

EVERY DAY AT INTERFOR

# BUILDING VALUE SUSTAINABLY

2017 Corporate Sustainability Report



# Contents

- 01**    **Message from the President & CEO**
  
- 02**    **Interfor: Building Value Sustainably**
  
- 05**    **Ensuring Good Governance and Accountability**
- 06**    Internal and external oversight
  
- 09**    **Developing People**
- 10**    2017 achievements and actions
- 11**    Internal and external oversight
  
- 13**    **Adhering to World-class Safety Standards**
- 14**    2017 achievements and actions
- 15**    Internal and external oversight
  
- 17**    **Conserving Forest Values**
- 20**    2017 achievements and actions
- 22**    Internal and external oversight
  
- 25**    **Investing in Infrastructure, Technology and Environmental Performance**
- 27**    2017 achievements and actions
- 31**    Internal and external oversight
  
- 33**    **Building Economic Partnerships with First Nations**
- 34**    2017 achievements and actions
- 35**    Internal and external oversight
  
- 37**    **Contributing to Healthy Local Economies**
- 38**    2017 achievements and actions

DUNCAN DAVIES  
President & CEO



## MESSAGE FROM THE PRESIDENT & CEO

I am pleased to introduce Interfor's first-ever Corporate Sustainability Report.

Day in and day out, for more than 50 years, Interfor has been making quality lumber products, managing forests sustainably, providing meaningful and safe jobs for employees, and supporting communities.

Over the past two decades, as Interfor has grown into one of the world's largest lumber producers, we've broadened our focus to embrace First Nations' aspirations and ensure we operate within strict environmental parameters.

Equally important, we've put in place a governance and accountability structure to ensure we live up to our obligations. Corporate social responsibility is not an annual report or an event; it's an ongoing commitment to find new ways to do better and be better.

While this may be our first report, it won't be our last. Over the course of 2018, we will be setting new targets and developing new ways to measure our progress.

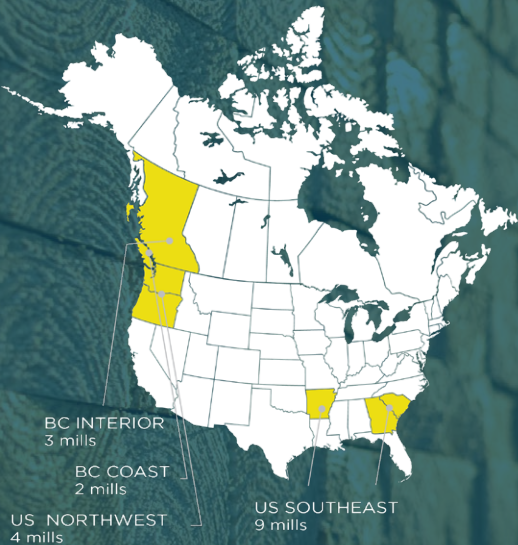
I am proud of the company we are today. I believe this report reaffirms we are headed in the right direction.



Duncan Davies  
President & Chief Executive Officer

# Interfor: Building Value Sustainably

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



More than 50 years ago, we began as a regional producer on the coast of British Columbia. Today we have a continental footprint with 18 sawmills in Canada and the United States.

We have earned a reputation as a supplier of high-quality lumber in 50 markets around the world. We offer the broadest range of products of any of the major lumber companies. And, over the past decade, we have invested in our people and facilities – increasing our annual production capacity to 3.1 billion board feet.





# Interfor: Building Value Sustainably

Our success is driven by our vision to be the most profitable, valuable and respected lumber company in the world. We know that to achieve this we must invest in people and provide safe, stable and good-paying jobs that support local economies. We must conduct ourselves and our business with integrity and honesty and be committed to continuous improvement from the forests to the mills.

Building value sustainably is an ongoing effort that requires day-to-day actions and decisions 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.





**INTERFOR**

SUSTAINABILITY PRIORITIES  
**GOVERNANCE**

# Ensuring Good Governance and Accountability

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

Having an independent Board is critical to effective oversight and good governance. Our Board of Directors provides oversight to ensure we are living up to our obligations. Its members offer a diverse wealth of industry and business experience – two of the nine members are women and eight are independent.

Board members participate in four committees:

- Corporate Governance & Nominating
- Environment & Safety
- Management Resources & Compensation
- Audit

We require that our directors, officers, employees and contractors conduct business in an ethical manner, and act in accordance with our Code of Conduct & Ethics. Directors, officers and employees must review the Code at least annually. We have a Whistleblower Policy and confidential hotline, and encourage employees, contractors, vendors and the general public to report concerns about potential violations of the Code.

As a public company, we comply with corporate governance guidelines that apply to Canadian companies listed on the Toronto Stock Exchange. Our corporate governance practices also meet or exceed the guidelines adopted by the Canadian Securities Administrators.

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







## We regularly review our **governance structure**

- Board and Committee Terms of Reference.
- Board stewardship responsibilities.
- Director orientation and continuing education.
- Board size, composition, independence, skills and experience.
- Board renewal and composition of Board committees.



## Internal and external oversight

### **Board of Directors committees:**

- Corporate Governance & Nominating
- Environment & Safety
- Management Resources & Compensation
- Audit

### **Interfor governing documents and policies include:**

- Articles
- Environment Policy
- Whistleblower Policy
- Code of Conduct & Ethics
- Disclosure Policy
- Insider Trading Policy
- Anti-Bribery & Anti-Corruption Policy
- Human Rights Policy

### **Interfor Management Information Circular**

- Includes a section that discusses governance policies and practices.
- Lists committees and functions.

### **Canadian legal and regulatory oversight:**

- Business Corporations Act (British Columbia) regulates companies incorporated in BC – includes powers and duties of directors and officers, conflicts of interest, corporate and financial records, shareholder meetings, proposals and dissent rights.
- Canadian and British Columbia Securities laws, regulations and policies – includes extensive governance and disclosure requirements and guidelines.
- Toronto Stock Exchange Company Manual – includes standards and requirements for listed companies.





SUSTAINABILITY PRIORITIES  
**EMPLOYEES**



# Developing People

As one of the largest, most diverse lumber companies in the world, Interfor is able to offer rewarding work experiences in mills, offices and woodlands.

