

Sustainability Report 2016



Photo credit: Dan Martineau

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Special Note Regarding Forward-Looking Statements and Disclaimer

This sustainability report includes “forward-looking statements” within the meaning of securities laws. Such statements relate, without limitation, to the Company’s or management’s objectives, projections, estimates, expectations or predictions of the future and can be identified by words such as “may”, “will”, “could”, “anticipate”, “estimate”, “expect” and “project”, the negative or variations thereof, and expressions of similar nature. Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience, information available to it and its perception of future developments. Such statements are subject to a number of risks and uncertainties, including, but not limited to, changes in foreign exchange rates, product selling prices, raw material and operating costs and other factors identified in the Company’s periodic filings with securities regulatory authorities. Many of these risks are beyond the control of the Company and, therefore, may cause actual actions or results to materially differ from those expressed or implied herein. The forward-looking statements contained herein reflect the Company’s expectations as of the date hereof and are subject to change after such date. The Company disclaims any intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities legislation.

The Company’s financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All financial references are stated in Canadian dollars, unless otherwise noted. All references to quarterly information relate to Tembec’s fiscal quarters. Adjusted EBITDA and certain other financial measures utilized in the presentation are non-IFRS financial measures. As they have no standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are described in the Definitions section on the last page of the interim Management Discussion and Analysis (MD&A).

The information contained in this sustainability report is current only as of its date and has not been, and unless required pursuant to applicable securities laws, will not be, updated to reflect any changes or facts or circumstances that occurred after such date that may make such information inaccurate or incomplete. In addition, the market data included in this presentation, including information related to the Company’s relative position in the industry, is based on internal studies, market research and publicly available information and industry publications. Although the Company believes that such studies, research, information and publications are reliable as of the date of this presentation, they may prove to be inaccurate because of the method by which the Company obtained some of the data for its estimates or because this information cannot always be verified with certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, the Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. As a result, market, ranking and other similar industry data included in this presentation, and estimates and beliefs based on the data, may not be accurate and complete.

A Message from Tembec's President and CEO

Tembec continues to make progress in demonstrating sustainability, and it starts with health and safety. The results speak for themselves: we have achieved an 85% drop in the OSHA (Occupational Safety and Health Administration) incident rate since 2007. And Tembec's target OSHA incident rate for 2017 is zero. At the end of the day, we all want to be safe and sound with our families and friends.

On the energy front, the new Temiscaming green electricity facility is producing very positive results. It is generating steady revenues, while enhancing environmental performance, and increasing manufacturing efficiencies and productivity. In 2016, the combined co-generated electricity sales from the new turbine were approximately 360,000 MWh (1.3 million gigajoules).

Our lumber, specialty cellulose, pulp and paper operations use wood fibre as the raw material – a renewable natural resource. The boilers that drive our electrical turbines burn residuals of the manufacturing process, including biomass. Our effluent treatment facilities produce biogas that we use as fuel. Tembec is a longstanding global leader in sustainable forest management. Our forest operations are well-managed, providing a range of products and integral ecosystem services to meet society's needs. Tembec is committed to the responsible stewardship of our forest licenses and respectful relations and partnership with local and Aboriginal communities.

Tembec continues to maintain 100% Forest Stewardship Council® (FSC®) certification of the public forestlands under its management, including Chain of Custody certification. Over 3.4 million hectares of High Conservation Value Forests are recognized and protected as part of the certification initiatives. All this is good business and good for the environment. This 2016 Tembec Sustainability Report provides a summary of the Company's goals, approach and results in terms of responsible stewardship of key social, economic and environmental aspects. Business challenges remain; however we will maintain our commitment to sustainable development, which embodies our core values of Safety, Accountability and Integrity.

Jim Lopez

Tembec Inc. President and Chief Executive Officer

Performance Highlights

(Fiscal Years)

	2013	2014	2015	2016
Health & Safety OSHA Incident Rate	2.6	2.5	2.5	2.2
Health & Safety Total Severity Rate	70.7	83.5	62.5	66.9
FSC® Certification – Tembec Managed Lands (millions Ha)	9.4	8.9	8.7	8.7
FSC® Certification – Tembec and its Partners (millions Ha)	12.5	16.3	16.3	16.4
High Conservation Value Forests on Tembec Forest Licenses (millions Ha)	3.5	3.3	3.4	3.4
Total Energy Consumption - Pulp & Paper (millions GJ)	20.7	21.5	22.8	24.8
Self-Generated Electricity Sales - (GJ/T Product)	0.65	0.43	0.99	1.40
Greenhouse Gas Emissions - Pulp & Paper (millions T CO ₂ e)	0.275	0.269	0.320	0.322
Adjusted EBITDA (\$ million)	97	90	70	148
Productivity (\$ Sales per employee)	438,000	438,000	437,000	474,000
SG&A Expenses (\$ million)	72	66	59	62
Annual Interest Expenses (\$ million)	40	46	52	61



Photo credit: Marie-Eve Sigouin

Important Sustainability Aspects at Tembec

At Tembec, corporate social responsibility is an essential part of doing business and we recognize our social obligation to demonstrate environmental leadership for the benefit of local communities and the community at large. As a company that works with renewable resources, Tembec is committed to demonstrating responsible stewardship of those resources to ensure a sound future for all concerned.

Integrating sustainability into our business approach remains a top priority. Successfully managing a business requires a commitment to balancing social, environmental and economic values. We recognize the important linkage between these three values, and the fact that they cannot be viewed in isolation.

This commitment has led us to focus on six important (material) sustainability aspects:

Occupational Health and Safety (OHS): OHS performance affects the entire organisation, all employees, contractors and visitors. Ensuring health and safety is Tembec's number one priority.

Engagement with Stakeholders, First Nations and Métis: Tembec is committed to working collaboratively with groups and individuals who have rights and interests on forest lands on which Tembec operates, and who live in proximity to our facilities. Tembec supports the development of long-term relationships that are beneficial to Aboriginal communities, the Company and the public.

Sustainable Forest Management and Forest Certification: Reporting on sustainable forest management is vital to demonstrating corporate social responsibility. This topic is at the core of Tembec's business model, and is a key concern for many external stakeholders such as Aboriginal groups, customers, investors and Environmental Non-Government Organizations (ENGOs).

Energy Conservation: Managing carbon responsibly is vital to Tembec's manufacturing operations. This means maximizing the use of renewable, green energy sources and minimizing fossil fuels at all Tembec operations.

Greenhouse Gas and Other Environmental Emissions: Managing carbon responsibly also includes minimizing greenhouse gas emissions. This is especially important at the pulp and paper facilities from an economical and environmental point of view.

Economic Performance: The majority of Tembec operations are located in remote areas. For this reason, the Company is often the largest employer in the community, providing revenues to the municipalities and the local businesses in these areas. For detailed economic information, go to

<http://tembec.com/en/investors/financial-reports>.

These material sustainability aspects are based on important business needs as well as the needs and concerns of our key stakeholders, and they form the basis for this report.

2016 Sustainability Report

The *Tembec 2016 Sustainability Report* is the Company's fifth annual report. All Tembec Sustainability Reports are available on our website:

[Tembec Sustainability Reports.](#)

The report information covers the Company's fiscal year; October to September, and exceptions are noted. Tembec plans to continue reporting on sustainability on an annual basis.

The Global Reporting Initiative (GRI) G4 reporting principles were used as guidance in preparing this report in order to ensure that the principles of sustainability are covered. The report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines". External assurance has not been provided for this report.

Company Profile

Tembec Inc. (Tembec) is a company incorporated under the Canada Business Companies Act (the "CBCA"), R.S.C., c. C-44. Tembec Inc. is listed on the Toronto Stock Exchange under the symbol TMB.

Tembec is a manufacturer of forest products – lumber, pulp, paper and specialty cellulose – and a global leader in sustainable forest management practices. Principal operations are in Canada and France. Tembec has approximately 3,000 employees and annual sales of approximately \$1.5 billion.

