forests through sustainable forest practices including: salvage harvesting and planting after forest fires or insect outbreaks, as well as stand tending such as thinning, brushing or fertilizing.

Market opportunities: Wood is a sustainable and renewable material, and research shows that it has positive environmental impacts compared to building materials such as steel and concrete. Wood takes less energy to manufacture and using it in construction reduces water, materials and GHG emissions.

Through the Softwood Lumber Board, Interfor promotes the environmental and climate-related benefits of building with wood.

Production of biofuels from lumber manufacturing residuals is another potential market opportunity. With the transition to a low-carbon economy comes a demand for low-emission renewable energy sources such as biofuels. While Interfor currently uses and sells sawmill residuals for green energy production, there may be a future opportunity to increase the use of bush residuals for energy production. See more in [Optimizing Material Use](#) on page 27.

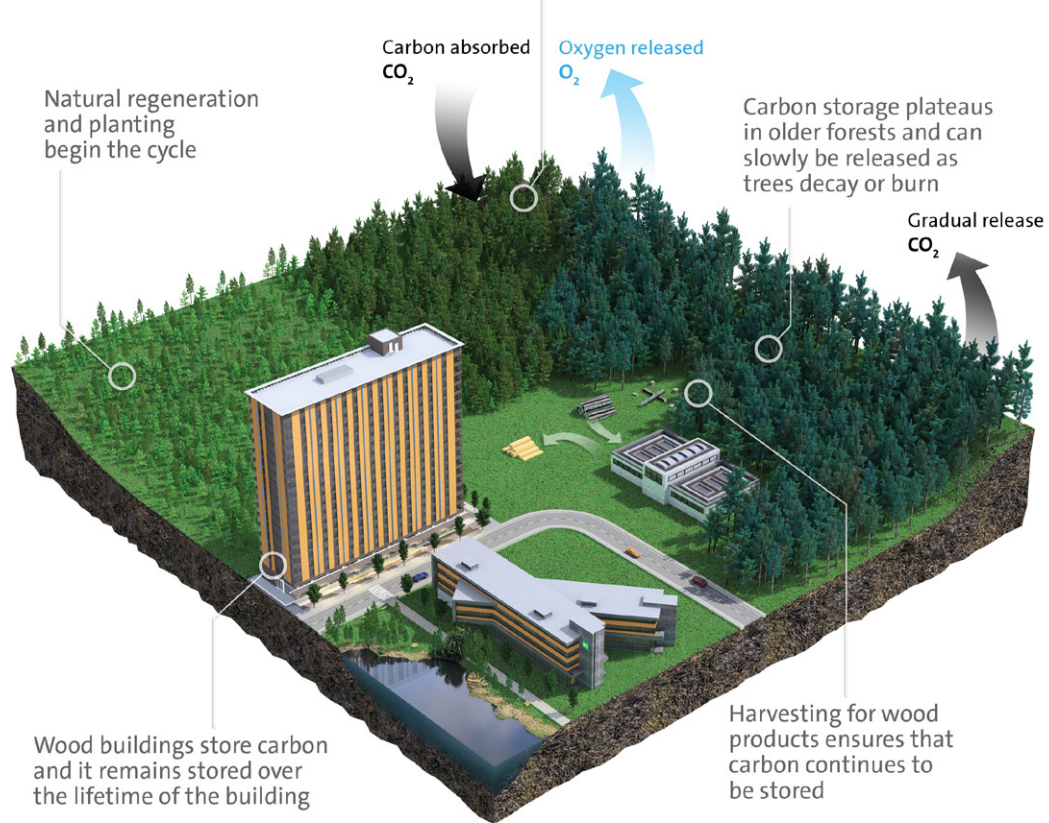
Productivity: In contrast to drought and forest health risks from climate change, changes in temperature, rainfall and growing seasons may result in improved site conditions in some areas. Improved forest productivity can in turn translate into reduced rotation times for log supply. Interfor reforests every hectare it harvests with ecologically suitable species that are native to BC. Our planting program is based on utilizing seedlings that will be climate-change resilient/adaptable.