We bring out the best in our 3,000 employees by offering long-term, competitive jobs supported by training, education and great benefits.

Salaried employees have career development plans and regular performance reviews so supervisors can give feedback related to safety, product quality and overall job performance. This is especially important during the first six months to ensure new employees learn to perform their jobs safely and efficiently.

In addition to competitive compensation and benefits for all employees, we have an incentive award plan for permanent salaried employees. Hourly employees at a number of our mills also share financially in performance improvements at their division.

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.

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, and ensures workplaces are free from harassment and discrimination. It is backed by a whistleblower hotline where employees can confidentially raise concerns.



## 2017 achievements and actions

- We introduced a unique Millwright Apprenticeship Program in the US South. In the first year, 27 maintenance and production employees were able to remain on the job and in their communities while learning this highly respected trade. The three-year program, delivered with the support of the Northern Alberta Institute of Technology, Charles Black & Associates and the Central Georgia Technical School, addresses the critical shortage of skilled maintenance technicians.

were filled by internal promotions, providing employees the opportunity to advance their careers and grow their skills.

- We created a world-class lumber trading floor at our offices in Burnaby, BC. It amalgamated our trading offices in Bellingham, WA, and Vancouver. The trading floor drives better communications among our 40 sales reps and logistics experts and improved service for our western commodity, export and specialty lumber customers.

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***Interfor is the largest lumber producer in the State of Georgia and this shows they are investing not only in mills but also in people – providing Georgians with great local jobs for today and tomorrow.***

Commissioner Pat Wilson, Georgia Department of Economic Development

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- Three Peer Groups were created to focus on excellence in Quality Control, Maintenance, and Log Quality. The groups consist of leaders across Interfor’s regions who meet on a regular basis to provide company-wide business solutions that directly impact our bottom line. This development opportunity allows our employees to grow their project management skills and enhance their strategic thinking while supporting employee engagement.

- We launched efforts across the US South to improve retention of our hourly workforce. They include new recruitment and selection processes as well as a new onboarding program. The Onboarding Passport supports better communications among mill managers, supervisors and hourly employees. It outlines training, expectations and key milestones, and tracks progress so new hires are engaged and develop the skills and knowledge to be both safe and efficient.

- In February 2017, we launched the US Southern Operations Quality Control (QC) Support Group, a cross-departmental team made up of expert QC practitioners; Sales & Marketing, and Human Resources staff. On-the-job training was provided at each of our nine mills in the US South over an eight-week schedule, supported by additional off-site formal training sessions. More than 90 employees have undergone training since the initiative was launched, and significant improvements in grade yield have resulted.

- We continued to focus on promoting from within. In 2017, one third of all open positions





## Internal and external oversight

**Interfor Code of Conduct & Ethics**

**Interfor Human Rights Policy**

**Interfor Compensation Policy**

**The BC Employment Standards Act**

- Section 37.7 Loggers working in Interior

**BC Human Rights Act**

**Canadian Human Rights Act**

**BC Workers Compensation Act**

**WorkSafeBC Bullying & Harassment resources**

**Interfor's BC Workplace Bullying & Harassment Policy**

**Interfor's Whistleblower Policy**

**US Wages and Fair Labor Act**

**US Equal Opportunity Law**

- Executive Order 11246

**Washington State Department of Labor & Industries**

**Oregon Bureau of Labor and Industries**

**Georgia Department of Labor**

**Arkansas Department of Labor**

**South Carolina Department of Labor, Licensing and Regulation**





SUSTAINABILITY PRIORITIES  
**SAFETY**



# Adhering to World-class Safety Standards

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Safety is integrated into every facet of our work, and we adhere to world-class safety standards at all of our operations. We are subject to US and Canadian occupational safety laws, and audit mills annually to measure and improve performance.

We view safety as 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 and following safe work practices, reporting unsafe acts and conditions, and arriving for work fit and capable to perform their jobs safely and effectively.

Safety committees allow worker and management representatives to work together to proactively identify and resolve health and safety issues. For example, the safety steering committee in our mill in Swainsboro, GA, developed a safety plan for a large kiln upgrade project, which was completed without incident.

Interfor's Board of Directors has an Environment & Safety Committee that ensures we comply with good safety practices. Committee members review safety issues regularly, and hold management accountable for the completion of new initiatives and providing and enforcing safe work practices.

We participate in the US Occupational Safety and Health Administration's Voluntary Protection Programs. Following rigorous third-party onsite evaluations, our mill in Meldrim, GA, earned a star rating for exemplary achievement and continuous improvement of safety and health management systems.

In BC, Interfor's operations have earned WorkSafeBC's certificate of recognition for our commitment to continual improvement in safety. To maintain the certificates, our mills go through annual third-party maintenance audits as well as extensive internal audits conducted by employees with significant operational experience.

We are an active member of the BC Forest Safety Council, a not-for-profit society that works with forest sector employers, workers, unions, contractors and the BC government to help industry implement the changes needed to eliminate fatalities and serious injuries in woodlands and manufacturing operations. All BC operations are SAFE certified through the Council.

## 2017 achievements and actions

- Our medical incident rate in 2017 was 2.2, a steady improvement year-over-year. The Adams Lake and Castlegar Divisions went more than one year without a recorded safety incident. Cedarprime in the US Northwest went 336 days with zero recordable injuries by focusing on ergonomics, formal safety observations, first aid drills, pedestrian/mobile equipment interface, and an interactive safety orientation for new hires.

