

EVERY DAY AT INTERFOR

BUILDING VALUE SUSTAINABLY

2018 Corporate Sustainability Report

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A portrait of Duncan Davies, a middle-aged man with glasses, wearing a dark blue polo shirt, standing with his arms crossed against a dark background.

DUNCAN DAVIES
President & CEO

MESSAGE FROM THE PRESIDENT & CEO

Corporate social responsibility includes an ongoing commitment to find new ways to do and be better, and we're doing just that.

This is our second annual corporate sustainability report and I am proud to share what we've achieved this year. As you'll see, we've made progress in a number of areas. This year, we've added a new chapter on climate change to highlight the work we're doing to mitigate our own environmental impacts and promote the environmental benefits of building with wood.

I am proud of the company we are today. We continue to make quality lumber products, manage forests sustainably, provide meaningful and safe jobs for employees, and support the communities we operate in.

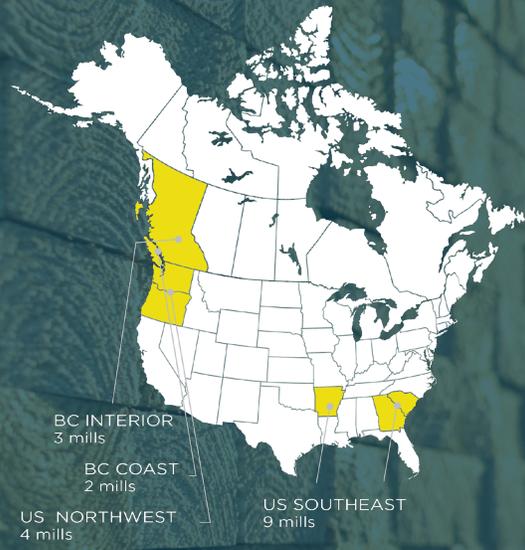
I'm also excited about where we're headed. I trust this report shows we're on the right track.

A handwritten signature in black ink, appearing to be "D. Davies", written in a cursive style.

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 and we offer the broadest range of products of any of the major lumber companies. We have a history of investing in our people and operations. Over the past decade, we have invested \$1.3 billion to upgrade our facilities and grow our annual production capacity to 3.1 billion board feet.

Lumber Production Volumes (Mmbf)



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 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 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.

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 guidelines adopted by the Canadian Securities Administrators set out under:

- National Instrument 52-110 – *Audit Committees*;
- National Instrument 58-101 – *Disclosure of Corporate Governance Practices*; and
- National Policy 58-201 – *Corporate Governance Guidelines*.

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.

Having an independent Board is critical to effective oversight and good governance. To enable the Board to function independently of management, the following structures and processes are in place:

- the Board is governed by the **Mandate of the Board**;
- nine of the ten directors nominated for election at our 2019 annual general meeting of shareholders are independent;
- there are no members of management on the Board, other than the CEO;
- the Chair of the Board is independent;
- each committee of the Board has its own **Terms of Reference**;
- the independent directors meet after every Board meeting and at any other time it is deemed necessary without any members of management present.

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 the director (i) is 75 years old or older, and (ii) has served as a director for 10 or more years.

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 ten nominees for election as directors in 2019, are women.

We have a **Code of Conduct & Ethics** (the “Code”) that applies to all of Interfor’s directors, officers and employees, who must acknowledge and agree to the Code annually. Compliance with the Code is a condition of employment for our employees and a condition of office in the case of our directors. The Code articulates our core values:

- 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.

The Code provides guidelines for acceptable behaviour by requiring ethical business conduct, prohibiting bribery, regulating conflicts of interest and restricting political donations. 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.

A compliance reference list for this chapter is available on page 28.

Developing People

As one of the largest, most diverse lumber companies in the world, Interfor offers a variety of rewarding work experiences to our employees.

We bring out the best in our 3,200 employees by offering long-term, rewarding careers supported by training and education, opportunities for promotion, 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.

In addition to competitive compensation and benefits for all employees, we have an incentive plan for permanent salaried employees that allow them to share directly in the Company's success. Hourly employees at a number 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.

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 **whistle-blower hotline** where employees can confidentially raise concerns.

A compliance reference list for this chapter is available on page 28.



Our training passports guide employees through our different programs, be it Millwright Apprenticeship, Sawmill Operations Trainee or general onboarding during their first months at Interfor.

2018 Achievements and Actions

- Our new recruitment and selection processes and Onboarding Passport launched in the US South in late 2017 produced results in 2018. The turnover rate of hourly employees—which is a major issue in the industry—dropped by 23% over the course of the year and the number of open positions fell by more than a third.
- We launched **LEAD-X**, a company-wide, four-module training program that equips sawmill supervisors and superintendents with the skills to lead their teams effectively. Employees take part in day-long sessions and complete homework that applies what they learned in the session back to their jobs.