Cross-laminated timber stores carbon and produces fewer greenhouse gas emissions during manufacture than traditional building products. Interfor provided wood to IB X-LAM to manufacture CLT panels for Clemson University's new recreation center (see photo above).

Understanding the Forest Products Carbon Story

Growing forests absorb carbon dioxide and release oxygen



Credit: Forestry Innovation & Investment Ltd.

Benefits of Wood

The quality lumber we produce comes from sustainable sources and is the ultimate natural and renewable building product. Wood has incredible cellular strength, and can capture and store carbon.

Experts advocate the use of wood from sustainably managed forests to mitigate climate change, and the Interfor Wood Purchasing Guide reinforces many of the advantages of building with wood.

Using engineered wood products to increase the height and scale of buildings provides a low-carbon alternative to concrete, brick and steel-based building systems.

More recently, wood is being recognized as a building material that promotes health and well-being. While some people may already relate to the intuitive draw of wood, a study by the University of British Columbia and FPInnovations found the presence of visual wood surfaces in a room lowered sympathetic nervous system activation—the system responsible for physiological stress responses in humans (FPInnovations: Wood & Human Health).

Green Logistics

Interfor ensures its supply chain is aware of environmental impacts and minimizes waste. Examples of this include:

- optimizing configurations of log packages for towing to ensure both efficient and safe delivery;
- maximizing cubic volume or weight limitation of each shipment to ensure the greatest efficiency of available logistics capacity;
- utilizing technology to ensure overall freight distance is minimized in meeting customer obligations and on-time performance;

- aligning transportation mode preference to maximize economical efficiencies with rail being favored for most medium- and long-haul destinations in North America; and
- establishing targets to increase rail utilization from mills in the US South.

Fleet efficiency: Interfor is actively phasing out older, less efficient vehicles which has the effect of reducing fossil fuel consumption and improving emissions.

Optimizing Material Use

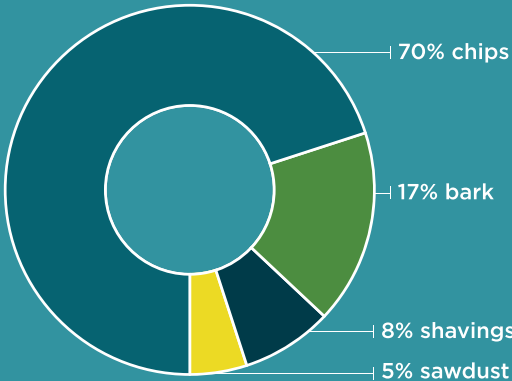
100% of every log delivered to our sawmills is used

Through the sawmilling process, we don't just make lumber, we also make chips, bark, shavings and sawdust. We have sales programs in place to maximize the use of these residuals which other companies turn into pulp, paper and green renewable energy including both wood pellets and biomass for power plants. A smaller portion of our residuals is consumed by soil and landscaping operations and medium-density fiberboard manufacturers. Interfor also consumes some residuals as a renewable heat and power source for drying lumber in our own kilns.

We also grind up log processing residuals from one of our main woodlands operations, and it is used by pulp mills as a renewable energy source for running their boilers. We are exploring innovative tools with our loggers to minimize residuals left in the bush and we are currently working with several of our pulp mill partners to increase our use of bush residuals by processing unused material from our harvesting operations

into hog fuel. Residuals that are left in the bush continue to store carbon for the short term and as they decompose they return nutrients back into the soils.

How Interfor's residuals production breaks down in the US South



Investing in Infrastructure & Technology

By embracing the highest standards and advancing innovation in our manufacturing operations and woodlands, we increase efficiency, keep our workplaces safe, and deliver high-quality products.

Investing in Modern, Efficient Technology in our Mills

Over the last 10 years, we spent close to \$900 million upgrading facilities and systems to employ the latest technologies (see Capital Investments chart on page five).

In 2019, we completed Phase I of a capital investment strategy that we began in 2018. It consisted of a new planer and kiln upgrade at Meldrim Division and a major rebuild at Monticello Division. To date, the rebuild at Monticello is the biggest capital project Interfor has undertaken in the South, and it represents the second-largest investment we have made in a single operation.