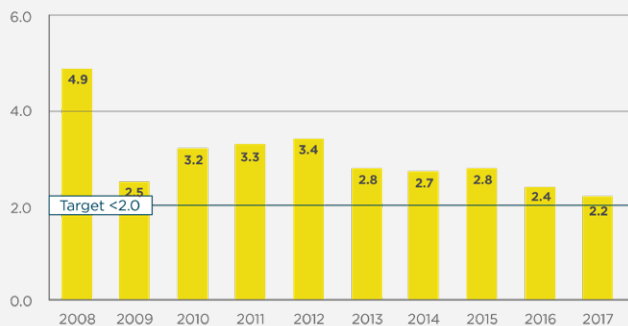


***Implementing a drug and alcohol policy makes a material difference in the health and safety of our workers. A testing program is a huge deterrent and helps employees make better decisions.***

Lana Kurz, drug and alcohol program administrator,  
Canadian operations



### Medical Incident Rate (MIR)



- We have zero tolerance for on-the-job drug or alcohol use. All employees and contractors are expected to report fit for duty and remain so throughout their work day or shift, free of any negative impacts due to the use of alcohol, drugs or any other mood-altering substances. Interfor was the first licensee in BC to require that all contractors are subjected to testing after an incident or if impairment indicators were present.

- Operations across the Company are taking a proactive approach to safety.

- Safety expert and renowned outdoor adventurer Bruce Kirby coached employees in Castlegar on ideas and actions to implement a healthy, proactive attitude about safety as a behavior choice.
- Grand Forks mill delivered safety training, including fall arrest, forklift and confined space training, as well as Employee & Family Assistance committee coaching.
- In our US Northwest stud mills - Longview, Molalla and Port Angeles - employees completed hand injury awareness training, as well as slip, trip and fall training with an emphasis on winter conditions.
- In our US South mill in Georgetown, we anchored the hot work process to prevent fire starts, and quick extinguishment through improved worker accountability and housekeeping standards.



- Our US South operations launched a new onboarding process that among other things, ensures that new and young employees receive comprehensive training and mentorship over a period of six months to prepare them for taking on a new assignment and operating equipment safely.
- In Oregon, mills in Molalla and Gilchrist earned SHARP (Safety and Health Achievement Recognition Program) Alliance recognition for their safety performance.
- Interfor's third annual Canadian Manufacturing Safety Committee Summit brought together safety leaders from five BC manufacturing divisions to focus on safety culture and set new targets.



*These summits increase front-line engagement and ownership of safety. I'm seeing increased engagement year over year, and our everyday focus on safety makes me extremely proud.*

Andrew Horahan, Vice President, Northwest Operations



- We hosted fatigue awareness training seminars for log haulers, and are working with the BC Forest Safety Council's Trucking and Harvesting Advisory Group to help develop fatigue management best practices.
- In the BC Interior, we are improving worker safety and decreasing hand falling exposure as part of the Steep Slope Initiative led by FPInnovations to overcome the challenges and risks of mechanical harvesting on steep slopes.

## Internal and external oversight

### **Interfor Board of Directors Environment & Safety Committee**

#### **BC Occupational Health and Safety Regulation**

- Part 26 Forestry Operations and Similar Activities
- Part 27 Wood Products Manufacturing

#### **BC Workers Compensation Act The BC Fire Code**

- 2.8 Emergency Planning
- 5.1.2.1 Hazardous Locations
- 5.3 Dust Producing Processes

#### **WorkSafeBC certificates of recognition**

#### **BC Forest Safety Council SAFE Companies**

#### **US Department of Labor Occupational Safety and Health Administration (OSHA)**

- OSHA Law & Regulations
- OSHA Wood Products
- OSHA Voluntary Protection Programs

#### **Oregon OSHA**

- Oregon Safe Employment Act

#### **Washington State Department of Labor & Industries**

- Washington Industrial Safety and Health Act

#### **South Carolina OSHA**



SUSTAINABILITY PRIORITIES  
**FOREST VALUES**



# Conserving Forest Values

Interfor is a leader in sustainable forestry, managing forest resources in a manner that is environmentally appropriate, socially beneficial and economically viable. We conduct internal environmental audits annually, identify areas for improvement and develop action plans. We ensure healthy, natural forests by planting approximately three seedlings for every tree we harvest.

We maintain an Environmental Management System (EMS) that provides a structure to identify, address and manage environmental issues for all woodlands and manufacturing facilities. We perform regular audits to verify EMS effectiveness.

Interfor manages nearly 2.7 million hectares of forests on public land in BC where timber harvesting activities must comply with the results-based Forest and Range Practices Act. The act requires forest stewardship plans showing how activities are consistent with objectives set by government for soils, timber, wildlife, water, fish, biodiversity, visual landscapes and First Nations cultural heritage resources.

The independent Forest Practices Board audits forest and range practices on public lands in BC to ensure they are consistent with government objectives. In 2013, it audited Interfor's operations on BC's northcentral coast and found compliance with all planning and operational requirements.



***This is a challenging operating area, and the board would like to acknowledge Interfor's diligence in applying the planning and operational requirements of ecosystem-based management.***

Al Gorley, Chair of the BC Forest Practices Board in 2013

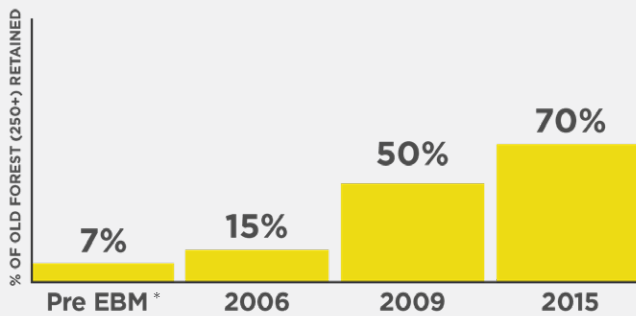


All of our forest operations are in BC, and are third-party certified to the globally recognized Sustainable Forestry Initiative® (SFI) 2015-2019 Forest Management Standard. Accredited auditors measure planning, procedures, systems and on-the-ground performance against a predetermined standard, and issue a certificate once they are certain forest operations conform. In Canada, we are a member of the Western Canada SFI Implementation Committee, which has provisions allowing members of the public to report perceived inconsistent practices.

In the US South and British Columbia, Interfor mills are certified to the SFI Fiber Sourcing Standard, which holds us accountable for ensuring our mills buy fiber from legal and responsible sources. Among other things, this means we ensure suppliers use best management practices to protect biodiversity and water quality, and use the services of forest professionals. We also use state logger training or equivalent programs 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.