“

The course helps you understand other areas of the mill and how they are interconnected. It's a great program for people who want to gain knowledge of the whole operation and get out of their specific area.

Kevin Scott, QC Supervisor, Swainsboro Division

”

- We had the second intake into our unique **Millwright Apprenticeship Program**. We now have 27 employees enrolled in the program and working towards their designation. The three-year program, delivered with the support of the Northern Alberta Institute of Technology (NAIT) and recognized by the US Department of Labor, addresses the critical shortage of skilled maintenance technicians and gives employees an opportunity to grow their careers within Interfor.



Kevin Scott, Quality Control Supervisor, Swainsboro Division is a successful graduate from the BCIT Industrial Wood Processing Program.

“

Every topic we covered in the two day course hit on something I encounter every day. It provided me with some additional tools that will make me a more efficient leader.

Interfor employee and LEAD-X participant

”

- Interfor, along with industry partners and the British Columbia Institute of Technology (BCIT), launched the **BCIT Industrial Wood Processing Program** in January 2018. The one-year program is aimed at employees who want to learn about all aspects of sawmill operations—while continuing to work in their current role—so they can grow their career at Interfor. The first intake graduated in December 2018 and a second class began in October.

- We hired 41 co-op students in 2018—a record number. Interfor represents an attractive opportunity for co-op students because 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.

- We continued to focus on promoting from within. In 2018, 35% of all permanent salaried openings were filled by internal promotions, providing employees the opportunity to advance their careers and grow their skills.

- Our Quality Control, Maintenance, and Log Quality Peer Groups focus on achieving excellence in the business and supporting talent development through cross-functional and cross-regional learning. Over the past 18 months, these groups developed playbooks outlining key processes, created key performance indicator scorecards, and established monthly check-in calls to share best practices, recognize mill achievements, and provide updates on initiatives. This work gave employees an opportunity to take on more responsibility and offer ideas on how to improve processes, resulting in improved operating and financial performance.

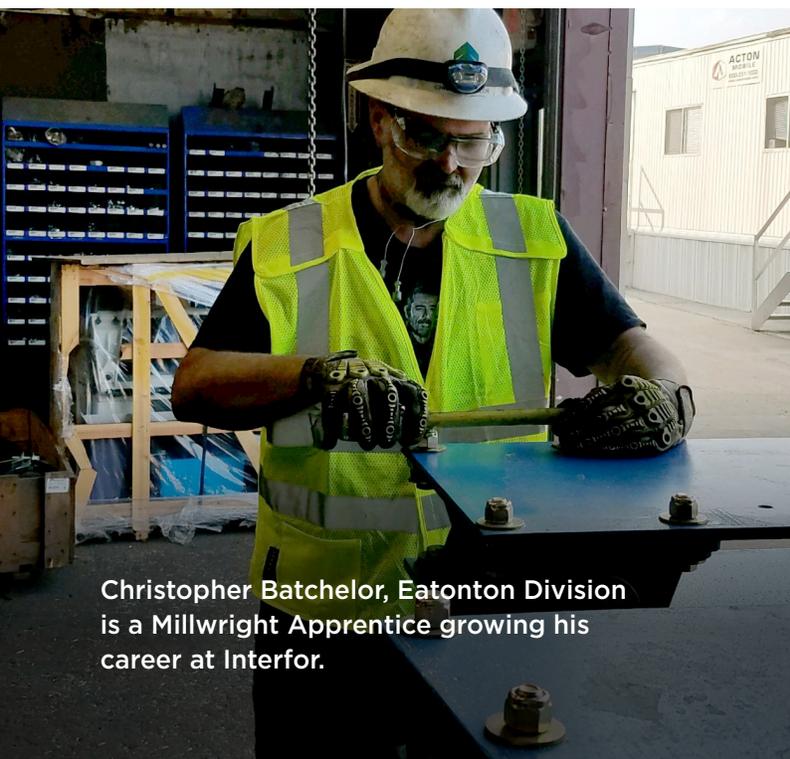
“

I learned so much, and I'm doing it better and safer now.

Christopher Batchelor, Millwright Apprentice, Eatonton Division

”

- In August 2018, we wrapped up the US Southern Operations Quality Control (QC) Support Group. Over 20 months, the cross-departmental team made up of expert QC practitioners; Sales & Marketing, and Human Resources staff rolled out 7,200 hours of training to 173 employees, which resulted in marked improvement in manufacturing quality, size control, kiln drying quality, and grade out-turns.