Additional Company information regarding products, markets, and structure is available on the Tembec website:

<http://tembec.com/en/products>

<http://tembec.com/en/company>

[http://tembec.com/en/investors/corporate-governance.](http://tembec.com/en/investors/corporate-governance)



Photo credit: Dan Martineau

Corporate Governance Practices

The directors and management of the Company (respectively, the "**Directors**" and "**Management**") consider good corporate governance to be central to the effective operation and success of the Company. In order to ensure proper and current corporate governance practices, the Directors and Management regularly compare the Company's practices and procedures with the guidelines set out in National Instrument 58-201 – *Corporate Governance Guidelines*, the proposals of various other regulatory authorities and the practices adopted by its peers.

Board of Directors

The board of directors of the Company (the "**Board**") is responsible for the overall stewardship of the Company and has full power and authority to manage and control the affairs and business of the Company as more fully described in its mandate which can be found on www.tembec.com. The Board establishes the overall policies and standards for the Company. While delegating certain of its authority and responsibilities to its committees and Management of the Company, it retains full effective control over the Company and monitors the Company's senior management. The Directors are kept informed of the Company's operations at meetings of the Board, of its committees and through reports, analyses and discussions with Management.

The Company recognizes the importance and benefit of having a Board comprised of highly talented and experienced individuals who reflect the diversity of the Company's stakeholders, including its employees and the changing demographics of the communities in which the Company operates. Currently consisting of eight (8) members, the Board, with the input of the Company's Corporate Governance and Human Resources Committee (the "**Committee**"), periodically reviews its size and composition to assess its effectiveness.

Despite not having a written policy, diversity, including gender, is a component of the selection process for new Board members. The Committee will recommend candidates to be nominated for election or appointment as Directors who are highly qualified, based on their talents, expertise, personal skills, background, experience and knowledge, including taking into account diversity considerations such as gender, age and national origin, having regard to the Company's current and future plans and objectives. As of November 26, 2016, there is no woman member of the Board of Directors of the Company.

The executive chairman of the Board is appointed by the full Board and is not a member of Management and is an independent director as defined in the National Instrument 58-101 – *Disclosure of Corporate Governance*.

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The Company considers that a majority of the Directors proposed to be nominated for election shall qualify as independent within the meaning of National Instrument 52—110 — *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Board has established three standing committees: (i) Corporate Governance and Human Resources Committee, (ii) Audit Committee and (iii) Environment, Health and Safety Committee, each of which is constituted by its own charter, to which the Board has delegated certain of its authority and responsibilities, as well as certain advisory functions and power to make recommendations and report to the Board. All committees of the Board are composed of a majority of independent Directors, except for the Environment, Health and Safety Committee. The Board has also established a Special Committee for Strategic Purposes with a mandate to explore strategic alternatives available to the Company.

Each chair must be an independent Director and is primarily responsible for the proper functioning of his or her respective committee, for ensuring that all relevant issues are on the agenda and for ensuring that all members are enabled and encouraged to play their full part in its activities. The chair must ensure that the Directors receive timely, relevant information tailored to their needs.

Ethical Business Conduct

The Company has adopted a written Code of Ethics and Business Conduct which provides guidelines to ensure that all Directors, officers and employees of the Company and its subsidiaries and all consultants, suppliers and other persons working on behalf of the Company respect its commitment to conduct business relationships with respect, openness and integrity. The Company believes that its success is possible because of its values, which include integrity, accountability, trust, transparency and teamwork. The Company is committed to conducting its business in compliance with applicable laws, statutes and regulations and expects its employees, Directors, consultants, suppliers and other individuals working with or on behalf of the Company to do likewise. In addition, business dealings among employees and by employees with shareholders, customers, suppliers, community organizations and governmental and regulatory authorities must be based on the highest ethical standards.

Employee Communications

Through the Code of Ethics and Business Conduct, an Ethics Reporting Line has been put in place via the Tembec Intranet site, which provides a confidential and anonymous on-line reporting service regarding the following issues:

- Financial reporting and accounting concerns
- Suggestions for improving the organization
- Other concerns and issues.

The Company strives to maintain a non-discriminatory, safe and healthy work environment; one in which all employees can contribute to their maximum ability and maintain high performance standards. Any employee concern can be confidentially communicated to management for review and action.

Shareholder and Investor Communications

As per the Code of Ethics and Business Conduct, requests from investors or shareholders for information concerning the Company and its businesses are to be forwarded to the Company's Vice President, Human Resources and Corporate Affairs.

In addition, the Board of Directors manages the means by which shareholders can communicate with the Company, including the opportunity to do so at the annual meeting and through the Tembec website.



Photo credit: Dan Martineau

Social Responsibility

Tembec Workforce as of September 24, 2016:

	<i>British Columbia</i>	<i>Ontario</i>	<i>Quebec</i>	<i>Canada</i>	<i>France</i>	<i>USA</i>
Staff:						
Female Staff	0	53	123	176	29	1
Male Staff	0	159	299	458	51	17
Total Staff	0	212	422	634	80	18
Contract (Including Students):						
Female Contract	0	6	6	12	0	0
Male Contract	1	13	13	27	0	0
Total Contract	1	19	19	39	0	0
Non-staff:						
Female Non-staff	0	60	120	180	14	0
Male Non-staff	0	840	1090	1930	250	19
Total Non-staff	0	900	1210	2110	264	19
Total Employees	1	1131	1651	2783	344	37

- Percentage of employees covered by collective bargaining agreements: 76%.
- Percentage of employees receiving regular performance and career reviews:
Male: 17%; Female: 7%.

Health and Safety

Ensuring the health and safety of employees remains the number one priority at all levels at Tembec. The Company's commitment regarding health and safety starts with the health and safety policy. The policy applies to all Company employees, as well as visitors and contractors. The Company also encourages participating affiliates and joint ventures to adopt and apply this policy.

The commitments identified in the Health and Safety Policy are achieved via the Tembec Health and Safety Plan. The Plan is designed to promote good working habits and a safe working environment, and has evolved into effective initiatives and procedures that have resulted in significant progress in terms of reducing the number and total severity of incidents.

The Tembec Health and Safety Policy is available on tembec.com at

<http://tembec.com/en/company/health-and-safety>

Health and Safety Committees

At the Tembec Board of Directors level, the Environment, Health and Safety Committee reviews and provides direction, on a quarterly basis, related to occupational health and safety matters, including the policy, regulatory compliance, performance, risks, procedures, communications, reporting and continual improvement.

The Company maintains a Health & Safety Steering Committee consisting of the President and CEO, Executive Vice Presidents of each division, the Vice-President Human Resources and Corporate Affairs and the Corporate Health & Safety Manager. The Health & Safety Steering Committee provides strategic direction and resource allocation and oversees the health and safety sub-committees. Four sub-committees have specific mandates aimed at continuously reducing the number of preventable incidents to achieve World-Class Health & Safety performance. The four sub-committees are

- Auditing and Observations
- Rules and Procedures
- Incident Investigations
- Promotion, Programs and Activities.

Joint Health and Safety Committees (JHSC) are in place at all operations, including corporate offices. The JHSCs, made up of managers and workers, regularly review health and safety performance and promote improvement measures.

Reporting Health and Safety Incidents to the President and CEO

Every health and safety incident which causes an employee to miss work at Tembec means the facility manager must contact the President and CEO, who takes a personal interest in ensuring that all employees can learn from incidents to improve health and safety performance. The President and CEO's commitment and the involvement of senior management in ensuring a safer environment are at the top of the Company agenda.

