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- ▶ The publication of our Sustainability Report is in keeping with our commitment to be transparent about the way we conduct ourselves while carrying out our business operations. This includes reporting out on our progress towards operating in a more environmentally responsible manner, our initiatives to make a safe work environment for employees and our contributions to enhance the communities where we live and work.

## ► FORESTRY REPORT

At the heart of Canfor's forestry operations is its forest management system (FMS). The FMS is a systematic means of identifying, addressing and managing environmental impacts and sustainable forest management commitments within Canfor's Woodlands operations.

The goal of the system is to maintain and enhance the long term health of our forest ecosystems, for the benefit of all living things both locally and globally, while providing the environmental, economic and social opportunities for the benefit of both present and future generations.

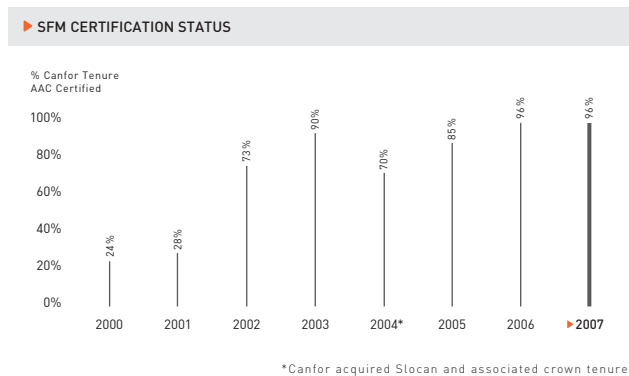
All of our practices in the forests that we manage are covered by our FMS, which is independently certified to the latest version of the International Organization for Standardization (ISO) Environmental Management System (EMS) standard CAN/CSA-ISO 14001:04.

### **SUSTAINABLE FOREST MANAGEMENT CERTIFICATION**

Canfor continues to be a leader in sustainable forest management certification. In addition to its EMS certification, 96% of its allowable annual cut under forest tenures is independently certified to the Canadian Standards Association (CSA) standard for Sustainable Forest Management (CAN.CSA-Z809-02), and plans are in place to complete the certification of the remaining 4% at operations in Alberta and Quebec.

Canfor is also committed to establishing and maintaining a Chain of Custody system within selected operations to create an information link between the raw material used in company manufacturing plants or sold to other organizations and the forest area of origin of the raw material. In 2007, Canfor continued to work on establishing, maintaining and certifying the Chain of Custody tracking systems.

In 2008 Canfor expects to complete this work and have all tracking systems independently certified to the Programme for the Endorsement of Forest Certification Schemes (PEFC): Chain of Custody of Forest Based Products – Requirements Standard.



## WILDLIFE AND HABITAT MANAGEMENT

In 2007 Canfor continued conservation planning for species at risk by participating with provincial governments in both BC and Alberta, key Environmental Groups and other stakeholders. Key initiatives designed to assist with the recovery of Woodland Caribou continue to be implemented at our Vavenby operations in our BC and Grande Prairie operations in Alberta.

In 2007, Canfor also continued to work with the University of British Columbia and other research institutions on programs for managing biodiversity on the lands that we harvest.

### **COMPLIANCE WITH REGULATIONS**

Canfor is committed to maintaining a transparent system for environmental reporting, including compliance reporting. During 2007, Canfor's forestry operations had a total of 6 non-compliance incidents on the company's forest tenures. In each case, the company took the necessary actions to mitigate any environmental consequences and correct conditions that may have led to the incidents.

Canfor forestry operations also had one minor spill, which was promptly reported to the appropriate government agencies. The spill was immediately contained and properly cleaned up.

Canfor forestry operations were not assessed any fines or administrative penalties relating to environmental non-conformances during 2007.

### **FPAC SUSTAINABILITY INITIATIVE AND REPORT – INDUSTRY COMMITS TO CARBON NEUTRALITY**

As active members of the Forest Products Association of Canada's (FPAC) Sustainability Initiative, Canfor is committed to its principles of operating in a manner that is environmentally responsible, socially desirable and economically viable. As participants in this initiative, Canfor will integrate these principles in our business practices and contribute to sustainable development through continual improvement.

Over the year, industry set a number of targets for itself, including Carbon neutrality by 2015. That's the target that the Canadian forest products industry has established under an ambitious new climate change plan unveiled by FPAC at the end of October 2007. What's more, the industry has pledged to accomplish its goal without resorting to offsets.