Christopher Batchelor, Eatonton Division is a Millwright Apprentice growing his career at Interfor.

Embracing World-Class Safety Standards

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

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 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 safe work practices, reporting unsafe acts and conditions, being fit for work, and safely following standard operating as well as emergency preparedness procedures, all of which are prescribed in our Safety Playbook.

We have a formal health and safety policy and procedures for hazard identification and risk assessment at all our operations. Safety committees are established at all our operations, and they meet regularly to share information and best practices across operations.

We have a Drug & Alcohol Policy with zero tolerance for on-the-job drug or alcohol use by employees. Interfor was also the first licensee in British Columbia (BC) to require that all contractors undergo testing after an incident or if impairment indicators are present.

We have regular health and safety training programs and initiatives across all our operations and set targets for leading indicators to prevent incidents and injuries. Our Lost Time and Medical Incident Rates continue to decline.

A compliance reference list for this chapter is available on page 29.



Our Safety Committee Summits give employees a chance to share ideas and best practices across sawmills so a good idea in Oregon can also be used in Arkansas.

2018 Achievements and Actions

Our medical incident rate in 2018 was 1.9, which is our best rating ever. This rating is the result of our employees' commitment to embracing world-leading safety and environmental standards.

Medical Incident Rate (MIR)



- Three divisions—Grand Forks, Cedarprime and Perry Reman—went more than one year without a recorded safety incident.
- Cedarprime completed a consultation audit by the Department of Labor and Industries which resulted in a high score of 97%.
- Our Western operations aligned to create lockout and hot work policies, which both meet or exceed regulations.
- Monticello developed a safety & training framework for the major capital investment projects taking place there.
- The Western operations completed confined space assessments, rescue procedures and training for difficult at height rescues.
- In our BC Woodlands operations, we installed dash cams in all Interfor fleet vehicles to assist with incident reconstruction and because we believe that monitoring improves driving behavior.
- Interfor's fourth Safety Committee Summit was expanded to bring together safety leaders from all Western operations as well as representatives from our Southern operations to focus on safety culture and set new targets for 2018.

- All Southern operations now have locked access gates that enter into a lockout zone. To access, lockouts must be verified by a lockout verifier who has been trained and deemed competent in lockout before the lock is removed to access the area.
- We created and implemented a standardized safety onboarding training program for our Southern operations to ensure each new hourly employee receives consistent information about Interfor's safety programs and expectations.



I think the Safety Summit bumped the Safety Committees up to a new level. They saw the amount of time, effort and money that Interfor puts into safety.

Sean Murphy, Safety Coordinator, Port Angeles



Conserving Forest Values: Biodiversity & Conservation

Interfor is a leader in sustainable forestry, managing forest resources in a manner that is environmentally appropriate, socially beneficial and economically viable.

Interfor manages nearly 2.4 million hectares of forests on public lands in BC which is 100% covered under forest stewardship plans that achieve government objectives for soils, timber, wildlife, water, fish, biodiversity, visuals and culturally important areas. The independent **Forest Practices Board** audits forest and range practices on public lands in BC to ensure they are consistent with these objectives. We consult with the public and stakeholders before harvesting begins and address public input and concerns in our planning.

Professional foresters and forest technologists working for Interfor are registered and regulated by the **Association of BC Forest Professionals**.

When appropriate, we engage other qualified persons with expertise such as professional engineers and geoscientists, hydrologists, biologists and archaeologists.

We play a leading role in managing and protecting forests of high conservation value—we are founding member of the historic land use process in BC's Great Bear Rainforest. Our SFI certification requires us to protect Forests with Exceptional Conservation Value as well as old-growth forests.

One hundred per cent of our BC woodlands operations are third-party certified to the globally recognized Sustainable Forestry Initiative® (SFI) 2015-2019 Forest Management Standard. Interfor mills in BC and the US South are certified to the SFI Fiber Sourcing Standard.

Through our **Chain of Custody Policy Statement on Wood Fiber Procurement**, we are committed to avoiding trading wood or wood fiber from controversial sources such as illegal harvesting, conversion of primary forests to non-forest use, and from genetically modified sources. 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.



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.

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.

A compliance reference list for this chapter is available on page 29.



Promoting continuous improvement

Interfor 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 2018 audits for both BC Coastal and Interior woodlands found we had addressed all non-conformities from previous audits, and identified one new minor non-conformance related to protecting water resources in the BC Interior.