**Great Bear Rainforest: Old Growth Retention Targets**



\*Ecosystem-based management (EBM)

We play a leading role in managing and protecting forests of high conservation value. We are a founding member of the historic land use planning process that led to the Great Bear Rainforest Agreement between industry, leading environmental groups, First Nations and the Province of British Columbia. Our SFI certification requires us to protect Forests with Exceptional Conservation Value as well as old-growth forests. We have internal programs and planning to address both of these key issues.

Many jurisdictions, including the European Union, have introduced regulations to avoid importing timber from controversial sources. Our Chain of Custody Policy Statement on Wood Fiber Procurement demonstrates our commitment to avoiding trading wood or wood fiber from controversial sources such as illegal harvesting, conversion of primary forests to forest plantations, and use of genetically modified forest-based organisms.

We have put in place an FSC wood procurement policy for our British Columbia Coastal Woodlands to avoid trading in wood or wood

## 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.



**SUSTAINABLE  
FORESTRY  
INITIATIVE**

SFI-00176

[www.sfiprogram.org](http://www.sfiprogram.org)





fiber that does not meet our sustainable forest management standards. Our Wood Purchasing Guide encourages our customers to choose products from sustainably managed forests.

We fully comply with laws in Canada and the United States that exclude fiber from genetically modified forests. Both countries also prohibit genetically modified trees for commercial planting. Our BC wood procurement policy commits to not purchasing or trading in wood harvested from forests in which genetically modified trees are planted. Through our SFI forest certification, we comply with SFI's policy on Forest Tree Biotechnology, which states that genetically modified trees shall not be used.

We minimize chemical use, only using them where required to achieve reforestation objectives while protecting people, wildlife and the environment. We are subject to local, provincial and federal laws related to chemical use. We fully conform to the SFI Forest Management Standard, which prohibits the use of WHO type 1A and 1B pesticides, and states that where practicable we avoid the use of all other pesticides and herbicides.

Professional foresters and forest technologists working for Interfor are registered and regulated by the Association of BC Forest Professionals. As required by SFI certification, we train employees and contractors to fulfill responsibilities in the standard. When appropriate, we engage other qualified persons with expertise such as professional engineers and geoscientists, hydrologists, biologists and archaeologists.

We have designated a management liaison between management and the Environment & Safety Committee of our Board. The committee ensures we comply with our corporate Environmental Policy as well as environmental legislation in all areas where we operate, and resolve any instances of non-compliance.

## 2017 achievements and actions

- In BC, we planted nearly 8.8 million seedlings - three for every tree we harvested.
- Adams Lake Division held a special water management field training day led by a hydrologist. A similar event was held for staff in Grand Forks and Castlegar.
- We provided Environmental Management System and SFI training to 61 contractors on BC's coast, with a focus on riparian best management practices. We also developed a best practices playbook and training for stream crossings.
- Interfor staff participated in the BC Interior Migratory Bird Working Group, which developed management tools including a risk matrix and Beneficial Management Practices document. In 2017, we developed an internal set of Standard Operating Procedures based on this work, and rolled it out across our Interior operations.
- Coastal Woodlands staff undertook species at risk awareness training. In addition, as member of the Coast Forest Products Association (CFPA), Interfor endorsed the signing of an MOU between CFPA and the BC government regarding the northern goshawk and marbled murrelet interim management strategy. Since then, we have reported three goshawk nests to the province.
- We reward and recognize contractors or employees who make reports about species at risk. In 2017, work was stopped when an equipment operator noted a bear den during harvesting in the interior. The den was protected in a reserve and mapped. Our logger training also includes species at risk and the BC Report-a-Weed smartphone app.
- On BC's Pacific Coast, we helped the Yuułu?ił'páth First Nation, environmental organizations and the Canadian government restore fish habitat on the Effingham River.
- In central Oregon, we partnered with the US Forest Service and environmental organizations to support forest restoration activities in national forests.





- In the US South, procurement staff used the Natural Heritage Database to identify and address critically imperiled and imperiled species and plant communities on the seven stumpage tracts we purchased from landowners.
- The 2017 wildfire season was the worst in BC's history. Grand Forks Division held audits and meetings with staff to help reduce fire risk and ensure proper fuel handling.
- SFI surveillance audits for Interfor's coastal woodlands and interior woodlands operations cited good practices such as:
  - Making extra efforts on the coast to retain western yew trees in the understory after harvest so they are available to meet the needs of First Nations.
  - Using a ledger system with supporting records to track log supply contracts on the coast and ensure conformity with SFI fiber sourcing requirements.

We identify wildlife habitat trees in our planning to ensure they remain protected.



## Promoting continuous improvement

Interfor has a culture of continuous improvement. In woodlands operations, this means applying science-based principles and working collaboratively to meet high environmental standards.

Through third-party SFI certification, we address non-conformities and act on opportunities for improvement identified in the annual audit reports.

The 2017 audits for both coastal and interior woodlands found we had addressed all non-conformities from previous audits, and identified two new minor non-conformances related to training in the interior and inspections on the coast.

The reports also listed opportunities for improvement. For interior woodlands, these included ensuring all contactors complete fire preparedness inspection reports, all small streams are properly classified, and skid crossings are removed from small, non-fish bearing streams. The auditors noted that while an unregistered recreational quad trail was not identified in the management plan, field staff took appropriate care to protect it. On the coast, there was an opportunity for improvement related to riparian protection in one block.

Since the audits were completed, Interfor has developed corrective action plans. Auditors will conduct follow-up assessments in 2018.

- Promptly reforesting interior locations with a diverse mixture of locally adapted tree species, including more larch because of potential warming due to climate change.

■ We work with First Nations, government officials, industry partners and stakeholders to implement the new forestry approaches of the Great Bear Rainforest Order (GBRO). Key initiatives include:

- Hosting a comprehensive training session for 46 forestry professionals.
- Creating a GBRO Implementation Team to develop guidance on the successful implementation of the land use order.
- Leading the work with industry, environmental groups and First Nations on four landscape reserve designs, as well as working with other companies and ecologists to develop criteria for rare red- and blue-listed ecosystems.
- Using technological advancements (LiDAR) to help implement objectives of the GBRO.