This US\$70-million investment will result in an additional 150 million board feet of production capacity as well as improved grade outturns and reduced conversion costs. Monticello is continuing to improve productivity and Meldrim's kiln is now keeping pace with production.

With Phase 1 complete, we have moved on to Phase II at Georgetown, Eatonton and Thomaston divisions. The Phase II projects are designed to increase production capacity by approximately 275 million board feet per year as well as improve lumber recovery and enhance our product mix with a US\$240 million investment.



This new log deck was part of the overall rebuild at Monticello. To date, the rebuild at Monticello is the biggest capital project Interfor has undertaken in the South, and it represents the second-largest investment we have made in a single operation.

Investing in Modern, Efficient Technology in our Woodlands

We invest in new technology to be used in the woodlands we manage, and we support technology investments made by the timber harvesting companies and landowners working with us.

Investing in Research

Research, in partnership with other organizations, also plays an important role in making Interfor more efficient.

In 2019, Interfor was an active member of FPInnovations, a Canadian non-profit focused

on fueling the prosperity of the forest sector through scientific excellence, and we supported development of innovative solutions and best management practices.

In 2019, Interfor began a partnership with Clemson University on a research project. Using land attached to our Georgetown Division, the project is focused on how things like tree spacing, planting densities and varied herbicide prescriptions will impact seedling survival and tree growth.



The new continuous kiln at Meldrim has a drying capacity of 107 million board feet a year. Improved drying quality will also lead to better grade outturns.



This new log merchandiser, installed at Monticello in 2019, determines the optimum length to buck each log to maximize value.

Building Economic Partnerships with First Nations

We respect the deep connection First Nations (Indigenous peoples) have to their territories and work with them to develop strong relationships that offer mutual benefits.

Interfor's operations in British Columbia fall within the traditional territories of more than 60 First Nations. Our forestry operations are guided by our **First Nations Partnerships: Objectives and Guiding Principles**. This document outlines these goals:

- to recognize the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP);
- to seek to uphold the Calls to Action of Canada's Truth and Reconciliation Commission; and
- to commit to meaningful consultation and obtain, where possible, the free, prior and informed consent (FPIC) of First Nations before proceeding with developments.

First Nations play an integral role in the future of a strong, viable and sustainable forest economy in BC. Interfor is committed to seeking First Nations representation and participation in the forest industry and promoting socio-economic development opportunities across their communities. Interfor has relationships

with 33 First Nations with whom we have signed agreements that support shared business opportunities, training and capacity building, and positive working relationships that are founded on these mutually recognized objectives:

- 1. Long-term agreements that support the strong and stable participation of First Nations in the forest sector.**
 - Business-to-business partnerships that build capacity and support community development.
 - Joint planning involving greater First Nations input into land-use planning within their territories.
- 2. Certainty for our forestry business in BC.**
 - Predictable and cost-efficient access to a log supply that supports our operations.
- 3. Respect for First Nations culture.**
 - Addressing unique cultural, wildlife and environmental values in each territory.

As part of our formal process to meet these goals and objectives, we implement early and ongoing frequent communication and engagement with First Nations regarding activities within their territories. Through this engagement we work to identify cultural values, protect culturally sensitive areas and understand how our operations can contribute to community priorities. We believe that respect and understanding are critical to building strong working relationships and we have used workshops with First Nations Elders and region-specific training to advance Indigenous cultural competency amongst our staff.

2019 Active Territories	
Number of territories with active Interfor harvesting operations in 2019	55

2019 First Nation Engagement	
Percentage of active territories with information sharing, engagement or agreements in place	100%



As part of the five-year agreement with Homalco, Interfor is exchanging logs harvested in Homalco traditional territory for lumber the Nation will use for wood-framed construction projects in their community.