Employee Assistance Program

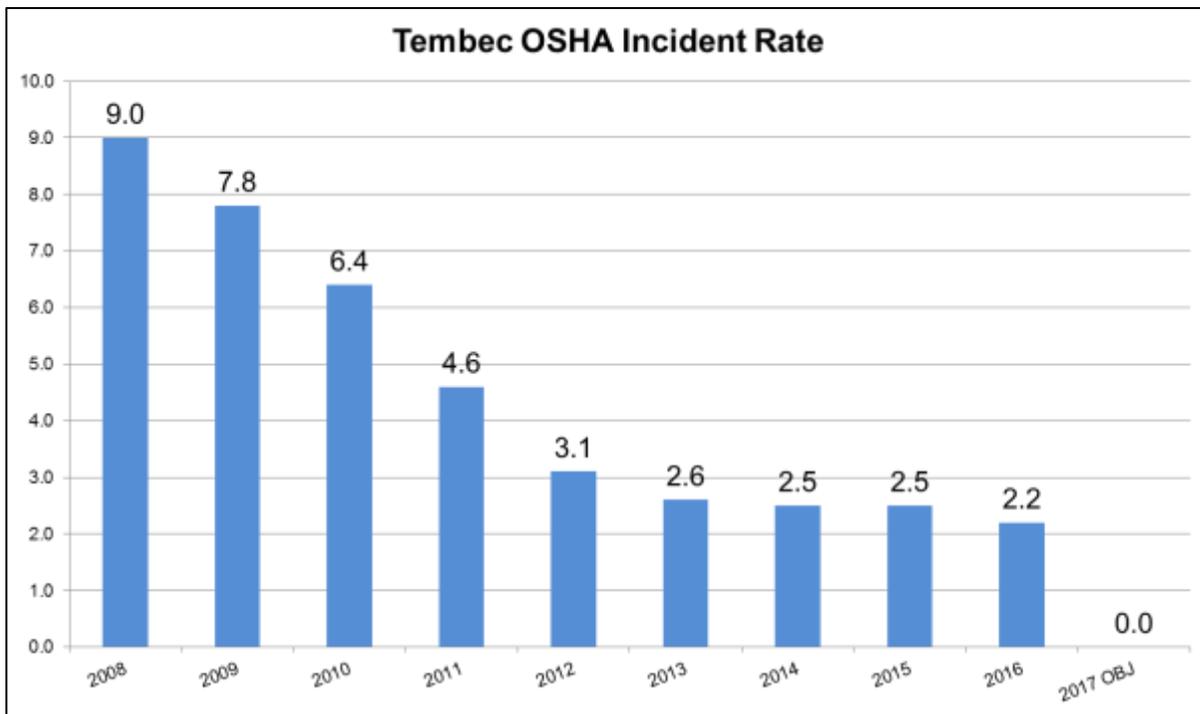
Tembec helps employees deal with personal issues so they can give their best to the organization, and to their families. Whatever the personal issue, the Employee Assistance Program offers confidential support to guide people in the right direction. At the heart of this program is the desire to give Tembec employees the tools they need to improve their health and well-being.

Health and Safety Performance

Since the inception of the Health and Safety Plan in 2007, Tembec has reduced the OSHA (Occupational Safety and Health Administration) incident rate by 85%. The target OSHA incident rate for 2017 is Zero OSHA incident, where no accident is acceptable. There have been no fatalities at Tembec since 2006.



Phot credit: Tembec



Summary of Health and Safety Performance Indicators by Region for 2016:

Region	OSHA Incident Rate	Total Severity Rate
Ontario	2.6	49.0
Quebec	2.2	86.1
Toledo, Ohio	0	0
France	1.5	42.8

The Tembec total severity rate for 2016 was 66.9.

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1. The **OSHA Incident Rate** is calculated as follows: the number of incidents resulting in the loss of time + modified duty cases + medical treatment cases, multiplied by a factor of 200,000 and divided by the total number of hours worked. This indicator describes the rate of injuries.
2. Minor injuries (first aid incidents) are tracked, but are not included in the OSHA incident rate.
3. The tracking of health and safety statistics by gender is not available.
4. Independent contractors are not included in the statistics. Tembec does, however, ensure that they follow all applicable health and safety procedures while working on Company properties.
5. Occupational diseases are not tracked separately.
6. The **Total Severity Rate** is calculated as the number of days lost plus number of modified days following incidents, multiplied by 200,000, and divided by the total number of hours worked. This indicator describes the rate of lost days and modified days experienced as compared to the number of incidents experienced.
7. A lost day is defined as a calendar day and starts the day following the incident.
8. Absentee statistics are not available.
9. System of Rules: For health and safety statistics, Tembec follows the 29 CFR 1904 rules developed by OSHA: OSHA Record Keeping Handbook no. 3545-09R, 2005.



Photo credit: Tembec

External Engagement

Tembec's engagement approach is based on the desire to work collaboratively with groups and individuals that assert rights and interests on forest lands on which Tembec operates, and who live in proximity to our facilities. Tembec has adopted an aboriginal policy, the purpose of which is to build and maintain relationships with First Nations and Métis communities located in the vicinity of Tembec's operations. Tembec's policy addresses such priorities as capacity building, employment, information-sharing, business relations and measures to harmonize traditional land use and forestry operations. Environmental organizations have strong interests in conservation and protection of forest lands, including wetlands, and wildlife habitat for species at risk. Tembec works with a number of environmental organizations, such as "Société pour la Nature et les Parcs" (SNAP), Wildlands League and Ducks Unlimited Canada.

External engagement with the public as part of forestry management is undertaken for several reasons:

- Regulatory compliance
- Compliance with international forest certification standards
- Company policy.

Tembec external engagement is defined and structured at the community level and in the context of the management of public forests where Tembec operates. At a corporate level, Tembec is a signatory, collaborator or member of a variety of organizations that are both inside and outside the forest products sector. This engagement provides a direct connection with external parties that ensures the Company understands well the material issues and concerns of stakeholders, Aboriginal People (First Nations and Métis) and regulatory agencies.

It is common practice for Company personnel to directly address questions and concerns from local and seasonal residents regarding forestry operations. Interested and affected parties such as cottagers, tourist camp owners, fur trappers, recreational users and berry pickers can receive detailed information about Company operations. Frequently, adjustments to Company operating plans are made in response to public requests and input.

Social and Environmental Relations

Many Canadians feel an affinity for the forest, given its abundance and prominence, in the pursuit of recreation, wilderness and wildlife interests. As citizens of a country dominated by forests, many interested parties care about the sustainability of forest resources and the extensive benefits to society that they provide.

To understand the perspectives of Canadians and civil society groups with an interest in forests, Tembec maintains an active role as a member or participant in a variety of cross-sectorial partnerships and organizations. Through engagement with these organizations, Tembec has both contributed to and benefited from best practices in environmental and social performance delivered by these organizations. Key themes of Tembec's approach to forest management, including FSC[®] certification, protection of rare, threatened, and endangered species, herbicide alternatives program, and commercial partnerships with First Nation business, have emerged from and been enhanced by these initiatives.

Partnerships and organizations where Tembec maintained an active role in 2016:

- Boreal Leadership Council (BLC)
- Forest Stewardship Council[®] (FSC[®]) International
- Forest Stewardship Council[®] (FSC[®]) Canada
- Canadian Institute of Forestry
- Conseil du patronat de l'environnement du Québec (CPEQ)
- Canadian Parks and Wilderness Society (CPAWS)
- Twosides.org
- Association de la santé et de la sécurité des industries de la forêt du Québec (ASSIFQ)
- Association forestière de l'Abitibi-Témiscamingue (AFAT)
- COPACEL (Union Française des Industries des Cartons, Papiers et Celluloses)
- Confederation of European paper industries (CEPI), via COPACEL
- FIBA (Fédération des Industries du Bois d'Aquitaine)
- FNB (Fédération Nationale du Bois)
- PEFC Aquitaine.

Forest Management Planning

Across Tembec's forestry operations in Canada, the Company and its business partners are actively engaging external parties in the management of public forests. Regulatory processes in Canada require public consultation in the development of long term forest management plans for public lands.

In addition to the appropriate regulatory authorities, the following types of interested parties are routinely involved in the development and review of forest management plans:

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- Municipalities and the general public
- Environmental organizations
- Hunting and fishing enthusiasts including outfitters, owners of hunting camps and other facilities for personal use
- Motorized and non-motorized recreationalists including snowmobile clubs, canoeists, campers, all-terrain vehicle users, organized and unorganized clubs
- Remote and other tourism-based business owners
- Primary and secondary forest products companies
- Other natural resource companies
- Contractors and business owners
- Labor unions
- Fur trappers
- Other resource users
- Other civil society clubs and groups.

Stakeholder groups such as those above are expressly sought for involvement in forest management planning because their interests or businesses could be affected by forest management (i.e. timber harvesting, silviculture, road construction). Stakeholder participation is not limited by interested party or geographic location in terms of access to information. All parties are provided with the opportunity to review and comment on forestry plans in person or electronically. Where ad hoc or permanent standing committees of citizens or local advisory bodies are struck, membership is defined to ensure diverse and adequate representation of interested parties.