## Internal and external oversight

### **SFI 2015-2019 Forest Management Standard**

- Legal and regulatory compliance Objective 9
- Protect threatened and endangered species, old growth management areas, Forests with Exceptional Conservation Value Performance Measure 4.2
- Protection and maintenance of water resources based on best management practices Objective 3
- Promptly replant or regenerate all harvested areas Performance Measure 2.1
- Minimize chemical use Performance Measure 2.2
- Appropriate training of personnel and contractors Performance Measure 11.1
- Broaden awareness of impacts of climate change Performance Measure 10.3

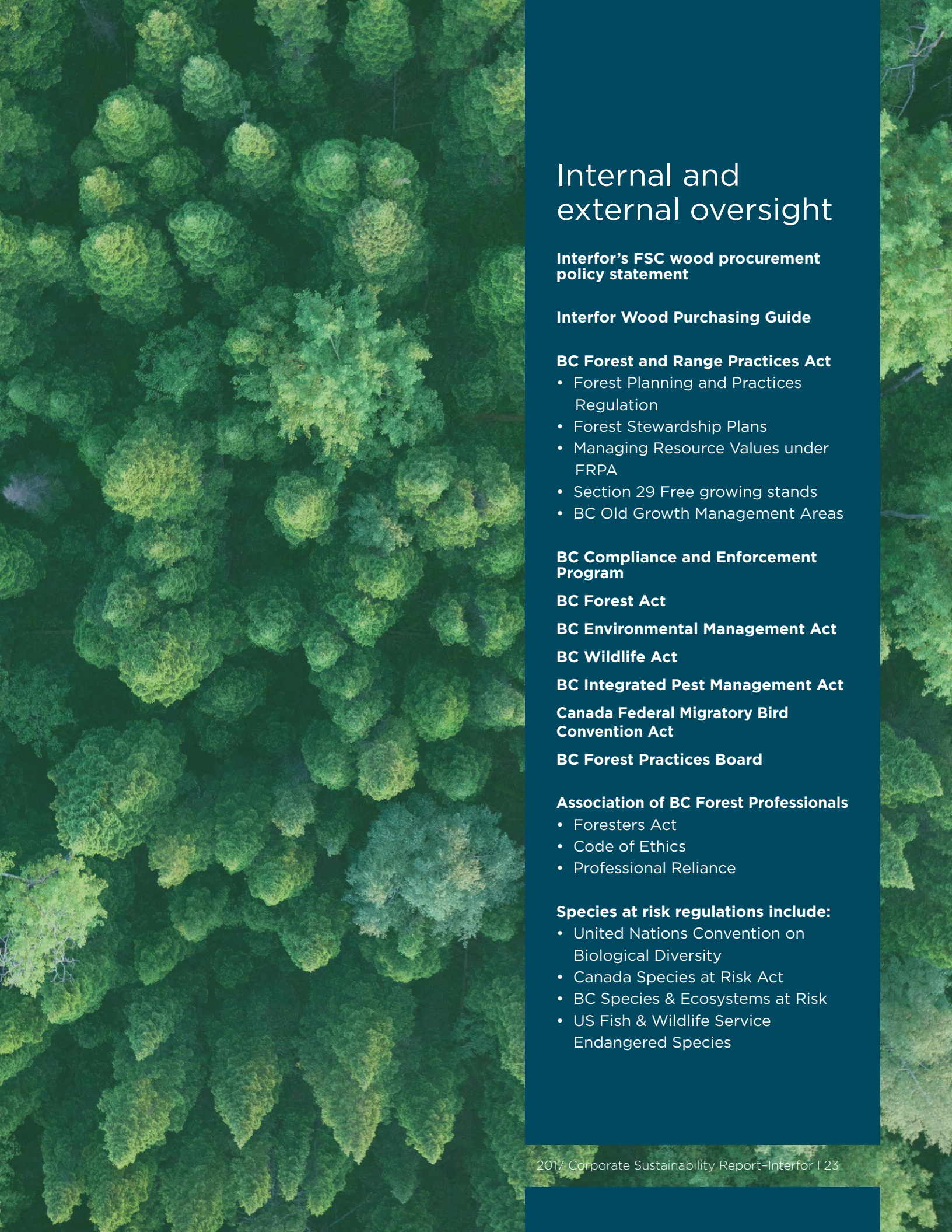
### **Western Canada SFI Implementation Committee**

### **Georgia SFI Implementation Committee**

### **SFI 2015-2019 Fiber Sourcing Standard**

### **SFI 2015-2019 Chain-of-Custody Standard**





# Internal and external oversight

## Interfor's FSC wood procurement policy statement

### Interfor Wood Purchasing Guide

#### BC Forest and Range Practices Act

- Forest Planning and Practices Regulation
- Forest Stewardship Plans
- Managing Resource Values under FRPA
- Section 29 Free growing stands
- BC Old Growth Management Areas

#### BC Compliance and Enforcement Program

#### BC Forest Act

#### BC Environmental Management Act

#### BC Wildlife Act

#### BC Integrated Pest Management Act

#### Canada Federal Migratory Bird Convention Act

#### BC Forest Practices Board

#### Association of BC Forest Professionals

- Foresters Act
- Code of Ethics
- Professional Reliance

#### Species at risk regulations include:

- United Nations Convention on Biological Diversity
- Canada Species at Risk Act
- BC Species & Ecosystems at Risk
- US Fish & Wildlife Service Endangered Species





**SUSTAINABILITY PRIORITIES**  
**INFRASTRUCTURE &**  
**ENVIRONMENTAL PERFORMANCE**



# Investing in Infrastructure, Technology & Environmental Performance

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By embracing the highest standards and advancing innovation in our woodlands and manufacturing operations, we are able to maintain environmental excellence, keep our workplaces safe, and deliver high-quality products.

We apply the latest science to inform our resource management decisions and participate in multi-stakeholder initiatives to increase knowledge.