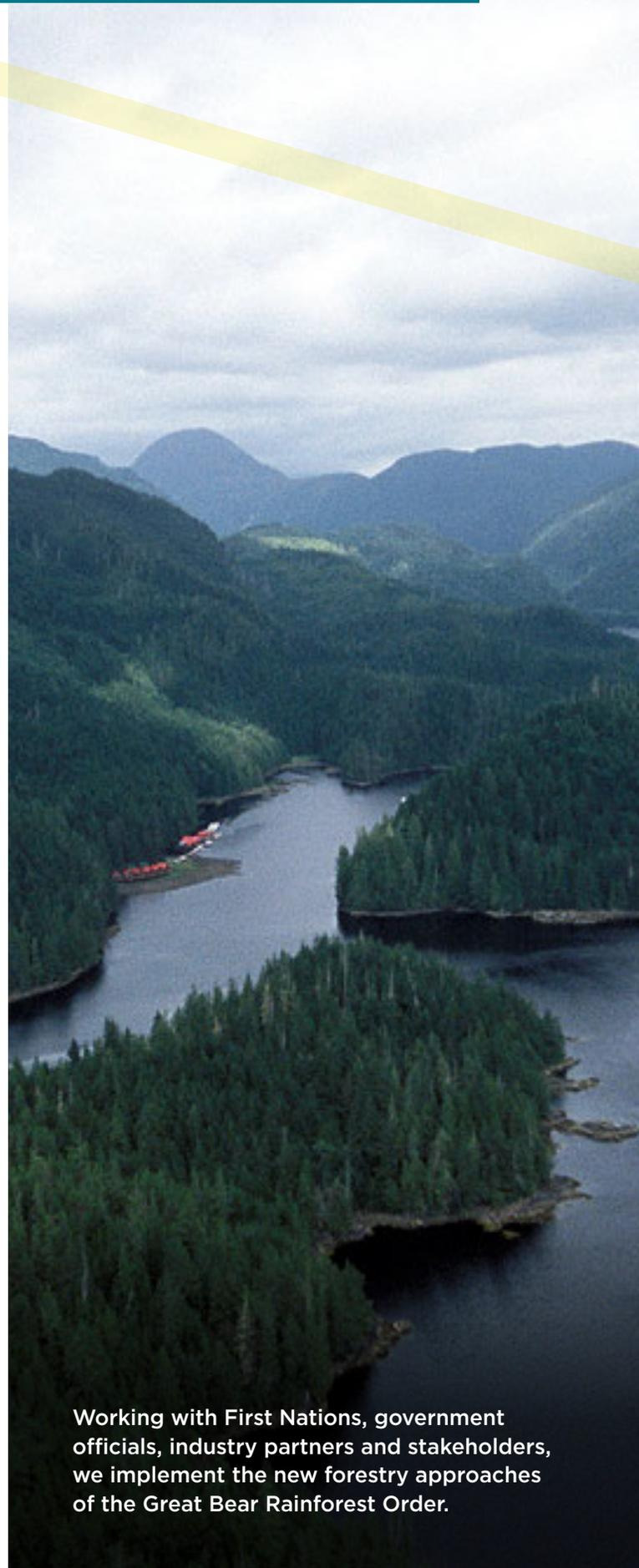
The reports, available on our website, also listed opportunities for improvement. For BC Interior woodlands, these included ensuring environmental incidents are investigated and acted on, considering the risk the fibre sourcing program may have on migratory birds, and including site specific risk factors in fibre sourcing risk assessments. On the coast, there was an opportunity for improvement related to the conformance of spill response equipment.

Since the audits were completed, Interfor has developed corrective action plans. Auditors will conduct follow-up assessments in 2019.

In BC, we planted approximately 9.8 million seedlings in 2018—three for every tree we harvested.

2018 Achievements and Actions

- In BC, we planted approximately 9.8 million seedlings in 2018—three for every tree we harvested.
- Interfor staff attended a course on soil bioengineering to better understand factors and techniques to successfully carry out, maintain and monitor slope stabilization projects using live vegetative materials.
- Interfor staff helped produce an identification/training manual to help other forest professionals identify rare ecosystems and forests of significant conservation value.
- 36 Interfor staff completed species at risk (SARA) identification training, and our logger training includes species at risk and the BC Report-a-Weed smartphone app.
- On BC's Pacific coast, we continued to help the Yuułu?it?ath First Nation, environmental organizations and the Canadian government restore fish habitat on the Effingham River.
- While the 2018 fire season was worse than 2017 in the BC Interior, all major fires within our operations were either lightning caused or non-industrial human caused, indicating good awareness, preparation and preventive measures (including shutdown) to avoid industrial fires despite the extreme hazard conditions.
- Interfor staff participated in the 2018 BC Caribou Forestry Working Group. This year, the group developed the *Beneficial Management and Standard Working Practices for Woodland Caribou and Forest Management Compendium* which offers new tools for determining what is critical caribou habitat and considering harvesting in areas that have lower habitat capability and suitability.
- Interfor staff participated in the Forest Collaboratives for Deschutes, Mount Hood, and Olympic National Forests. We worked together with environmental organizations