Engagement with Aboriginal People

As part of sustainable forest management and corporate social responsibility, Tembec recognizes that its operations in Canada take place on territories on which Aboriginal People assert rights and interests. Tembec has adopted a First Nations Policy, the purpose of which is to build and maintain relationships with Aboriginal communities located in the vicinity of Tembec operations.

Tembec's policy addresses such priorities as capacity building, employment, information-sharing, business relations and measures to harmonize traditional land use and forestry operations. Based on the importance of stewardship, access and use of these lands by both the Company and Aboriginal People, Tembec supports the development of long-term relationships that are beneficial to Aboriginal communities, the Company and the public. Through joint engagement, Tembec and communities discuss the specific social, environmental and economic interests of each community on

whose traditional territory the Company operates. A strong foundation for mutually beneficial relationships involves a good understanding of the community's historical and contemporary stewardship of forest lands and a shared knowledge of special sites requiring protection during forestry operations. Where desired and depending on the interests of the parties, engagement is formalized through the signing of protocols, relationship agreements and business contracts.

Agreements with Aboriginal Communities, First Nation, and Métis Organizations, as of September 2016

In 2015 / 2016, Tembec had contracts and service agreements with 6 First Nations businesses, valued at \$12.5 million.

Environmental Responsibility

Tembec is committed to the continuous improvement of its environmental performance beyond legislative demands in relation to forestry and manufacturing operations. This commitment is detailed in the Tembec environmental policy, available at <http://tembec.com/en/responsibility/environmental-policy>.

In response to the environmental policy commitments, the Company maintains an environmental management system (EMS) in compliance with the ISO-14001 International Standard in all forestry and manufacturing operations. The EMS includes environmental management related to

- issues and risks,
- stakeholders,
- regulatory requirements,
- objectives and targets,
- responsibilities,
- training and communications,
- documentation: procedures and records,
- emergency preparedness and response,
- monitoring and measurement,
- auditing,
- corrective actions, and
- management reviews.

The forestry EMS helps maintain sustainable forest management, including stakeholder engagement as described in this report. The manufacturing EMS covers all applicable environmental aspects at the facility level related to air emissions, effluent quality, noise, fibre utilization, waste, energy consumption and greenhouse gases.

The principles of environmental control, regulatory compliance, stakeholder engagement, and continuous improvement are embedded within the EMS at the forestry and manufacturing operational levels. Environmental performance is regularly monitored and reviewed by Management, followed by corrective and preventive action.

The Environment, Health and Safety Committee of the Board assists Management in the formulation and implementation of sustainability policies, principles, and practices. The Committee monitors the Company's compliance therewith and review and approve external reporting on the Company's corporate responsibility and major sustainability policies and initiatives, including the review and approval of the sustainability report prepared by Management.

Sustainable Forest Management

Sustainable forest management maintains and enhances the long-term health of forest ecosystems for the benefit of all living things while providing environmental, economic, social and cultural opportunities for present and future generations.

Forests are a major part of Canada's landscape and central to its economy. They enrich the lives of all Canadians, offer a place of sanctuary and recreation, and are fundamental to the cultural and spiritual values of Aboriginal peoples. They also provide habitat for wildlife, moderate climate and filter air and water. Tembec's Forest Resource Management Group is there to guide the implementation of sustainable forest management on Company forestry operations.

For Tembec, trees provide the raw ingredients - cellulose fibre, lignin, bark - from which the Company's products are derived. Forests are more than trees, and well-managed forests can provide a range of products and integral ecosystem services to meet society's needs.

Forest Management on Crown land in Ontario is the responsibility of the Ministry of Natural Resources and Forestry (MNRF). The Crown land in Ontario is currently subdivided into 41 Management Units. Tembec holds three long term forest licenses on Ontario crown lands. Sustainable Forest Resource licenses allow for harvesting, renewal and maintenance activities on all Crown lands available for management.

In Quebec, the timber resource is allocated by the Ministry of Forests, Wildlife and Parks (MFFP) to forest rights' beneficiaries through Supply Guarantees (GA), permits for timber harvesting for the supply of a processing plant (PRAU) and sales' contracts for auctioned lots by the Wood Marketing Bureau (BMMB). Other resources or usage rights are also granted: sugar bushes, vacation leases, outfitters and controlled harvesting zones for wildlife resources.

Forest Certification

While addressing regulatory requirements is essential to the practice of responsible forest management, the expectations of public stakeholders, Aboriginal People, environmental organizations and customers go beyond legal compliance. Certification is a means to demonstrate corporate social responsibility.

Forest certification is a voluntary mechanism where a third-party organization audits company performance in the forest and along the fibre sourcing supply chain against detailed standards developed by an independent organization. In 2001, Tembec became the first forest products company in Canada to make the commitment to utilize standards developed by the internationally recognized FSC[®] and seek certification on all Company forest management units. The FSC[®] promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

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In 2008, Tembec achieved FSC[®] forest management certification on all its public managed land license areas, as well as chain of custody certification at all Company manufacturing facilities. Tembec is a major producer of FSC[®] certified dimension lumber, pulp and paper for customers around the world.

As of the end of fiscal 2016 approximately all forest lands licensed to Tembec totaling 8.7 million hectares and 7.7 million hectares of forest lands licensed to Tembec partners were certified by the FSC[®]. Certificates on each forest area are required and are in place for a five year term.

Tembec FSC[®] Certification in Canada by Province (as of September 2016):

Forest Area	Hectares Certified	Province
Gordon Cosens Forest	1,963,599	Ontario
Romeo Malette Forest	605,279	Ontario
Martel Forest	1,139,372	Ontario
Abitibi-Ouest	1,731,106	Quebec
¹ Abitibi-Est	705,657	Quebec
Témiscamingue	1,239,983	Quebec
¹ Senneterre / Lebel-Sur-Quevillon	1,266,670	Quebec
Total	8,651,666	

¹As of the report publication date, the Senneterre sawmill has been sold, resulting in the following changes to Tembec's FSC[®] certification:

- The Senneterre / Lebel-Sur-Quevillon forest area has been removed.
- The Abitibi-Est forest area removal is pending.

FSC® Certification with Tembec Partners in Canada by Provinces (as of September 2016):

Forest Area	Hectares Certified	Province
Abitibi River Forest Resource Management Inc.	3,285,435	Ontario
Clergue Forest Management Inc. (Algoma Forest)	972,353	Ontario
Westwind Forest Stewardship Inc. (French Severn Forest)	421,683	Ontario
Nipissing Forest Resource Management Inc.	702,436	Ontario
Hearst Forest Management Inc.	1,231,707	Ontario
Corporation de gestion de la certification forestière des territoires publics du BSL (UA 11-51, 11-52, 12-51, 12-52, 12-53, 12-54)	1,136,020	Québec
Total	7,749,634	

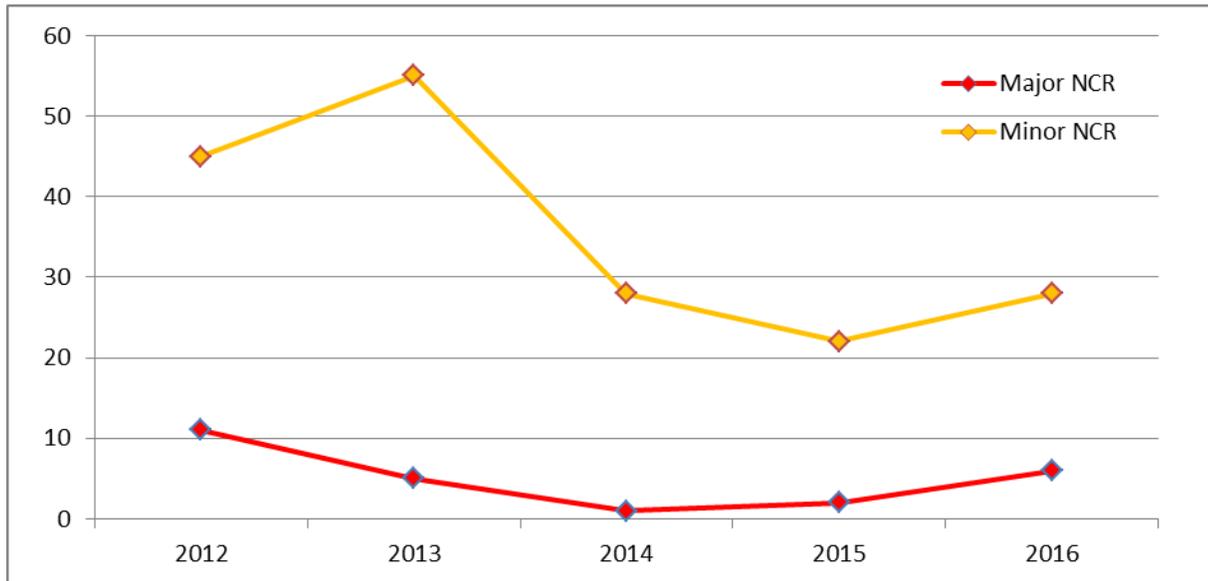
Reporting on Forest Certification (Audits)