To meet the 2015 target, FPAC members will seek to eliminate their carbon footprint by reducing direct and indirect emissions, increasing the carbon sequestration potential of forests and products and increasing avoided emissions. Specifically, efforts will focus on:

- Becoming energy self-sufficient—switching from fossil fuels to renewable energy sources
- Adopting new, more energy-efficient technologies
- Increasing diversion of used products from landfills
- Increasing the use of landfill capping systems (to prevent methane leaks)
- Increasing cogeneration opportunities
- Identifying opportunities to maintain and enhance carbon storage in forests through landscape planning and sustainable forest management practices
- Maximizing recycling of paper and wood products

## **OBJECTIVES AND TARGETS FOR 2008**

### FOREST MANAGEMENT SYSTEM

We will maintain the Forest Management System during 2007. Surveillance audits to the ISO 14001 standard will be carried out at 5 operations and at the corporate office and re-registration audits will be carried out at a further 3 operations.

### SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

We will maintain existing CSA SFM certifications and complete the certification of the remaining operations.

### SFM AUDITS

We will provide audit training for forestry staff and conduct internal audits at 11 forestry operations. We will conduct external CSA SFM surveillance audits at 11 operations.

## ▶ MANUFACTURING

### COMPLIANCE REPORT

Canfor is committed to transparency in our environmental reporting and includes compliance reporting as part of this process. The following is an inventory of compliance for Canfor's wholly-owned manufacturing operations.

In 2007, Canfor had the following non-compliance situations (reported in accordance with government non-compliance reporting criteria):

#### AIR

At wood products operations, a malfunction of a shavings blower system resulted in temporary cyclone particulate emission issues; one wood residue burner exceeded opacity limits on one occasion; another burner was below compliance temperature on two occasions. A power boiler exceeded opacity limits on one occasion. A baghouse was bypassed for a brief period of time due to plugging. Particulate from an OSB drier exceeded permit during one quarterly compliance test.

#### EFFLUENT

At a pulp mill, one effluent sample failed a daphia magna toxicity test. A warning letter was issued by Environment Canada for late submission of the 'out of the normal course of events form' for the daphia magna test failure. At a pulp mill a break in the treated effluent line resulted in treated effluent going into a river side channel versus the main river channel effluent diffuser for a period of one month, until partial line replacement was completed. At a pulp mill the Pulp and Paper Mill Effluent Regulation Reference Production Rate report and an NPRI report for 2006 were submitted late.

At a remanufacturing plant the stormwater permit turbidity limit was exceeded in the discharge to an off-site stormwater ditch.

#### LANDFILL

At one wood products operation a Ministry of Environment inspection indicated lack of intermediate cover on a landfill and permit non-compliance. At another operation, woodwaste was landfilled in excess of permit limits.

#### SPILLS

Canfor manufacturing operations had 3 reportable spills in 2007. All were contained, cleaned up and preventive actions taken. The spills included: one spill of glycol due to a break in a pipe, one spill of hydraulic oil due to a ruptured hose on a Wagner and one spill of glue washwater into a ditch due to an overflowed tank.



## PERFORMANCE VERSUS OBJECTIVES IN 2007

### AIR QUALITY

We will finalize and implement a phase out plan for Canfor's one remaining Tier 1 beehive burner.

### PERFORMANCE

Canfor shut down its last Tier 1 beehive burner at Fort St. John in mid-December 2007 in compliance with the end of 2007 regulated phase out date.

### AUDITS

We will conduct corporate environmental audits of seven sawmills, two pulp mills, two panel plants and one remanufacturing plant.

### PERFORMANCE

Audits were conducted at two pulp mills, two sawmills, one remanufacturing plant and a chipping plant. One panel plant was permanently closed in 2007, so was not audited. Audit frequencies were extended from 3 years to 4 years resulting in postponement of the remaining audits planned to 2008.

## OBJECTIVES AND TARGETS FOR 2008

### AIR QUALITY

We will work with other industry representatives and the BC Ministry of Environment to develop an achievable phase out program for BC's remaining Tier 2 beehive burners.