Working with First Nations, government officials, industry partners and stakeholders, we implement the new forestry approaches of the Great Bear Rainforest Order.

and government on stewardship and forest health issues. One example of the work done in 2018 is the Olympic Forest Collaborative funding the replacement of a large failing culvert on Vance Creek in the Skokomish Watershed to restore fish passage.

■ Interfor financially supported the Georgia Tree Farm Program to promote sustainable forest management to non-industrial landowners in areas where we purchase logs.

■ **SFI surveillance audits for Interfor's BC Coastal and Interior woodlands operations cited good practices such as:**

- Using E.M.S.'s Harvestline and tether systems to increase operator safety and harvest innovatively on steep slopes to allow the retention of trees rather than a full clearcut.
- Producing thorough and well documented block site plans and supporting assessments (such as archaeological, terrain stability, visual impact, etc.) to manage areas with multiple values and constraints through the planning, road construction and harvesting processes.
- Timely reforestation, within one year of completion of harvest, with a good mix of preferred and acceptable tree species.

■ **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 included:**

- Hosting training for identification of rare Blue and Red Listed ecosystems—31 registered forest professionals attended, 12 were Interfor employees.
- 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.
- Partnering with the provincial government to support Western Red Cedar trials and genomic studies regarding browse resistant traits.

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.

Mitigating Climate Change & Reducing Environmental Impacts

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

Interfor does our part to help combat climate change by improving energy use in manufacturing processes, reducing GHG emissions and by adopting sustainable forest management practices.

Our commitment to sustainable forestry practices was magnified in 2000/01 when we became the first Canadian company to achieve independent 3rd party Sustainable Forestry Initiative 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.

Interfor is also aligned with the Forest Products Association of Canada's "30 by 30" Climate Change Challenge, pledging to contribute to an industry-wide effort to help Canada move to a low-carbon economy by removing 30 mega tonnes (MT) of CO₂ per year by 2030—more than 13% of the Canadian government's emissions target.

Interfor reforests every hectare it harvests with ecologically suitable species that are native to the area. Our planting program is based on utilizing seedlings that will be climate-change

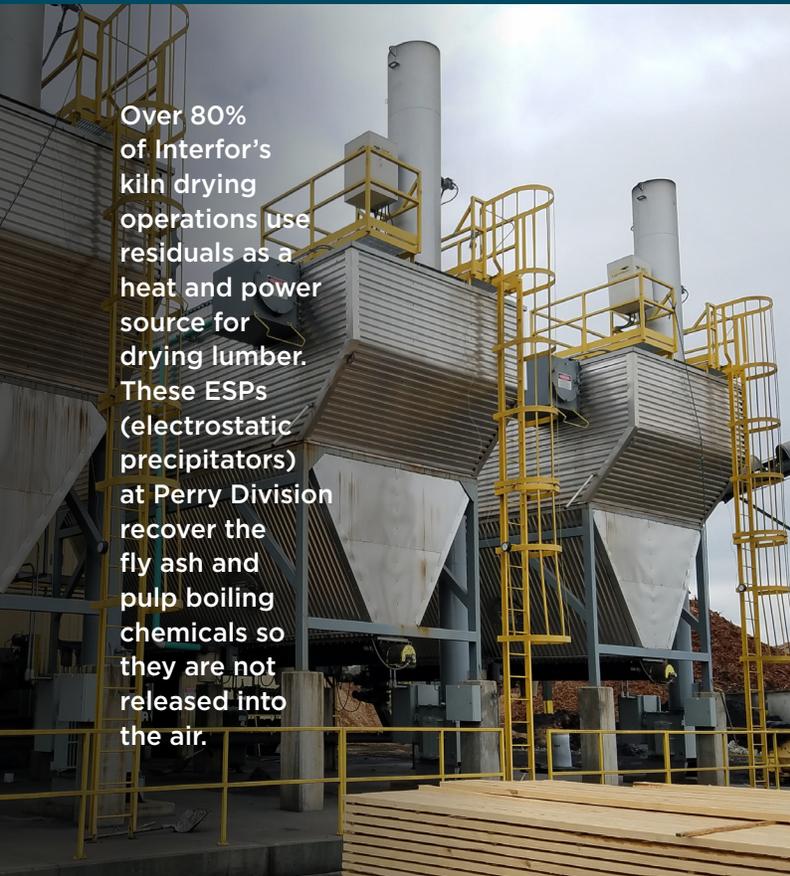
resilient/adaptable. In addition, lumber made from forests continue to store carbon in long lived building materials before being released into the atmosphere to complete the carbon cycle.