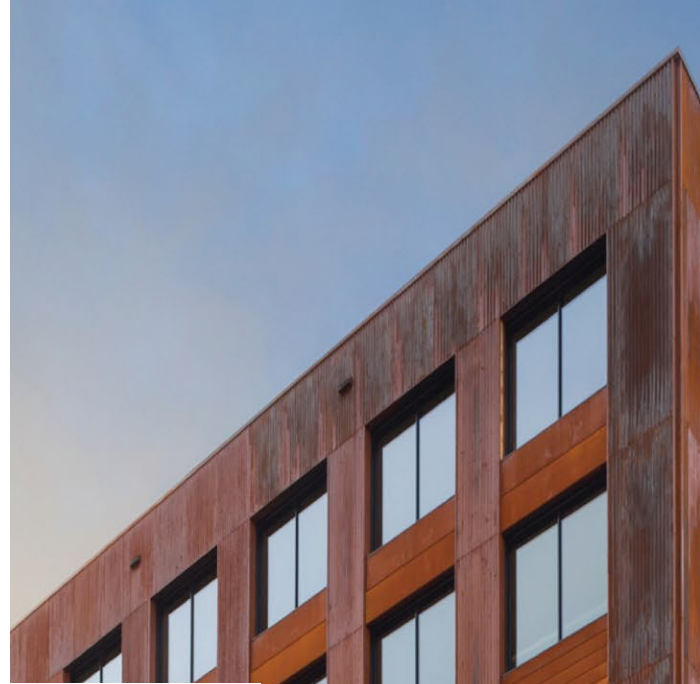
SFI third-party forest certification requires that we invest in forestry research, science and technology to support sustainable forest management decisions, and broaden the awareness of climate change impacts on forests, wildlife and biological diversity.

We are a founding member of an industry organization that worked with leading environmental groups to recommend new forestry approaches in BC's Great Bear Rainforest. Interfor and its partners also received WWF's Gift to the Earth award in 2007 for this work. In 2016, the Great Bear Rainforest was designated under the Queen's Commonwealth Canopy.

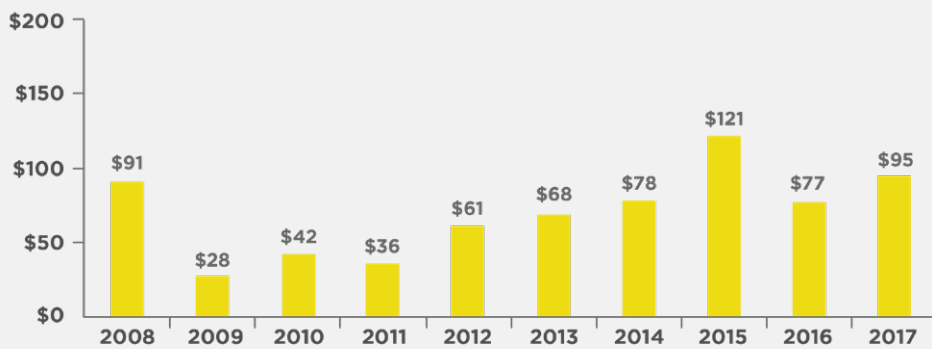
We invest in the latest technology in our mills. In the last decade, we have spent close to \$700 million upgrading facilities and systems that employ the latest technologies.



Many Interfor mills have reduced greenhouse gas emissions and improved air quality by drying lumber using carbon neutral biomass instead of fossil fuels. These include Castlegar, Adams Lake and Hammond in BC, and Gilchrist and Port Angeles in the Pacific Northwest. The Adams Lake Division in BC switched from liquefied natural gas to biomass in 2008, and Gilchrist Division in Oregon sells extra hog fuel to a local cogeneration facility.



Capital Investments (C\$mm)



We support research to improve the environmental benefits and performance of forest products. Interfor supplied more than a third of the lumber in the cross-laminated timber used to build Brock Commons in Vancouver, which became the world's tallest timber building when it opened in 2017.





## 2017 achievements and actions

- We invested more than \$95 million of capital in 2017 towards maintaining, upgrading and improving our equipment and technology at our mills and woodland operations.
- We announced a \$100 million, multi-year strategic capital plan that will involve a number of discretionary projects designed to improve our current operating mills. Two such near-term projects include:
  - Monticello, Arkansas: US\$46 million to upgrade and modernize the mill including the installation of new state-of-the-art machine centers in the sawmill as well as upgrades to the planer mill and one new continuous lumber drying kiln. Annual lumber production is expected to double, in addition to improving product quality, product mix and mill efficiency.

“

*Interfor is one of the largest employers in Monticello and today's announcement shows Interfor will continue to provide good jobs for the citizens while providing a catalyst for further economic growth in the region.*

Mayor David Anderson, City of Monticello

”

- Meldrim, Georgia: US\$17 million investment including the installation of one new continuous lumber drying kiln and upgrades to the

planer mill. Lumber production is expected to increase by 50% in addition to improving product quality and mill efficiency. Once the project is completed, the facility is expected to operate on a full two-shift basis, further strengthening the local economy.

- We completed a detailed feasibility study and business case for the development of a new sawmill in the US South, with an estimated total capital investment of US\$115 million. A decision on the project is expected in 2018.

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*Interfor is a long-time employer in the area, and today's announcement shows they will continue to provide good jobs for the citizens while also benefiting landowners in the region.*

John Henry, Effingham Industrial Authority CEO

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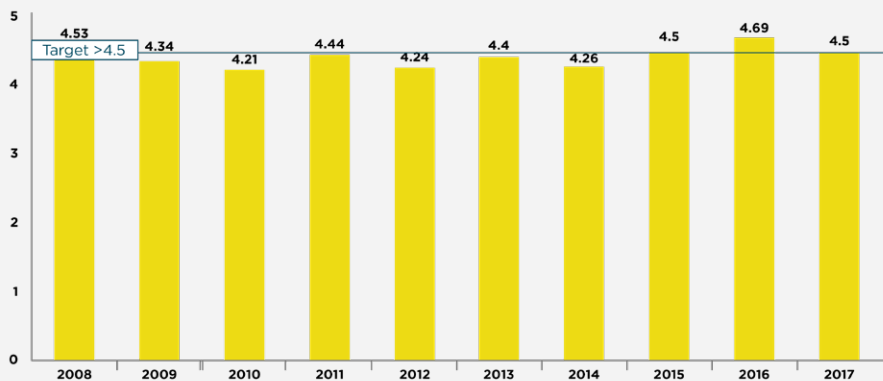
- We hire independent auditors to conduct compliance audits pertaining to water and air emissions, waste management, fuel handling and spill prevention. In 2014, we expanded our audits to include our US South mills. Our comprehensive environmental management program has helped Interfor achieve high scores for compliance. In 2017, we received a score of 4.5 out of 5 meeting our target of 4.5 or greater for the last three years running.

