



DALE JONES

Woodlands Forestry
Supervisor
Nicola Valley Division

• Excellence in getting things done



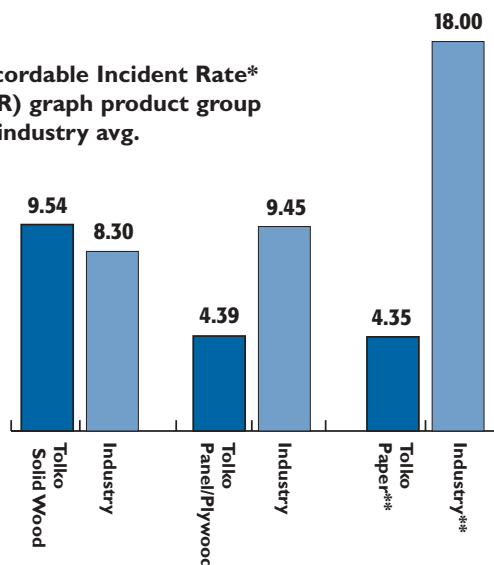
Sustainability

Tolko's development as a company since its start in 1956 is remarkable. Yet, while significant to us, it represents just a small interval in the history of this industry and lesser still in terms of the future that we see ahead. We strive for sustainability so the benefits that we as a company, individuals, and communities share today are available for endless generations to come. This requires us to balance our social, environmental, and economic responsibilities.

Social Responsibilities

Tolko seeks unique qualities in its employees, partners, and home communities. These factor into decisions that involve expanding a workforce, pursuing a project, and adding operations. Time and again we have been successful in this search and, in appreciation, make a lasting contribution in return.

Recordable Incident Rate* (RIR) graph product group vs. industry avg.



*RIR =

$$\frac{(\text{Restricted Work} + \text{Lost Time Accidents} + \text{Medical Treatments}) \times 200,000}{\text{Exposure Hours}}$$

** Tolko rate based on FIAS formula, which does not include Medical Aids. Industry figure from Pulp & Paper Canada includes Medical Aids.

For our employees

As an employee recently commented, "I believe in treating my job as if it were my own business." That is the type of attitude that sets the Tolko employee apart. They are a take-action group striving to achieve progress as individuals and as a Company. Tolko employees take pride in their work and operate with integrity.

As their employer, Tolko is responsible for supporting this unique culture and providing employees with the tools and environment that they need to succeed. Bi-annual employee opinion surveys and annual communication surveys provide us with a report card. This process confirms we are on track. For example, Heffley Creek Division's positive rating on open communication increased from 54% in 2001 to 80% in 2004.

To work safe

Safety of employees, contractors, and visitors is paramount to Tolko. As our workforce grows, the potential for accidents rises. We remain committed to providing a safe working environment and instilling an individual mindset that is optimal for an injury-free workplace. To better determine problem areas and progress in preventing work-related injuries, Tolko adopted the Forest Industry Advisory Service's (FIAS) benchmarking structure in 2004.

Several Tolko Divisions reached safety milestones in 2004:

- Nicola Valley Division celebrated their third year anniversary and over a million person-hours worked with no lost time accidents (LTAs)
- High Prairie Division completed two years with no LTAs
- High Level Lumber Division completed one year with no LTAs

As part of their 2005 plans, each Business Unit reviewed their programs and set objectives to advance their safety records.



Resolute
Guidance

Financial
Prudence

Select
Products

Resource
Stewardship

Embracing
Change

Progressive
Teamwork

■▶ Responsible
Contributor

Sustainable
Growth



Marc Paradis • Millwright • High Prairie Division

Our commitment to sustainability ensures that our growth goes beyond the size of the Company to enhance our communities, workers, and forests. By design – Tolko supports and recognizes the community contributions of our employees and Divisions.



Recognized Employee 2004



JUHA JARVINEN

Production Area Team Leader
Manitoba Kraft Papers
Division

- Outstanding initiative, continuous improvement efforts, and leadership in production and transportation



Responsible Contributor

In our communities

Tolko is more than a corporation. We are members of communities—our employees are your neighbours. As such, we become part of the community, actively doing our part to make it a better place.