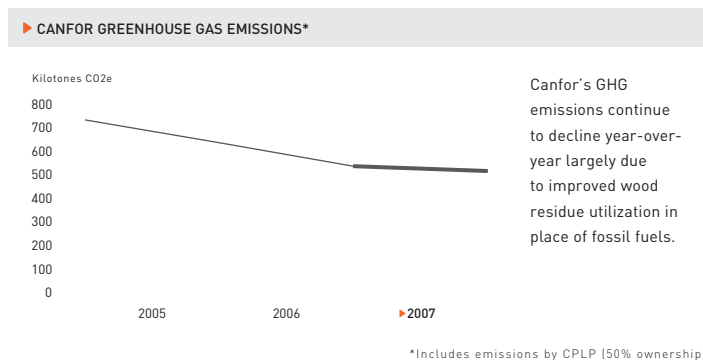
### AUDITS

We will conduct corporate environmental audits of five sawmills and one panel plant.

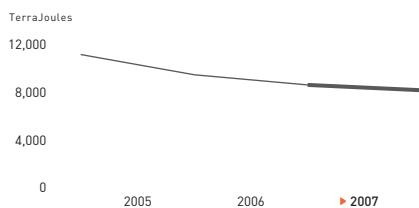
### IMPROVING OUR PERFORMANCE

Canfor's GHG emissions were lower in 2006 compared with 2005 largely due to greater utilization of wood residue fuels to offset fossil fuel use.

Wood residue usage has increased from 53% of total residue generated in 2004 from 73% in 2006 to 82 % in 2007. Increased usage in 2007 over 2006 was in part due to shutdown of the Houston Tier 1 beehive burner in April 2007 with start-up of the mill's new bark fired heat energy system.

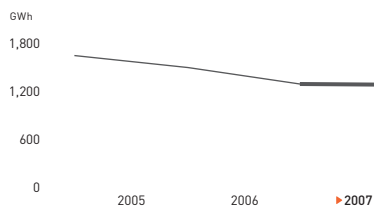


#### ▶ CANFOR NATURAL GAS USE



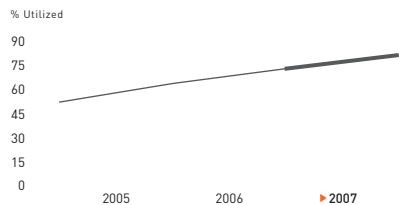
Natural Gas usage was less in 2007 due to wood product facility curtailments.

#### ▶ CANFOR ELECTRICITY PURCHASES



With the PG Co-Gen fully operating, Canfor has captured the benefits of decreased electricity purchases. There was little change in purchases, from 2006 to 2007.

#### ▶ CANFOR WOOD RESIDUE UTILIZATION



The Pellet Plant and Energy system at Houston and other such initiatives continue to increase Canfor's utilization of wood residues.

## ▶ OCCUPATIONAL HEALTH AND SAFETY

Despite turbulent market conditions, Canfor's operations stayed true to the company's philosophy of "Safety Comes First at Canfor." In 2007, the company continued the trend of improved safety performance towards a company-wide objective of a 2.0 Medical Incident Report (MIR) annual average by the end of 2008.

Implementing initiatives that drove consistent best safety practices across the organization was a key focus for the year. Sharing of best practices between our operations, including safety plans, training, policy development and safety committee programs all contributed to the reduction in MIR.

Canfor held its annual Health & Safety Conference in Prince George again in 2007. Over 250 salaried and hourly delegates from across all of Canfor's Operating Divisions attended the Conference.

The annual President's Safety Awards, in its 57th year, recognized three operating divisions for their exceptional health and safety performance. The winners of this year's President's Safety Awards produced impressive performance results considering the very difficult operating environment. The 2007 award winners were PG Sawmill for the lowest Medical Incidence Rate (MIR) for 2007, Plateau Sawmill for the greatest percentage MIR improvement, 2006 to 2007; and the Rustad Sawmill for the lowest MIR for three consecutive years, 2005-2007.

In 2006, the B.C. Forest Safety Council, in conjunction with WorkSafe BC (WCB), introduced its 'Safe Companies' certification program for the provinces woodlands operations. In 2007, all of Canfor's woodlands operations, including all our major contractors, have now successfully passed this rigorous health and safety certification audit process and received their certified 'Safe Companies' designations.

The commitment all of our employees showed in 2007 and the results that they produced is proof of our unwavering focus on safety at the workplace.