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. Not only does it take less energy to manufacture, using wood in construction reduces the use of water and materials, as well as GHG emissions. Through the Softwood Lumber Board and independently, Interfor promotes the environmental benefits of building with wood.

We maintain an internal **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. EMS awareness is part of new staff onboarding and staff also take part in annual refresher training, EMS field tours, and regular reporting of issues at business review meetings.

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. In 2018, we achieved a rating of 4.7 averaged across all our operations which is deemed to be compliant and low risk.



Over 80% of Interfor's kiln drying operations use residuals as a heat and power source for drying lumber. These ESPs (electrostatic precipitators) at Perry Division recover the fly ash and pulp boiling chemicals so they are not released into the air.

Over the years Interfor has made significant investments in its manufacturing facilities that improve sawmilling efficiency, reduce energy consumption, and reduce GHG for processing, drying and transporting lumber.

Interfor's approach to continual environmental improvement is aimed at making annual improvements that will have a positive impact on climate change, and reporting on our results annually. Our **Environment Policy** identifies the overarching goals of this commitment.

A compliance reference list for this chapter is available on page 30.

Mill Environmental Performance



2018 Achievements and Actions

- Approximately 9.8 million seedlings planted, that's three trees for every tree harvested in BC.
- All seedling selections consider future climate changes where they will be planted and their adaptability to those changes.
- We provided Environmental Management System and SFI program training to more than 800 logging contractors in BC.
- Over 80% of Interfor's kiln drying operations use residuals as a heat and power source for drying lumber rather than natural gas.
- Interfor won FortisBC's 2018 Efficiency in Action Award in the Industrial Customer category for our modernization project saving 2,328,299 kWh annually.
- Nearly one-quarter of our residuals in the US South were used in renewable energy:
 - 268,000 tons/year to the wood pellet industry.
 - 226,000 tons/year for Interfor sawmills and local pulp mills.



In 2018, Interfor won FortisBC's *Efficiency in Action Award* for building energy efficiency into our modernization project to achieve permanent energy reductions.

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

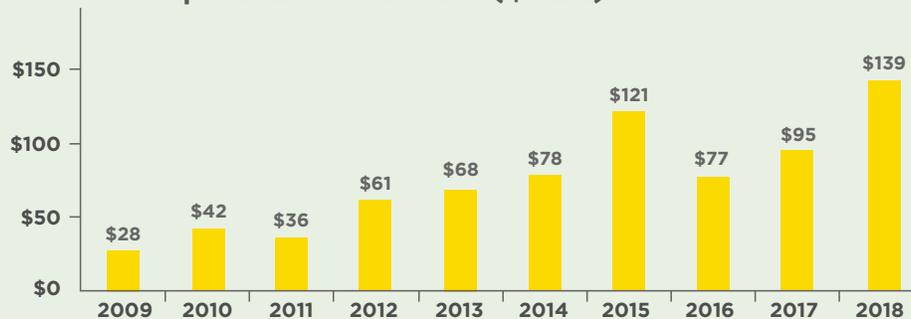
Investing in Infrastructure & Technology

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.

We invest in modern, efficient technology in our mills. In the last decade, we have spent close to \$750 million upgrading facilities and systems to employ the latest technologies. We have recently moved into a new phase of our ongoing capital investment strategy that will see more than \$500 million in discretionary capital invested to upgrade our manufacturing facilities over the next three to four years.

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

Capital Investments (\$mm)



Many of the Phase I & II capital projects include installing continuous dry kilns to increase the amount of lumber each mill can dry.



2018 Achievements and Actions

- We invested more than \$139 million of capital in 2018 towards maintaining, upgrading and improving our equipment and technology at our mills and woodland operations.
- A substantial amount of work for Phase I of the Capital Investment Strategy was completed in 2018:
 - Two strategic capital projects totalling US\$65 million at Monticello, AR and Meldrim, GA sawmills.
 - These infrastructure projects are designed to increase production by approximately 150 million board feet per year.
 - These projects are on track to be finished by the end of Q2-2019.
- Phase II of our Capital Investment Strategy was announced in Q3-2018:
 - Three new strategic capital projects totaling US\$240 million at Thomaston, GA; Eatonton, GA and Georgetown, SC sawmills.
 - These infrastructure projects are designed to increase production capacity by approximately 275 million board feet per year.
 - The projects are expected to be completed in various phases during 2019 to 2021.
- Both Phase I & II of the Capital Investment Strategy include major modernizations and rebuilds with new technology such as continuous dry kilns and autograders. These investments will substantially reduce production costs, improve lumber recovery and enhance grade outturns and product mix.