- Helping to test a heli-logging cost and productivity tool developed by FPIInnovations and the US Forest Service that reduces planning time and logging costs. Heli-logging is costly but can eliminate or reduce expensive road construction and associated environmental risks on steep and challenging terrain.

- In BC, we supported the provincial government's Climate Strategy for Forests, and integrated relevant science, data and knowledge into

our operations to better understand the implications of climate change. Interfor has two professional foresters who sit on BC's Climate-Based Seed Transfer Stakeholder Advisory Group. It was an outcome of the BC government's Forest Stewardship for Climate Change Adaptation Plan (2015-2020).

### Mill Environmental Performance



- As a member of FPIInnovations, a Canadian non-profit, we supported development of innovative scientific solutions and best management practices to enhance our industry and address priority needs. Recent examples include:

- Supporting the Steep Slope Initiative, which aims to improve worker safety and increase access to economically and sustainably available fiber on steep slopes in Western Canada.

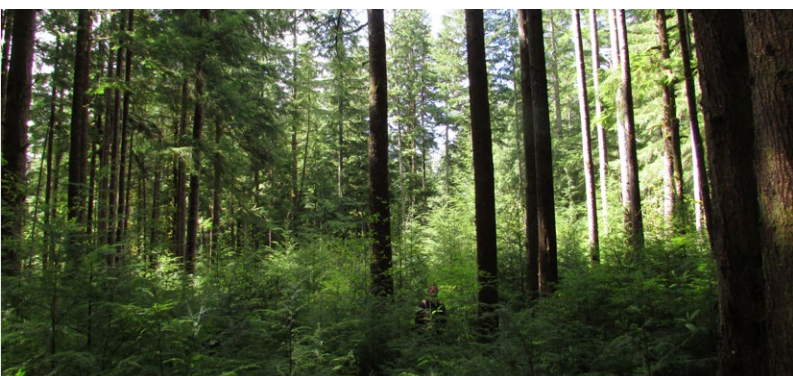
- Interfor is represented on the Forest Genetics Council of BC, which is tasked with developing strategies for where seed/seedlings will perform best with a changing climate.

- We participated in the Mother Tree project with universities, research institutions, First Nations, the Province of British Columbia and major licensees near our Castlegar operations to evaluate the effects of various forest removal methods, and ultimately identify optimal harvesting and



regeneration methods for Interior Douglas-fir forests in the context of a changing climate.

- We supported work by the University of Victoria, Simon Fraser University and the Government of British Columbia to develop adaptation climate change strategies. Projects include Western Red Cedar sustainability and the decline of Yellow Cedar, which involves experimental plantations and sample collections for future analysis.



- In the Pacific Northwest, we are part of the Olympic and Deschutes forest collaboratives alongside environmental groups, industry, government and communities. Together, we are conducting research that leads to best practices and creates healthier forests that are more resilient against the impacts of climate change.
- In the US South, we donated 15,000 board feet of lumber to Georgia Tech to support its research on cross-laminated lumber construction for military barracks.
- In BC, we enrolled in BC Hydro's Smart Energy Program to adopt a continuous improvement approach to energy management and optimize energy conservation measures. A third party has been retained to complete a site-wide energy audit. Findings will inform further actions in 2018.

## 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.

## Forests & Climate Change



Carbon is absorbed & stored in forests



Replanting forests maintains carbon stores



Wood products provide long-term carbon storage



Clear Tag.com  
A Shift - 5:30  
B Shift - 2:00

LOADER

2 TM

porter

840





- We worked with awarding-winning architect Michael Green and DBR | Design Build Research to create a wood pavilion for a TED conference in Vancouver that demonstrated advances in wood products and technologies.



## Internal and external oversight

### **SFI 2015-2019 Forest Management Standard Objective 10**

- Invest in forestry research, science and technology, upon which sustainable forest management decisions are based.
- Broaden awareness of climate change impacts on forests, wildlife and biological diversity.

### **BC government Climate Planning & Action**

- BC Climate Strategy for Forests





SUSTAINABILITY PRIORITIES  
**FIRST NATIONS**



# Building Economic Partnerships with First Nations

Interfor's operations in British Columbia fall within the territories of 60 First Nations. We respect the deep connection First Nations have to their territories and work with them to develop strong relationships that offer mutual benefits.

First Nations play an integral role in the future of a strong, viable and sustainable forest economy. In the last five years, we have signed more than 80 agreements with First Nations related to shared business opportunities, training, capacity building and positive working relationships.

Our partnerships with First Nations are founded on mutually recognized objectives:

## **1. Long-term agreements so First Nations can become strong and stable participants in the forest sector.**

- Business-to-business partnerships that build capacity and support community development.
- Joint planning providing First Nations greater input into land-use planning within their territories.

## **2. Certainty for our forest business in British Columbia.**

- Predictable and cost-efficient access to areas where we hold harvest licences.

## **3. Respect for First Nations' culture.**

- Addressing unique cultural, wildlife and environmental values in each territory.

We value the important role First Nations play as stewards of their lands, and acknowledge their unique perspectives and traditional knowledge. We work with them before we submit permits or begin harvesting so we are able to understand and incorporate their knowledge, values and needs into our planning. We meet with First Nations land use departments, the elected and/or hereditary leadership, and the community at large. We provide economic and technical support and share data so land use departments can make informed decisions that meet the needs of their communities.

The BC and Canadian governments are both committed to implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Interfor respects the importance of UNDRIP to First Nations, and supports the commitment by Canada and BC to implement it in a way that provides clarity, balance and mutual recognition of all interests in a strong, stable and sustainable economy. We also respect the Supreme Court of Canada's decision regarding Tsilhqot'in, and use this as the basis of our engagement with First Nations.