Scholarships are supported throughout the company, helping youth achieve their dreams. We also support school-aged education programs, instilling a respect for natural resources in our young people. Quest Wood Division supports the Women in Timber program, teaching about forests in primary classrooms. They also sponsored high school class trips to the regional Forestry Education Centre. Heffley Creek Division helped five students attend Silver Lake Forestry Camp, made presentations in local classrooms, and joined Nicola Valley Division and other companies to contract a new forestry educator for the region.

In the Southern Interior, Tolko supported their educational liaison's development and distribution of "The Force of Fire", a resource kit for teachers. Lavington Planer Division then toured students to see the rejuvenation of the area impacted by the Silver Creek fire in 1998. Slave Lake OSB and High Prairie Divisions again participated in the Boreal Forest Discovery Camp and supported Lesser Slave Forest Education Society and Mackenzie Forest Education Society in Alberta.

Community spirit is vital to a healthy community. Along with extensive support of youth sports, Nicola Valley Division was active in National Forest Week events and worked with economic groups to develop plans for attracting other business to the area.

High Level's "Team Tolko" became the champions at the community's 1st Annual Winterfest Challenge. They also hosted their 5th Annual Open House for the community and surrounding region. Staff time was donated to support local outdoor recreational clubs, search and rescue teams, and the High Level Minor Hockey Association. Meadow Lake OSB created a

business partnership that provides meaningful employment for challenged adults.

In Manitoba, Tolko sponsored the Junior Dog Sled Race during the popular Trappers Festival. Gifts for the Wanless Homecoming celebration, prizes at the Benito snowmobile derby, judges for science fairs, and time toward the Operation Red Nose campaign were just a few of the neighbourly contributions of Manitoba Solid Wood and Kraft Papers Divisions.

With our Aboriginal partners

Tolko continues to strengthen its ties with the Aboriginal communities in the regions where we work. Through a commitment of mutual respect, sharing of knowledge, and recognition of values, we are developing partnerships in the bush and in the communities. For example, Whitefish Lake First Nations and Tolko Industries Ltd., High Prairie OSB Division signed Alberta's first Joint Deciduous Timber Allocation (DTA). This also marked the province's first joint forest tenure between industry and a First Nations group.

Lavington Division and the Okanagan Indian Band (OKIB) in British Columbia celebrated a Cooperative Working Protocol that defines and facilitates the working relationship between the parties.

In Saskatchewan, Meadow Lake OSB Division focussed on fostering social capital. They engaged in Meadow Lake Tribal Council's work Experience Program, helping youth gain that crucial early work experience.

Environmental Responsibilities

We had a big goal for 2004: achieve certification to the Canadian Standards Association's CSA-Z809 Sustainable Forest Management standard at all of our Woodlands. We succeeded. The nine Divisions held at the time we made our commitment have now been recommended to the internationally recognized certification. This is in addition to the ISO 14001 certifications they already held.



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► Sustainable
Growth



Bruce Avery • Silviculture Superintendent • High Level Lumber Division

We are proud of the opportunities provided through our operations – by design. Our sustainable growth supports employment stability, service and supply contract availability, sponsorships and donations, partnerships, tax and fee payments, and training.



Recognized Employee 2004



GREG TAVENER

Scaling Supervisor
Manitoba Solid Wood
Division

- A Tolko employee with 31 years of service
- Well respected by co-workers and contractors for his dedication and integrity



Sustainable Growth

The certification requires continuous improvement, measurable standards, and audits by internal teams and third-parties. Crucial to this process are volunteers from the community of each working forest. They provide input and have a role in setting standards and ensuring diverse values are reflected in our forest management plans.

Meadow Lake OSB (MLOSB) Limited Partnership, built in 2003 and officially opened in 2004, is currently going through the CSA process. MLOSB Woodlands began the process in November 2004 and are on schedule to achieve their CSA-Z809 certification in December 2005. Along with our First Nation, Métis, and provincial government partners, Tolko congratulated MLOSB on achieving certification to ISO 14001 in August 2004.