- As a member of FPInnovations, a non-profit focused on fueling the prosperity of the forest sector through scientific excellence, we supported development of innovative solutions and best management practices to enhance our industry and address priority needs. Recent examples include:
 - Progressing on the Steep Slope Initiative, which aims to improve worker safety and provide sustainable access to steep slope fiber in Western Canada. In 2018, Interfor provided two BC Interior logging contractors with stable, multi-year contracts to support their purchase of winch-assisted (steep slope) harvesting equipment. 2018 was also the first year where all three current winch-assisted systems in the BC Interior worked exclusively on steep terrain.



Steep slope harvesting aims to improve worker safety and provide sustainable access to steep slope fiber in western Canada.

- Supporting research into using synthetic wrappers—which are significantly lighter than the metal wrappers currently used—to see if they will reduce shoulder injuries among log truck drivers while still properly securing the load.
- Supporting the development of logging truck rollover mitigation systems through identifying and eliminating root causes. Log hauling is the second most dangerous aspect of the forest industry, after manual falling.
- Attending and providing feedback on the woody debris management workshop and facilitating discussion on improved fiber utilization. Improving fiber usage during harvesting will increase available sawlogs thereby helping to mitigate mid-term timber supply pressures, reduce the amount of material burned and the associated emissions, and maximize the value of the public resource.
- Completing a proof of concept project for virtual reality forest management planning in collaboration with LlamaZoo and FPIInnovations. This technology will allow companies to design and plan high quality roads and harvest blocks within a computer model environment using LiDAR data. This will provide numerous benefits for future forest managers, including transparent sharing of operating plans with the public, First Nations and other stakeholders.
- We funded and participated in a research project with the University of Georgia focused on wood processor utilization and efficiencies. The wood processor is a relatively new tool in Georgia, and we wanted to analyze the benefits of increased utilization of the timber resource for landowners and logging contractors.



Interfor is supporting research into synthetic wrappers, which are significantly lighter than the metal wrappers currently used, to see if they will reduce shoulder injuries among log truck drivers while still properly securing the load.

Building Economic Partnerships with First Nations

Interfor's operations in British Columbia fall within the traditional territories of more than 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.

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 23 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.

The Memorandum of Understanding signed between Interfor and the Penticton Indian Band represents a collaborative approach to developing a respectful and ongoing relationship regarding the stewardship of the land and resources in their territory.



A compliance reference list for this chapter is available on page 30.

2018 Achievements and Actions

- We developed our **First Nations Partnerships: Objectives and Guiding Principles** to inform our relationships and decision making, and reflect the principle of Free, Prior and Informed Consent (FPIC) of First Nations.
- shíshálh Nation and Interfor developed a partnership that supports joint planning and management of all aspects of forestry operations in the swiya (territory). In recognition of Interfor's work, company representatives were invited as industry partners to witness the shíshálh Nation's historic Reconciliation Agreement signing with the provincial government.
- We facilitated the application for Rural Dividend Funding on behalf of a First Nation partner who was ultimately awarded \$481,500.

shíshálh Nation and Interfor developed a partnership on the Sunshine Coast that supports joint planning and management of all aspects of forestry operations in the swiya (territory).



Partnering with the Homalco First Nation's forest company, Homalco Forestry LP, has resulted in a Memorandum of Understanding that enables mutually beneficial business opportunities in both forestry and tourism.

- Homalco First Nation and Interfor signed a unique business-to-business agreement exchanging logs harvested in traditional Homalco territory for lumber the Nation will use for wood-frame construction projects.
- We provide employment and support training for First Nations. In 2018, this included employing eight members from five First Nations, awarding forestry and logging contracts to nine Nation-owned contractors, as well as supporting the Okanagan Indian Band/Okanagan College Forest Worker Training Program and the BC First Nations Forestry Workforce Strategy.
- We are committed to protecting culturally important areas, and this year we are working with the Okanagan Nation Alliance to identify these areas, hiring First Nations to conduct or observe the completion of archaeological assessments, and actively seeking First Nations participation in conservation planning in BC's Great Bear Rainforest.



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.