In 2019, we continued to work with our First Nations partners under a range of mutually beneficial agreements such as:

- The ongoing partnership between Interfor and the **shíshálh Nation** that supports joint planning and management of all aspects of forestry operations in the swiya (territory).
- A Market Logging and Tenure Management Agreement with **Whispering Pines/Clinton Indian Band** that includes capacity-building initiatives.
- Our long-standing partnership with the **Wuikinuxv First Nation** to support the Nation's vision for the future and prosperity of its people.
- A Tenure Management and Development Agreement with the **Bonaparte First Nation** that includes the long-term goals of a stable revenue flow and capacity building for the Nation's Natural Resource Department as well as a secure log supply to Interfor.
- Our long-term partnership agreement with the **Gwa'sala-'Nakwaxda'xw Nations** that includes increased opportunities for the Nations' forest company and regular planning meetings with the Nations' stewardship team.
- The five-year agreement between Interfor and the **Homalco First Nation** that supports community interests and our strong working relationship with Homalco Forestry's logging company.
- A Memorandum of Understanding (MOU) with the **Penticton Indian Band** with active discussions on community benefits, and supporting Cultural Heritage Resource assessments.
- The business agreement we have with **Metlakatla First Nation** under which we provide technical support for their First Nations Woodland License and completed development of a joint project that will commence in 2020.

In addition to these ongoing agreements, we contributed to a number of First Nation community, cultural and employment initiatives in 2019. Some highlights include:

- We were honored to be invited to the opening of the **Haítzaqv líáíci** (big house) in Bella Bella, an historic and deeply moving event that celebrated the strengthening of **Haítzaqv** culture. Building on an MOU signed in 2014 and a strong working relationship developed over the past five years, Interfor contributed to the construction of the big house through an agreement and partnership project with the **Haítzaqv** Nation.
- We participated in a community forestry meeting held by **Kwikwasut'inuxw Haxwa'mis First Nation** in **Gwayasdums** where we presented information on protecting community values in landscape reserves.
- We are working with the **Ka:yu:k't'h'/Che:k:tlés7et'h' First Nations** to develop a cedar inventory for their territory.
- We provided support to both the **Klahoose** and **Tla'amín First Nations** to support their participation in the Tribal Journeys canoe trip and gathering.
- We sponsored a field trip for **Gwa'sala-'Nakwaxda'xw** youth to visit an important traditional area within their territory.
- We participated in career and employment fairs with **Neskonlith Indian Band** and **Kwakiutl First Nation** as well as the First Nation Forestry Council's career fairs held in Nanaimo and Kamloops.
- We provided support to the **Okanagan Indian Band's** Hunting and Gathering Camp for their youth to learn traditional food gathering practices.
- We supplied cedar lumber for the establishment of a community garden for the **Adams Lake Indian Band**.

- We supported the **Whispering Pines/Clinton Indian Band** rodeo.



Interfor employees were honored to be invited to the opening of the **Haítzaqv líáíci** (big house) in Bella Bella, an historic and deeply moving event that celebrated strengthening of **Haítzaqv** culture.



Signing the Tenure Management and Development Agreement with the **Bonaparte First Nation** was an important achievement in 2019. The agreement includes long-term goals of a stable revenue flow and capacity building for the Nation's Natural Resource Department as well as a secure log supply to Interfor.

Working with Communities & Contributing to Healthy Local Economies

Interfor builds value for communities by supporting a healthy economy and environment, and we do this through meaningful engagement and community support.

Engaging with the Community

We engage with the public and communities impacted by our mills or harvesting operations. Some of the formal frameworks under which we actively share information and engage with First Nations, communities, stakeholders and the general public include:

- Interfor stakeholder engagement strategy plans in our Southern region;
- Forest Stewardship Plans;
- Landscape Reserve Designs in the Great Bear Rainforest; and
- SFI Certification (SFI Forest Management Standard Objectives 6, 8, 12 and 13 and SFI Fiber Sourcing Standard Objectives 6, 7 and 8).

In addition to these broad frameworks we engage with stakeholders through attending local forums, providing tours and taking part in educational opportunities. Some examples include:

- We worked with the University of Georgia's Extension Agency to facilitate outreach meetings focused on how sawmills provided opportunities for rapid timber salvage of damaged forest for forest landowners in southwest Georgia following Hurricane Michael in 2018.