Audits are undertaken annually by third-party firms to evaluate the performance of Tembec with regard to responsible forest management. The voluntary standards of FSC® in Canada are used to evaluate Tembec’s performance. Public summaries of all Tembec FSC® public forest audits can be viewed at <http://www.info.fsc.org> (search certificate).

The resulting total FSC® external audit non-conformances are displayed on a calendar year basis in the following figure. The totals include all of Tembec and partner FSC® audit results. A non-conformance (NC) is a discrepancy or gap identified during the assessment between some aspect of a company’s management system and one or more of the requirements of the forest stewardship standard. Depending on the severity of the NC, the assessment team differentiates between major and minor NCs. All Tembec NCs are resolved within the prescribed time period.

A major non-conformance results where there is a fundamental failure to achieve the objective of the relevant FSC® criterion. A number of minor non-conformances against one requirement may be considered to have a cumulative effect, and therefore be considered a major non-conformance.

A minor non-conformance is a temporary, unusual or non-systematic non-conformance, for which the effects are limited.



Total non-conformances: Tembec and cooperative FM Certificates in Ontario and Quebec.

Responsible Fibre Procurement

In 2016, Tembec’s wood product facilities sourced over 4 million cubic meters (m³) of timber to manufacture lumber and wood chips for Tembec’s pulp and paper mills, 100% of which was sourced in Canada. The majority of the fibre supply originates from Company operations on public lands, with purchases from other companies and private lands comprising the balance. 91% of the timber sourced at our facilities came from FSC® certified sources while less than 1% of all the timber sourced was from PEFC (Programme for the Endorsement of Forest Certification) eligible certified sources.

In 2016, Tembec used over 1.1 million bone-dry metric tons of wood chip to produce pulp and paper, which originates mostly from timberlands in eastern Canada, with a small portion from the United States. Close to 74% of the wood chip input to our pulp and paper mills was from FSC® certified sources, while 10% was from PEFC certified sources.

All non FSC®-certified fibre we use comes from controlled sources. The non-certified fibre from external suppliers is reviewed to ensure that these fibre sources comply with internationally recognized risk assessment methodologies. These controlled sources are reviewed to ensure the avoidance of:

- Illegally harvested wood
- Wood harvested in violation of traditional and civil rights
- Wood from forests in which genetically modified trees are planted

- Wood harvested from forests where high conservation values are threatened by management activities
- Wood harvested in forests being converted to plantations or non-forest use per FSC® definitions and thresholds.

The risk assessments are reviewed annually and public summaries are available for review at <http://www.info.fsc.org> (certificate search).

To produce pulp and paper in Tartas France, over 339,000 bone-dry metric tons of fibre were used in 2016, with 51% (logs) originating from timberlands in France and 49% (chips) from sawmills in France and Spain. 76% of the wood used by our mill was from PEFC certified sources, and 100% was in compliance with the requirements as outlined in the EU Timber Regulation (RBUE).

Chain of custody certification

All of our pulp and paper mills and wood products facilities in Canada and in France have fibre-tracking systems that allow us to identify the source of fibre or timber used – from forest through the supply chain, to the end user. Our tracking systems are third party certified according to the internationally recognized chain of custody standards: FSC® for all Tembec sawmills and Canadian pulp and paper facilities, and PEFC for Tembec High Yield Pulp mills in Temiscaming and Matane, as well as Tartas, France.

Regulatory Compliance

Compliance with regulatory requirements is a key objective for Tembec's forestry operations. Extensive legislative requirements are in place at the federal, provincial and local levels. Within each province, natural resource agencies provide the majority of legal requirements through sector-specific legislation, manuals and guidelines to address forest management planning, forest licenses, renewal of harvested areas, wildlife habitat and watercourse protection, and payment of stumpage fees for harvesting of timber.

Forest Renewal

Renewing the forest is a key component of maintaining well-managed forests. A variety of activities are undertaken to ensure that harvested forest areas are restocked with young trees through planting, seeding or natural regenerative means. Site preparation, tending and monitoring are important components of forest renewal. In Quebec, forest renewal is the responsibility of the government. For more information see: <http://mffp.gouv.qc.ca/forets/amenagement/amenagement-ecosystemique.jsp>

Tembec Silvicultural Statistics by Forest License, April 1, 2015 to March 31, 2016:

³Legend: RMF: Romeo Malette Forest (ON)
 MF: Martel Forest (ON)
 GCF: Gordon Cosens Forest (ON)

	¹ RMF	¹ MF	¹ GCF
Seedlings Planted (000's)	2 010	2 385	3 835
Area Planted (ha)	1 272	1 589	2 164
Natural Regeneration (ha)	4 173	2 317	7 084
Seeding (ha)	141	278	0
Mechanical site preparation (ha)	867	1 275	608
Chemical site preparation (ha)	228	340	120
Chemical tending (ha)	1 454	2 396	4 932
Assessments of regeneration success (Free-To-Grow surveys) (ha)	3 184	6 198	14 216
²Early assessments of regeneration presence (ha)	2 903	3 165	7 458

¹Ontario statistics are draft, pending ministerial review.

²Assessments are estimated based on 90% of the 2014-2015 harvest area.

³Note that since April 1, 2013, forest renewal is the responsibility of the Quebec government.

Forest Conservation

Forest conservation, in tandem with the implementation of sustainable forestry practices, is a key theme for the Tembec Forest Resource Management Group. From time to time, government agencies assess land use across large swaths of Canadian public land to reset the mix of zones of resource development, parks and protected areas. Where such projects intersect with Tembec forest licenses, Tembec has a substantial track record of positive engagement with environmental organizations to propose joint solutions that maintain the opportunity for a prosperous and growing forest products sector while adding to Canada's network of protected areas. Since 1999, in partnership with regional and national environmental organizations such as the World Wildlife Fund – Canada, Canadian Parks and Wilderness Society (Wildlands League in Ontario, SNAP in Quebec) and Canadian Boreal Initiative (CBI), Tembec forestry personnel have contributed to the identification and protection of thousands of hectares of prime habitat for wildlife, such as woodland and mountain caribou, across Canada.

Habitat Protection

Woodland caribou is a recognized species at risk across the Canadian Boreal Forest. In northeastern Ontario and northwestern Quebec, woodland caribou range overlaps with Tembec forest tenures or tenures held by Tembec partners. Tembec has been working proactively with government natural resource agencies, environmental organizations, Aboriginal communities and municipalities to identify conservation approaches that are environmentally appropriate and economically viable.

In concert with representatives from the Quebec Ministry of Forests, Wildlife and Parks, First Nations and the “Société pour la Nature et les Parcs” (SNAP), Tembec has established a working group to revise the 2007 caribou habitat management plan north of La Sarre, Quebec. As a result of newly acquired scientific knowledge and contextual changes, it was important to revise the management plan and implement interim measures. An addendum to the former plan is now implemented in the 085-51 and 085-62 management units north of La Sarre.

In April 2016, the Quebec government announced his action plan woodland Caribou Habitat conservation. Working groups have been implemented and Tembec will closely follow the outcome of those committees.