We engage with the public and communities impacted by our mills or harvesting operations. Each operation collects, records and promptly addresses any concerns or enquiries in a timely fashion. We also reach out more broadly to the public to promote the benefits of forestry and wood construction.

Our community support is driven by our company-wide community giving program supported by a divisional donation policy.

As each Interfor division operates within its own region and has a unique relationship with its surrounding communities, mill managers are able to direct their own donations to best effect.

In addition to our community giving, we also run a formal scholarship program. Students whose parents or guardians work at Interfor can apply for funding to pursue post-secondary or training education.

A group of kayakers is seen on a river, surrounded by a dense forest. The kayakers are wearing life jackets and are positioned in a line across the river. The forest is lush and green, with tall trees lining the banks. The water is calm and reflects the surrounding greenery.

We work with the Discovery Islands group who are concerned about visual quality objectives so their concerns can be included in our pre-harvest planning.

2018 Achievements and Actions for Community Engagement

- We reached out to the community and water users of Upper Passmore prior to installing a bridge over a creek that is used for drinking water. We gathered community feedback, answered questions and ultimately responded to requests to maintain access for snowmobile use.
- We've taken part in the Christina Lake Stewardship Society for approximately 10 years, the past two years on the Board of Directors. Focusing on sound stewardship within the Christina Lake watershed, the society's key 2018 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 meet semi-annually with Adams Lake residents to discuss issues such as noise abatement, visual impacts, and management of logs in the lake. In 2018, we changed the way we assemble and tow our logs to minimize escaped logs in the lake.
- Independent auditors also recognized us for good management of visual quality and recreational benefits along Adams Lake through cutblock design.
- As part of Interfor's work in the Great Bear Rainforest, we continuously seek input from First Nations, the public and other organizations on the landscape reserve designs and adjust plans accordingly.
- We work with the Discovery Islands group, who are concerned about visual quality objectives, by sharing cutblock and road locations for review on a public website so their concerns can be included in our planning prior to harvesting.
- We support the Carihi Forestry program in Campbell River, a high school forestry program for students interested in working in the industry.
- We help fund Forestry Friendly Communities (FFC), an industry funded non-profit focused on building credibility, awareness, and a positive community connection to the benefits of the coastal forestry sector in BC. In 2018, FFC hosted the first ever Forestry Proud Day and awarded three forestry scholarships.
- We host regular mill tours in the US South as part of our community outreach program. In 2018, we hosted groups such as Putnam County Sheriff Officers, students from the Perry Youth Leadership Class, local leaders from Emanuel County, teachers from the Georgia Teachers Workshop, and US Congressmen Jody Hice, Rick Allen and Samford Bishop.
- We contributed to the Georgia Forestry Foundation's development of its *Virtual Forest Tour of Georgia Forests* which will be broadcast in schools across Georgia.
- We volunteered at South Carolina's Wood Magic Forest Fair to teach fifth grade students about sustainable forestry and wood manufacturing.

2018 Achievements and Actions for Community Support

- In 2018, more than 170 community-based organizations across North America received a total of \$390,000 of in-kind and/or financial support:
 - The United Way of the Lower Mainland to support local agencies, governments and individuals who build healthy, caring, inclusive communities. Employee giving increased 68% in 2018. (Vancouver, BC)
 - Habitat for Humanity – Vancouver North Island to support the building of affordable housing so families can build stability and independence through affordable homeownership. (BC Coastal Woodlands)
 - Chase & District Lions Community Club to support the building of a water splash park for children in Chase. (Adams Lake, BC)
 - Arrow Lakes ATV Club and Nakusp & Area Community Trail Society to maintain and restore trail networks, improve user safety, maintain proper drainage and protect aquatic habitats. (Castlegar, BC)
 - Columbia and Western Rail Trail Society to improve drainage management on a section of the trail between Castlegar and Fife. (Grand Forks, BC)
 - The Answers For Youth to provide support for local teens who are homeless or at risk of becoming homeless. (Port Angeles, WA)
 - Effingham College and Career Academy to support students participating in industry internships and completing career relevant projects. (Meldrim, GA)
 - Americus Fire Department to support the construction of a regional training facility for firefighters and first responders. (Preston, GA)
 - Putnam County Primary Elementary School to provide fresh woodchips for their playground restoration project. (Eatonton, GA)
 - Log a Load for Kids to raise funds to improve children's health through treatment, education and research at Children's Miracle Network Hospital. (US South Divisions)
 - Monticello School District to support the building of a handicap accessible dock at the local lake. (Monticello, AR)
- 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.

Compliance Reference List

Governance & Accountability

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.

People

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

Safety

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

Forest values

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

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

Climate Change

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

First Nations

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