## ▶ CORPORATE CITIZENSHIP

In 2007, the forest sector experienced a downturn of unprecedented magnitude. News from the industry was dominated by announcements of financial losses, market curtailments, and mill closures. In difficult times such as these, it is very easy for companies to lose sight of the bigger picture and neglect the needs of the communities where they operate.

In our case, Canfor remained true to its commitment to the communities where we operate and the organizations that provide the services that enhance the places that our employees call home.

Canfor's corporate giving focuses on the areas of youth and education, community enhancement, forestry and environment, amateur sport and health and wellness. Allocating our funding in these areas, our donation process involves local employees to ensure that spending is made to meet the specific needs of individual communities.

### **FOCUS ON PARTNERSHIPS – UNITED WAY**

Canfor once again played its part in the United Way's annual campaign raising money that fund various Member Agencies and Programs that ensure that there are support systems in place for children, families, seniors and new Canadians.

Donations from Canfor employees and corporate contributions helped the United Way in northern BC exceed its Mission Possible Campaign targets and the United Way in Grande Prairie achieve a record breaking year during their Heroes Making a Difference campaign.

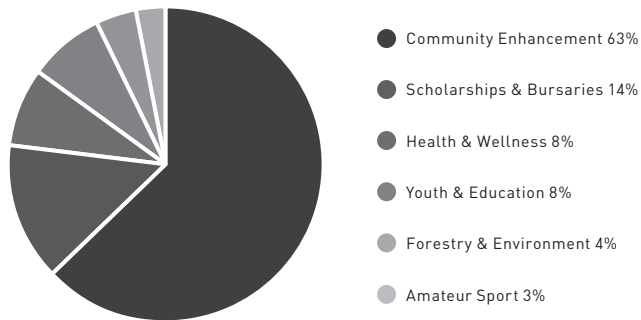
Canfor and its employees also participated in United Way campaigns in the Lower Mainland of BC, the Kootenays and South Carolina.

### **FOCUS ON COMMUNITY ENHANCEMENT – CHARLES JAGO NORTHERN SPORTS CENTRE**

In 2007 Canfor was pleased to partner with the University of Northern British Columbia in the construction of the Charles Jago Northern Sports Centre. The 145,150 square foot facility sits at the entrance of the UNBC campus, providing training opportunities for high-performance athletes and much needed rental space for minor sport groups. In addition, the facility houses state-of-the-art fitness equipment available for public use through individual memberships.

In 2007, Canfor proudly provided financial support to many diverse community groups, events and initiatives in our operating regions.

▶ CORPORATE SUPPORT BY SEGMENT 2007



#### BELOW ARE SOME OF THE ORGANIZATIONS WE SUPPORTED

- BC Children's Hospital Foundation
- Houston – Aquatic & Leisure Facility
- Association of BC Forest Professionals
- STARS – Alberta Shock Trauma Rescue Society
- United Way of Lower Mainland
- Vanderhoof Public Library
- Prince George United Way
- VGH & UBC Hospital Foundation
- Quesnel & District Palliative Care Association
- Theatre Under The Stars
- Pacific Assistance Dog Society (PADS)
- Canadian Northern Children's Festival (Prince George)
- Theatre North West Society (Prince George)
- Prince George Public Library Reading Club
- Fort Nelson Fire Fighters
- Chilliwack Rugby Society
- Columbia Valley Gymnastics Association (Radium)
- Taylor Minor Hockey
- Crime Stoppers - Vavenby
- Mackenzie Moose Hockey Team
- Blue Lake Forest Education Society
- Myrtle Beach Chamber of Commerce – 2007 Canadian-American Days
- BC Sports Hall of Fame
- Chetwynd Youth Soccer Association
- Big Brothers / Big Sisters of Prince George
- United Native Nations Youth Hockey
- Aboriginal Business Development Centre
- Fort Nelson Trappers
- CIFAR
- Canadian Breast Cancer Foundation
- Junior Achievement of BC
- Girl Guides of Canada – Isle Pierre
- Chetwynd & District Minor Hockey
- Vanderhoof Air Cadets Squadron 899
- Prince George Chamber of Commerce
- Houtson Minor Hockey Association – 2007 Northern BC Winter Games
- Uiveristy of Northern British Columbia
- University of British Columbia
- BCIT
- College of New Caledonia
- Northern Lights College

Please visit [www.canfor.com](http://www.canfor.com) to find out more about Canfor's community investment programs.



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