## 2017 achievements and actions

- We entered into an historic five-year agreement with the shíshálh Nation in Sechelt, BC, that includes mutual commitments to annual forestry projects, joint decision-making and a process for ensuring that forestry operations are conducted in a manner that upholds shíshálh Nation laws.

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*This agreement is the outcome of many years of work by past and current leaders of our great Nation. It helps to build the prosperity of our Nation and our people. Interfor has always demonstrated its leadership and commitment to work collaboratively with the shíshálh people.*

híwus (Chief) Warren Paull

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forestry and tourism. It also supports important river restoration work at Orford Bay, home to the Nations' growing grizzly bear viewing business.



- We entered into an agreement with the Heiltsuk Nation to support construction of a Big House in Bella Bella. The agreement supports a joint logging project with the Nation's forestry company.

■ We led workshops so Interfor employees and summer students can better understand the history of First Nations in Canada, appreciate the importance of these relationships to Interfor, and how they support and contribute to reconciliation today.

■ We entered into an agreement with Little Shuswap Indian Band and Arrow Transportation. The Band will sell fiber to Interfor and use the revenue to invest in logging trucks in partnership with Arrow Transportation, which has a contract to haul logs for Interfor. Band members are receiving truck driver training from Arrow and Thompson Rivers University.

- We signed a memorandum of understanding with the Homalco First Nation, which has served as a platform to support business opportunities, including





- Harvesting began on a multi-year agreement involving the Okanagan Indian Band, Gorman Brothers Lumber Ltd. and Interfor that provides revenue and capacity development for Band members and critical log supply for both forest companies. We also collaborated to fall 200 trap trees to control a Douglas-fir bark beetle infestation.

- With support from Interfor’s harvesting activities in the Yuułu?ił?ath territory on Vancouver Island, the Nation opened up a satellite office in Port Alberni to provide important services to the approximately 70 percent of the Nation’s citizens who live off Treaty Settlement lands.



*This office will provide services to our citizens that they otherwise wouldn't have received. It's something that's been missing for a long time.*

Yuułu?ił?ath President Les Doiron



- We were a major sponsor of Tribal Journeys 2017, where 100 canoes and 2,500 Coastal First Nation pullers from territories along the Pacific Ocean came together in Campbell River to share, learn and preserve indigenous traditions. Interfor staff devoted three days to volunteer at this historic gathering.



*Interfor has operated on BC's coast for more than 50 years, and our success has been - and will continue to be - grounded in our partnerships with communities and First Nations.*

Robin Modesto Coastal Woodlands Manager, Supply Chain & Land Use



## Internal and external oversight

### **United Nations Declaration on the Rights of Indigenous Peoples**

#### **Indigenous and Northern Affairs Canada**

#### **Canada Constitution Act, 1982, Section 25**

#### **Supreme Court of Canada Tsilhqot'in Nation v. British Columbia 2014 SCC 44**

#### **SFI 2015-2019 Forest Management Standard**

- Recognize and Respect Indigenous Peoples' Rights Objective 8

#### **Interfor First Nations Cultural Assessment Process**

#### **BC Government**

- Building Relationships with First Nations: Respecting Rights and Doing Good Business
- Objectives for cultural heritage resources – BC Forest Planning and Practices Regulation Section 10
- BC Heritage Conservation Act



SUSTAINABILITY PRIORITIES  
**COMMUNITIES**





# Contributing to Healthy Local Economies

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We understand the interconnectedness between our people and the communities where they work and live. Contributing to a healthy economy is a key part of our business philosophy and practice.

We invest in our facilities and systems, and employ the latest technologies. This ensures they are positioned for long-term success and can offer stable employment for local residents.

We contribute to local, state, provincial and federal economies through taxes and stumpage payments, and build capacity by purchasing goods and services locally.

Interfor has a dedicated community giving program across the Company supported by a donation policy. Local community groups are encouraged to fill out and submit requests for funding. Preference is given to local initiatives that relate to education, children/youth, health and the environment. Requests are reviewed and approved by each division.

For the past few decades, Interfor has been supporting local youth to fulfill their educational goals. Interfor now runs a formal scholarship program across the Company. Students whose parents or guardians work at Interfor can apply for funding to pursue post-secondary

or training education. The Tolleson-Wood Family Scholarship in the US South and the Dal Shemko Memorial Scholarship in the Pacific Northwest and BC recognize recipients for their academic achievements, volunteer and community contributions, and educational and career goals.



## 2017 achievements and actions

- We provided scholarships of \$2,000 each for 25 aspiring students who plan to pursue post-secondary education or technical training. These are students whose parents or guardians work at Interfor.
- We received the Environmental Sustainability Award at the 18th annual Burnaby Business Excellence Awards, sponsored by the Burnaby Board of Trade, for protecting, sustaining and enhancing natural resources as an integral part of our business plan and adopting practices to reduce energy consumption.
- Interfor was named “Industry of the Year” in Monticello, AR, for its ongoing commitment to train and develop employees, invest in facilities and give back to the community.
- Nearly 150 community-based organizations across North America received a total of \$334,000 of in-kind and/or financial support from Interfor’s operations, including:
  - The United Way of the Lower Mainland to support local agencies, governments and individuals who build healthy, caring, inclusive communities. Interfor matched funds raised by employees. (Vancouver and Grand Forks)
  - The annual Campbell River Salmon Festival to help raise funds for community events and celebrations. (Coastal Woodlands)
  - Chase & District Lions Community Club to support community projects, scholarships and recreation. (Adams Lake)
  - Boundary Community Food Bank so it can provide nearly 165 hampers monthly, helping feed about 300 residents (nearly half of whom are children, seniors or have a disability). (Grand Forks)
  - Captain Joseph House Foundation, which provides a place for families of fallen soldiers to gather for respite and care for their personal healing. (Port Angeles)
  - Log a Load for Kids to raise funds for the Children’s Miracle Network to improve children’s health through treatment, education and research. (Monticello)
  - Families Feeding Families, which funds and manages a food pantry year-round supporting about 25 families a week. (Thomaston)



***Whenever a company makes an investment it represents a vote of confidence in the community, the state, and the workforce.***

Mike Preston, Executive Director of the Arkansas Economic Development Commission