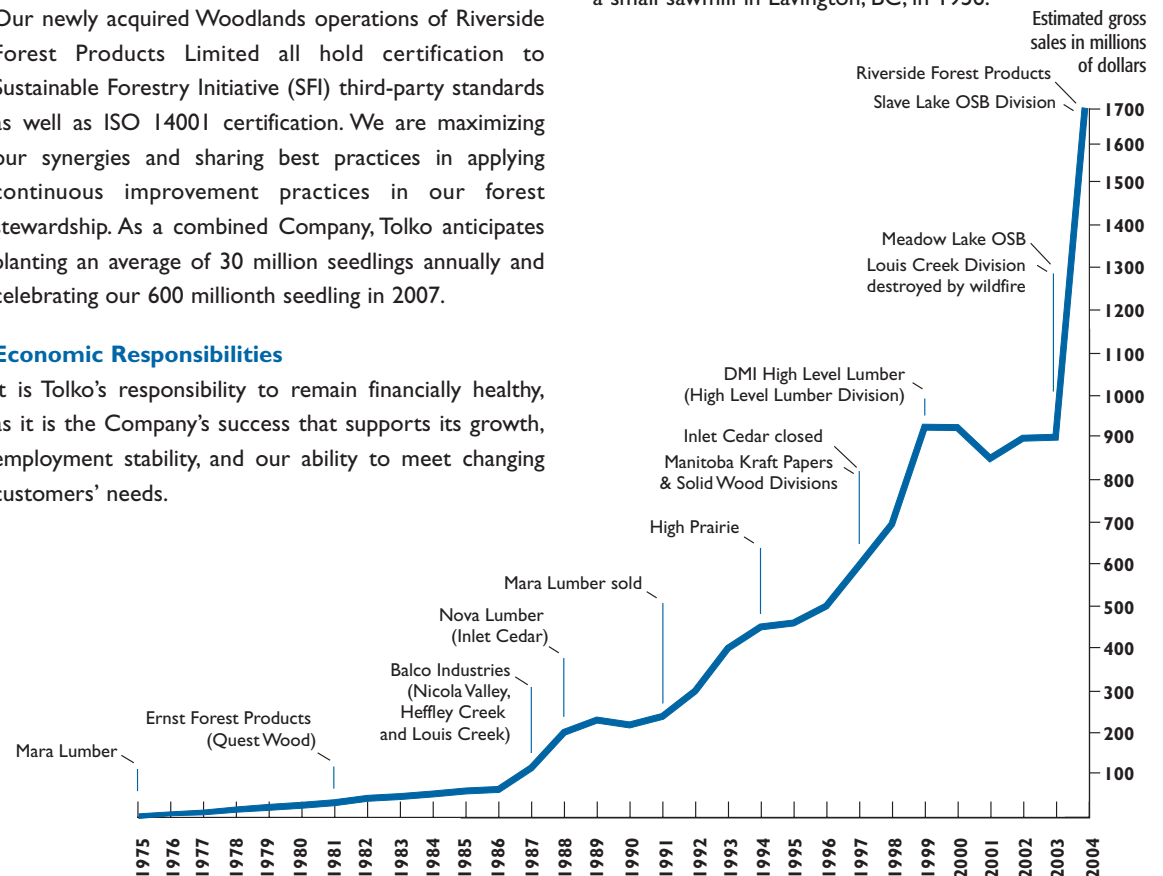
Our newly acquired Woodlands operations of Riverside Forest Products Limited all hold certification to Sustainable Forestry Initiative (SFI) third-party standards as well as ISO 14001 certification. We are maximizing our synergies and sharing best practices in applying continuous improvement practices in our forest stewardship. As a combined Company, Tolko anticipates planting an average of 30 million seedlings annually and celebrating our 600 millionth seedling in 2007.

Economic Responsibilities

It is Tolko's responsibility to remain financially healthy, as it is the Company's success that supports its growth, employment stability, and our ability to meet changing customers' needs.

We now have over 4800 employees and provide contract opportunities to thousands more, including haulers, loggers, and tree planters. This spins off throughout the economy to multiply the benefits in our communities and regions, whether it's the tire shop, the hardware store, or the corner grocer.

As part of an \$81 billion industry, Tolko's economic impact affects everyone on a province-wide and national basis. In 2004 Tolko paid more than \$120 million to provincial and federal governments in payments such as taxes, licenses, and stumpage. Tolko will continue to respectfully care for its economic responsibilities, seizing opportunities for growth and investment in accordance with the formula that has guided our development from a small sawmill in Lavington, BC, in 1956.



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Baldev Nijjar • Hewsaw Operator (Canter Operator, Relief) • Quest Wood Division

Tolko is committed to the well-being of future generations through responsible environmental performance. The health of the forest and its diverse values is an essential ingredient of our continued growth – by design.