Wetland and Waterfowl Conservation

In January 2016, Ducks Unlimited Canada (DUC) and Tembec entered into a conservation partnership. The purpose of the partnership is to protect wetlands and waterfowl during the planning and implementation of Tembec forestry operations. Building on the foundation of strong best management practices and wetland inventory expertise of DUC in western Canada, the parties have developed a work plan to assess opportunities for operational improvements and application of new knowledge across Company operating areas in the Boreal forests of Ontario and Quebec.

High Conservation Value Identification and Protection

To further enhance the protection of conservation values and social values, Tembec has undertaken High Conservation Value Forest (HCVF) assessments on its license areas. In collaboration with consulting firms, environmental organizations and First Nations, the methodology of the Forest Stewardship Council® (FSC®) is applied to each forest area. Taking a ‘global to local’ approach, features of ecological significance and community interest are identified and mapped. Strategies for the protection, maintenance and monitoring of the HCVF areas are developed. Across Tembec’s forest licenses, over 3.4 million hectares of High Conservation Value Forests are recognized and protected.

Summary of High Conservation Value Forests (HCVF) Identified on Tembec Forest Licenses in Canada by Category:

High Conservation Value Forest Category	HCVF Category Description	Total Area by Category (hectares)
1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	2,096,265
2	Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance.	372,379
3	Forest areas that are in or contain rare, threatened or endangered ecosystems.	241,983
4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).	33,418
5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).	119,174
6	Forest areas critical to the traditional cultural identity of local communities (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).	558,572
Total in hectares		3,421,791

For more information on protected and restored habitats, including the status of HCVF areas, Chris McDonell, Manager Environment and Aboriginal Affairs can be contacted: chris.mcdonell@tembec.com.

Forestry Research

The key to Tembec's forest science activity is partnerships. These partnerships are generally managed through, the Canadian Institute of Forestry, Canadian Forest Service and the NSERC¹ -UQAT² -UQAM³ Sustainable Forest Management Chair (SFM). An overview of the forest research effort that Tembec has supported for the past 15 years is available online at

<http://www.forestresearch.ca> and at

<http://chaireafd.uqat.ca>.

Tembec is a member of a new forestry research and development cooperative in Abitibi-Témiscamingue and Nord-du-Québec which includes many industrial, academic and government partners, with support from numerous research granting agencies. In 2016, Tembec was a partner in collaborative forestry research efforts that represented a combined \$2.3 million investment. Tembec contributes to the training of highly qualified personnel by integrating many graduate students into its research and development activities through the NSERC-FQRNT⁴ Industrial Innovation Scholarship program. The Canadian Wood Fibre Centre has been a key partner in a number of these forest research initiatives. The following are some brief highlights of a few of the key forest research projects Tembec supported in 2015 / 2016.

Ontario:

The following is a summary of Tembec's 2016 research activities in Ontario:

- Tembec participated in the Island Lake Biomass Harvest study near Chapleau, Ontario. The project is a collaborative initiative that includes the Canadian Forest Service (NRCan – CFS), the Ontario Ministry of Natural Resources and Forestry (OMNRF), Ontario Power Generation (OPG) and First Nations (North Superior Regional Chief's Forum). The purpose of the research is to study the impacts of biomass harvesting on the long-term sustainability of the forest by examining the effects on stand productivity, soil productivity and a wide group of taxa ranging from microbes to insects and vegetation.
- Tembec provided financial and in-kind support to the Assessment of Wood Attributes from Remote Sensing (AWARE) research projects being coordinated by the University of British Columbia (UBC), Natural Resources Canada's Canadian Wood Fibre Centre and the Natural Sciences and Engineering Research Council of Canada (NSERC). The AWARE projects focus on the use of remote sensing technology (i.e. light detection and ranging LiDAR) to predict and quantify the fibre

¹ NSERC: Natural Sciences and Engineering Research Council

² UQAT : Université du Québec en Abitibi-Témiscamingue

³ UQAM: Université du Québec à Montréal

⁴ FQRNT : Fonds Québécois de la Recherche sur la Nature et les Technologies

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characteristics of trees and to improve the accuracy and precision of forest inventories while reducing costs and increasing the speed of data acquisition.

- Tembec collaborates with First Nations groups in a joint initiative with the Mushkegowuk Environmental Research Centre (MERC) to identify and implement non-herbicide methods of regenerating forests. Called the Herbicide Alternatives Program (HAP), the goal is to trial non-herbicide approaches within the boreal forest in Northeastern Ontario, developed through local knowledge and benefiting from expertise in Quebec and Ontario's Vegetation Management Alternatives Program.

Quebec:

Forest research activities in which Tembec is implicated include:

- **Silviculture based on plant functional traits in boreal forests:** This project is to develop a decision-making tool for silvicultural interventions based on response and effect functional traits of understory species. The mechanistic approach used in developing the guide can incorporate changing conditions associated with climate change. This decision-making tool will be more broadly applicable than indicator species and will permit a more resilient forest management as the changing climate is integrated into forest regeneration strategies.
- **Analysis of the pre-industrial forest in Témiscamingue:** As part of this project, historical surveys have enabled 1) the reconstruction of preindustrial forest composition between 1935 and 1954, and 2) the determination of changes in composition between pre-industrial and actual forests. This project was completed in 2016.
- **Forest Retention:** This study is aimed at guiding forest retention practices in spruce bogs in western Quebec. The project focuses on the following objectives; 1) comparing the residual structure associated with three types of stands (islets that have escaped more than one fire, temporary islets that have escaped a single fire and old continuous forest), 2) determining the extent to which residual structures following harvesting (bunches of retention, riparian zones, moose islets and cut separators) are similar to those left after fire, 3) comparing the life span of islets of retention after harvesting versus post-fire residual islets.

Additional research is focused on the role of residual forests using various biodiversity indicators such as the use of biological legacies by flora and fauna, and the abundance of some species.

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- **Productivity:** As part of sustainable forest management, Tembec is committed to maintaining forest productivity. For this reason the Company is sponsoring a study on the productivity of Jack Pine in sandy soils, which are nutrient poor sites. In addition, research work on the possible use of soil amendment is being carried out by the SFM Chair, which includes the use of ash and septic sludge as soil amendments. Finally another study examines the accuracy of black spruce age estimations used in forest inventories. Black spruce age errors can affect the estimation of the thickness of organic matter, which can potentially result in the overestimation of black spruce productivity by underestimating the age of the stand. This can have a significant impact on forest growth curves used in productivity modelling; in which case the growth curves would require revisions.



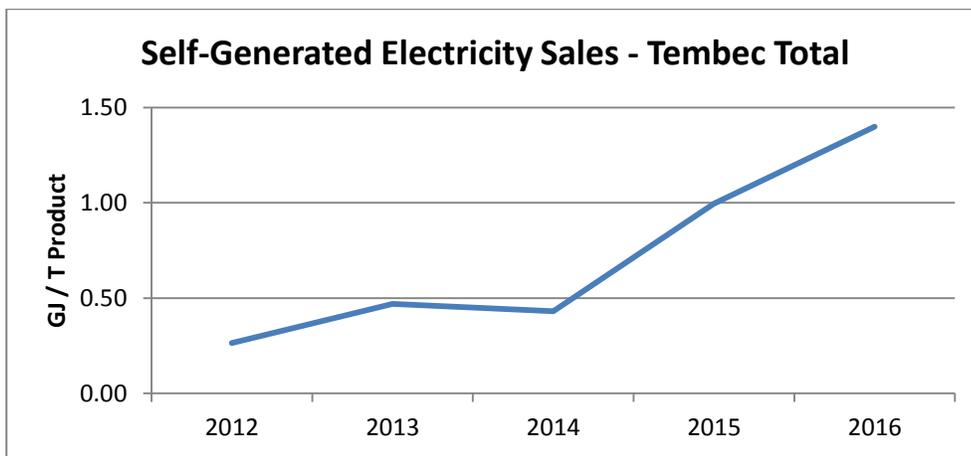
Photo credit: Marie-Eve Sigouin

Energy Management

The management of energy consumption and greenhouse gas emissions is vital to Tembec’s manufacturing operations. Maximizing the use of renewable, green energy sources, and minimizing fossil fuels at all Tembec operations directly affects the Company’s triple bottom line: serving economic, environmental and social needs by minimizing operating costs and greenhouse gas emissions, and by addressing the expectations of our key stakeholders and the public in general.