- Molalla Division hosted members of a collaborative working group on the Mount Hood National Forest during the Clackamas Stewardship Partners Tour. Clackamas Stewardship Partners is a group of diverse stakeholders dedicated to restoring ecological function of the Clackamas River Basin while benefiting local economies.
- Preston Division hosted members of the Webster County Volunteer Fire Department and EMS personnel along with Chief Darrell Holbrook and Sheriff Randy Dely for a Lunch & Learn led by the Preston Safety Committee. The group toured the site and learned about the fire system improvements and emergency routes.
- Interfor supported the Sustainable Forestry and African American Land Retention Program (SFLR) through involvement in workshops and education opportunities. This program improves forest management by connecting African-American landowners to established networks of forestry support including federal and state government programs, businesses, and non-profit conservation, legal, and community development organizations.
- We took part in a Georgia Senate Study Committee on Agriculture, Forestry & Landscape Workforce Access, and shared

our workforce recruitment and retention learnings and achievements from our US South operations.

- Our coastal BC operations work with the Discovery Islands group, who are concerned about visual quality objectives. We share cutblock and road locations on a public website so their concerns can be included in our planning prior to harvesting.
- In BC's Interior, we have taken part in the Christina Lake Stewardship Society for over 10 years, the past three years on the Board of Directors. Focusing on sound stewardship within the Christina Lake watershed, the society's key 2019 initiatives included kokanee enumerations and spawning habitat restoration, prevention and mitigation measures targeting aquatic invasive species, as well as wildfire prevention and mitigation strategies.
- We participate in a roundtable for the Clearwater Community Advisory Group where, in 2019, some of the key discussions included biomass sources to supply the community energy system and sustainable harvesting.
- After an area of forest was knocked down by high winds, we worked with the Nakusp and Area Community Trail Society to develop a prescription for salvage harvesting that would maintain the Saddle Mountain Lookout Trail by limiting road crossings and implementing buffers.
- Interfor is a member of the Olympic Forest Collaborative. In 2019, this group held a series of public meetings around the Olympic Peninsula to inform and seek input from the public concerning timber harvesting projects designed to restore and accelerate the development of habitat for late successional species, such as spotted owls and marbled murrelets.



Monticello Division donated lumber to the Monticello Elementary School to build the new reading area.



Gilchrist Division donated wood to Bend Senior High School so students could make classic step stools, employing all the techniques and skills they learned in their woodworking class throughout the year.

Giving Back to the Community

Our promise to communities is to build value by supporting a healthy economy and environment. We do this, in part, through donations to organizations and programs in the regions where we operate. Each Interfor division operates within a region and has a particular relationship with its surrounding communities. To support that relationship, each Interfor location is given its own annual donation budget to be spent as the divisional leadership sees fit.

Preference is given to the following areas:

- Education
- Children/youth
- Environment
- Health

The overarching goals for Interfor's divisional annual donations are:

- promote Interfor within the communities where the division operates;
- build positive community relations and awareness of Interfor within the community;
- build morale by showing local employees that Interfor cares about them and their communities; and
- support our corporate social responsibility goals.



The Coastal Woodlands Division donated cedar logs to the City of Campbell River to build a split rail fence around a new bike park for local youth.



Swainsboro employees donated over 80 care and share packages to PruittHealth, a nursing and rehabilitation center.

Taxes & Employees

In 2019 Interfor employed 2,987 people and paid \$11.3M in taxes, including amounts paid or payable to governments in respect of income, property and certain other taxes. Excluded are taxes paid but not separately tracked or readily quantifiable, including BC Provincial Sales and Carbon Taxes.

	Canada	USA	International	Total
2019 Tax Payments	\$3,275,000	\$7,926,000	\$121,000	\$11,322,000
2019 Employees	924	2,056	7	2,987

Advancing Governance & Accountability

We believe that strong governance improves corporate performance and benefits all stakeholders. Honesty and integrity are vital to ensuring good corporate governance.

Interfor is a publicly listed company on the Toronto Stock Exchange (TSX). We comply with corporate governance guidelines that apply to Canadian companies listed on the TSX, as well as the regulations adopted by the Canadian Securities Administrators.

We monitor regulatory developments and governance best practices as they evolve. We adopt regulatory changes that apply to us and incorporate best practices in governance that are appropriate to our circumstances.

Our **Management Information Circular** provides detailed information on our governance policies and practices.