Tembec’s approach is to balance fossil fuel use (natural gas) with renewable (green) fuels on fixed equipment (boilers, dryers, heaters). Renewable energy is favored over fossil fuels where this is advantageous from a triple bottom line point of view. The renewable fuel sources, known as biomass, are carbon neutral and include wood residues (bark, sawdust and shavings), biogas, pulping liquor and waste water treatment plant sludge. These renewable fuels are readily available and cost effective by-products of the forestry and manufacturing operations.

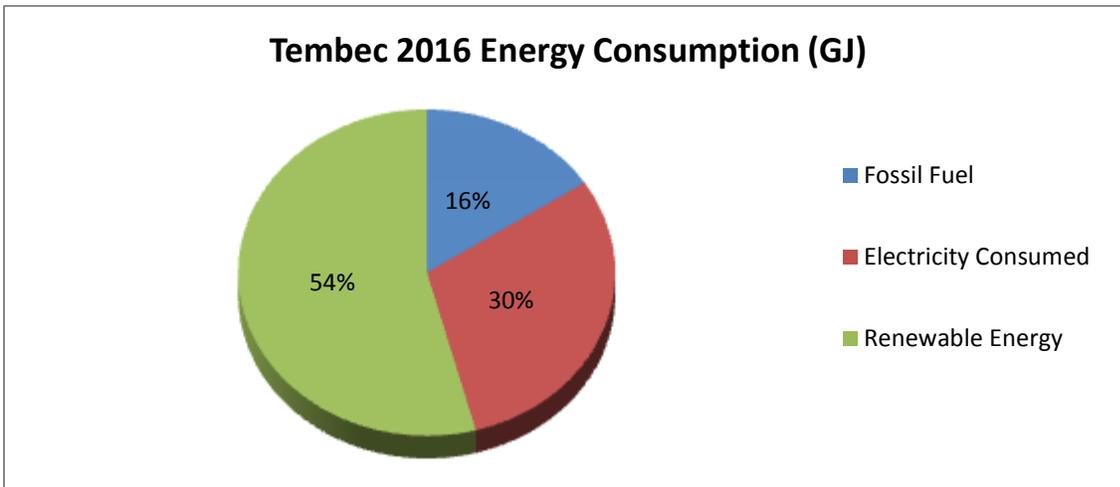
Renewable fuels are used to produce green electricity and thermal energy. The self-generated green electricity is used internally and a portion is sold to the utilities. Tartas and Temiscaming facilities are now among the lowest cost operations in the industry, thanks in large part to their cogeneration plants.



Tembec Pulp and Paper Energy Objectives and Results:

In 2016, the Tembec energy objectives were revised as follows. As applicable, each manufacturing business unit is required to establish long-term energy objectives and targets based on environmental aspects, available capital, and technical and economic needs. The general reduction objectives are as follows:

Energy Objectives	2016 Results
Reduce fossil fuel purchases relative to production (GJ/T) by 20% over the next 5 years.	7% reduction
Reduce purchased electricity consumption relative to production (MWh/T) by 10% over the next 5 years.	5% reduction
Increase green energy production by 20% over the next 5 years.	16% increase



Renewable energy (biomass) includes wood residues (bark, sawdust and shavings), biogas, pulping liquor and waste water treatment plant sludge.

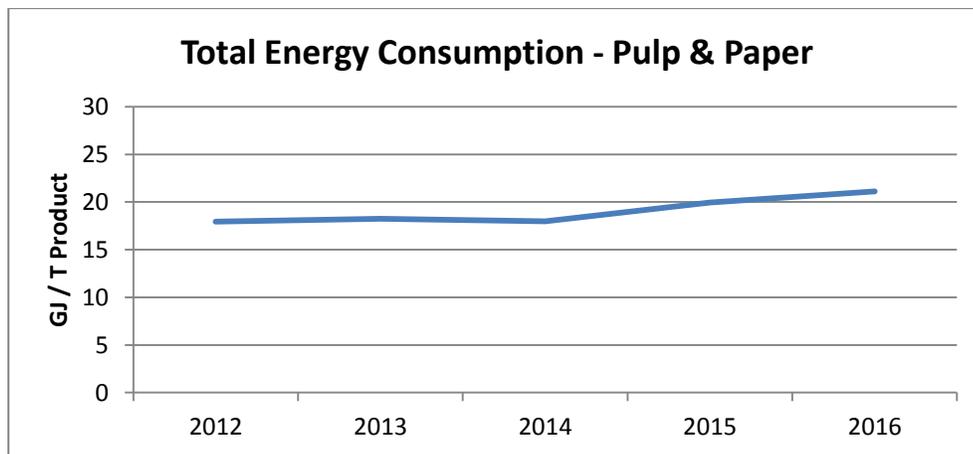
Energy Consumption Trends - Pulp and Paper (millions GJ):

	2012	2013	2014	2015	2016
¹ Renewable (Biomass)	10.3	10.3	11.1	11.5	13.4
¹ Non-Renewable (Fossil Fuels)	2.5	2.7	2.6	3.9	3.9
Indirect Energy (Electricity)	7.8	7.7	7.8	7.4	7.5
Total Energy Consumption	20.6	20.7	21.5	22.8	24.8

¹Includes energy used in the production of self-generated electricity.

Renewable Electricity Generation – Pulp and Paper:

	2012	2013	2014	2015	2016
Millions GJ	0.63	0.83	0.80	1.40	2.00



New Green Energy Facility at Temiscaming

The most important energy / greenhouse gas initiative at Tembec is the new \$273 million green electricity facility at Temiscaming – the largest project in our industry in 15 years.

The centerpiece of this new cogeneration plant is an electrical turbine, driven by steam from a boiler using as fuel residuals of specialty cellulose manufacturing. It gives the site a generating capacity of 50 megawatts. Efficiencies related to the new boiler will also improve manufacturing productivity and reduce costs. A new scrubber and environmental control equipment will reduce sulfur dioxide emissions by 70%. All this will ensure the site's future as a low-cost manufacturing operation.

Since the start-up of the Temiscaming cogeneration plant in December 2014, sales of self-generated electricity have increased 8 times. In 2016, the combined co-generated electricity sales from the new turbine were approximately 360,000 MWh (1.3 million gigajoules).

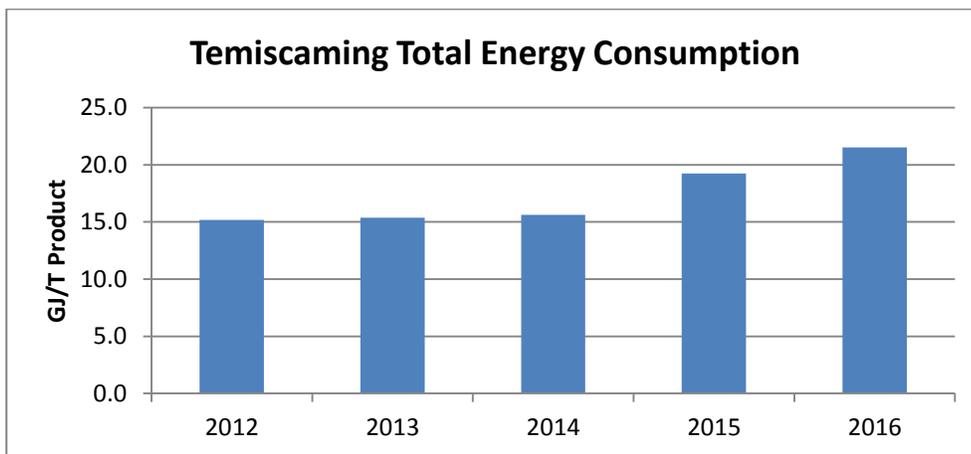
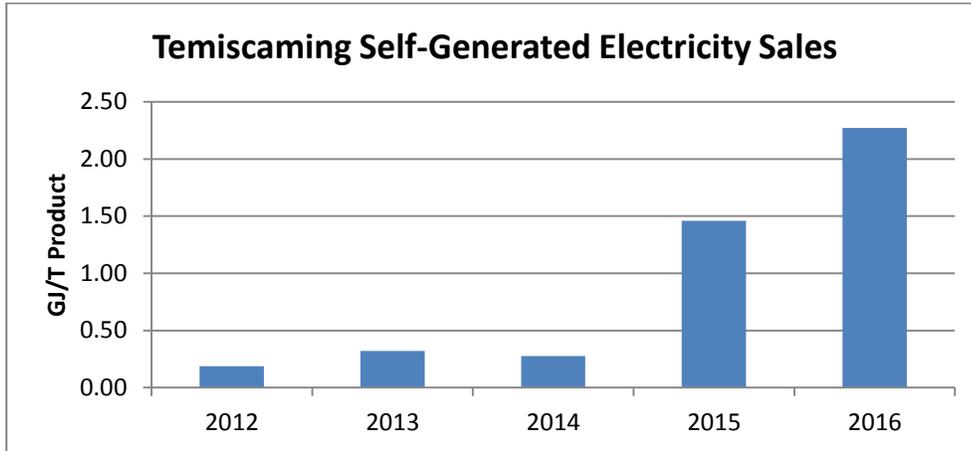
Visit Tembec's [Specialty Cellulose website](#) for more on this project.