We believe having an independent Board of Directors is critical to effective oversight and good governance within the Company. To enable the Board to function independently of management, the following structures and processes are in place:

- **the role of Chair of the Board is separate from the role of CEO;**

- **10 of the 11 directors are independent.** Ian Fillinger is not independent because he is Interfor's President & CEO;
- **the Chair of the Board is independent;**
- the independent directors meet after every Board meeting and at any other time it is deemed necessary by the Chair of the Board, without any members of management present; and
- in addition to the standing committees of the Board, special committees composed entirely of independent directors are appointed from time to time, when appropriate.

Effective January 1, 2020, Ian Fillinger stepped into the role of President & CEO following a robust, multi-year succession planning process focused on identifying and developing internal CEO succession candidates.

To encourage and facilitate Board renewal, all directors are elected annually at the annual general meeting of shareholders for a term that ends at the next annual general meeting, and we have adopted a Board mandatory retirement

policy that makes a director ineligible for re-election if they (i) are 75 years old or older, and (ii) have served as a director for 10 or more years.

In the context of our Board succession plans, we have increased the size of our Board and continue to retain certain directors to provide an appropriate transition and orientation period for new directors. In the past five years, five new independent directors have joined our Board. Although four of our current directors have tenures of over 10 years, they remain strongly independent and capable of providing effective oversight and appropriately challenging management. In addition, recent changes at the senior management level, including the appointment of a new President and CEO on January 1, 2020, address any risk of current Board members not being sufficiently independent of management.

Our **Majority Voting Policy** requires that, if a director receives more withholds than for votes at an annual shareholders meeting, they will offer to resign. The Board will accept their resignation except in extraordinary circumstances.

We have adopted a **Diversity Policy** because we believe that a diversity of attributes, experience and capabilities will enrich the Company. Diversity is taken into consideration as part of our overall recruitment and selection process for directors, executives and employees. **Three of our 11 directors are women.**

We have a **Code of Conduct & Ethics** (the “Code”) that applies to all of Interfor’s directors, officers and employees. It highlights our Core Values and provides guidelines for acceptable behavior by requiring ethical business conduct, prohibiting bribery, regulating conflicts of interest and restricting political donations. Compliance with the Code is a condition of employment for our employees and a condition of office in the case of our directors.

We require all salaried employees to review and agree to the Code annually through our learning management system so we can track individual employee sign-off and increase personal accountability. The Code is reinforced by our more detailed corporate governance policies, including:

- **Anti-Bribery and Anti-Corruption Policy**
- **Disclosure Policy**
- **Diversity Policy**
- **Insider Trading Policy**
- **Majority Voting Policy**

Both the Code and the Company’s **Whistleblower Policy** protect those who in good faith raise a concern or report misconduct, and the Company provides a confidential whistleblower hotline to encourage employees, contractors, vendors and the general public to report any concerns. In 2019, reports related to safety, the environment, and human resource issues were received through our whistleblower hotline, and other reporting avenues. All reports were investigated and follow-up ranged from addressing unsafe conditions, training and coaching, to suspension and termination.

Interfor complies with securities regulations in relation to internal controls over financial reporting (ICFR). These regulations require the Chief Executive Officer and the Chief Financial Officer to assess and certify the effectiveness of our ICFR at the end of each fiscal year. To assist with these certifications, an annual survey is sent to a random sample of employees to assess the effectiveness of corporate policies and procedures, and to obtain their opinion and input. These responses help us gauge employee attitudes towards the company leadership and overall corporate integrity, and can inform shifts in company operations. The Company also provides anti-fraud training annually.

Political Contributions

Political contributions made on behalf of Interfor are governed by our Code of Conduct & Ethics; they must comply with all applicable laws for the relevant jurisdiction and must be approved in advance by either our CEO or senior management in the US.

Country	2019 Political Contributions	Political Contributions as % of Revenue
Canada	None	n/a
USA	US\$14,350	<0.001%

Government Financial Assistance

In 2019, Interfor received government financial assistance in the form of job, training and fire infrastructure grants.

Country	2019 Government Financial Assistance	Government Financial Assistance as % of Revenue
Canada	\$566,142	<0.03%
USA	US\$2,216,893	<0.16%