Tartas Green Energy Production

Tembec's specialty cellulose facility in Tartas, France, inaugurated a new \$21 million steam turbine in 2012. The new turbine, driven by a biomass boiler, increases Tartas' production of green electricity, which is sold under a long-term contract, and improves its energy self-sufficiency. The new equipment will also reduce carbon dioxide emissions and generate steam used in specialty cellulose production. All this will reduce costs, improving Tembec's competitive position in the high-growth specialty cellulose industry.

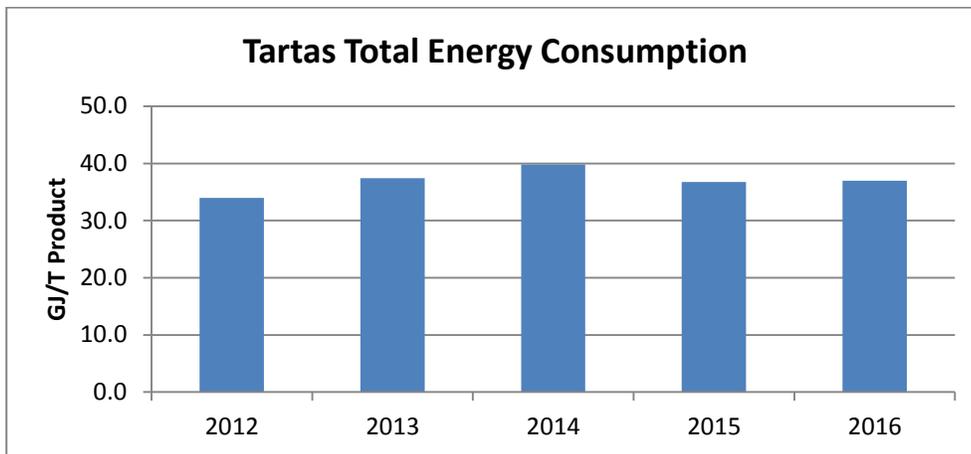
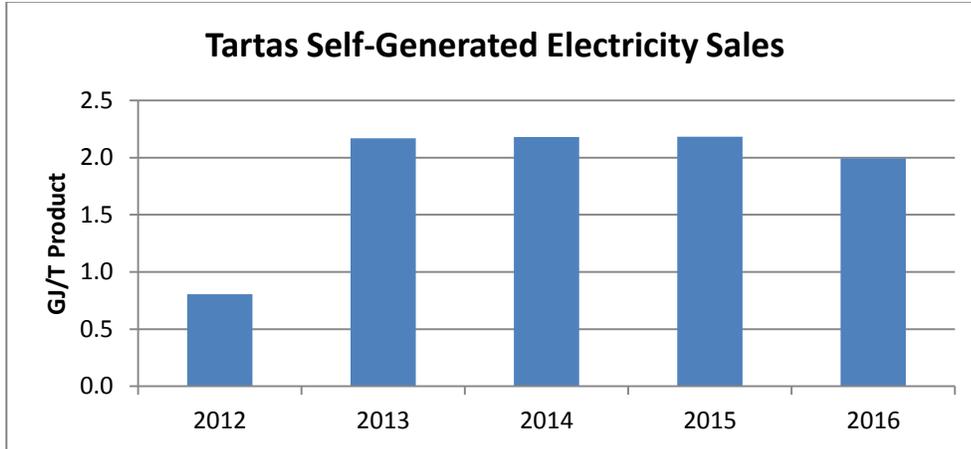
The Tartas facility is a sustainable biorefinery that extracts full value from fibre at each stage of the production process, and uses bioenergy to reduce fossil fuel consumption. Tartas' co-products include green electricity, and liginosulfonates refined from residuals of the specialty cellulose manufacturing process, in addition to specialty cellulose.

Temiscaming



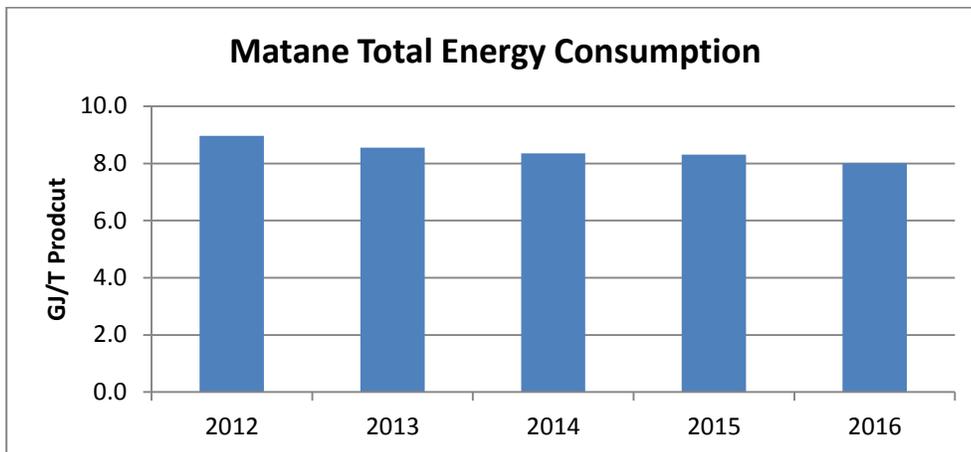
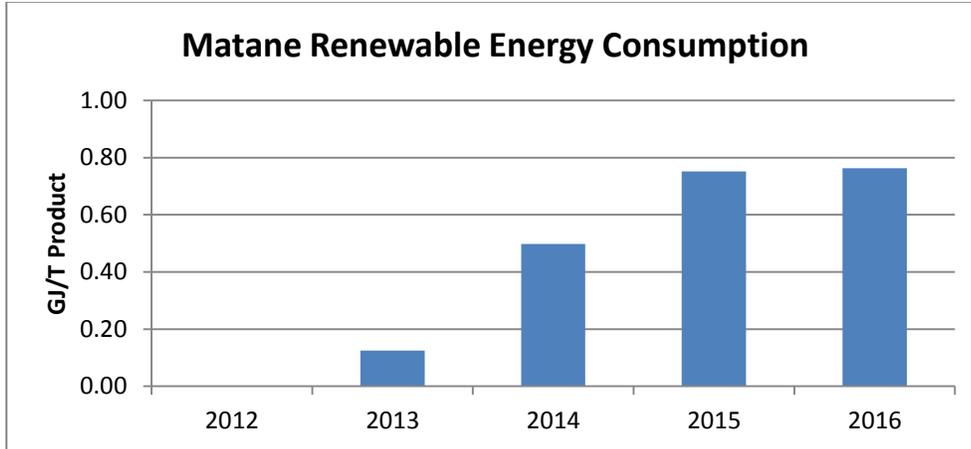
Includes energy used in the production of self-generated electricity.

Tartas:

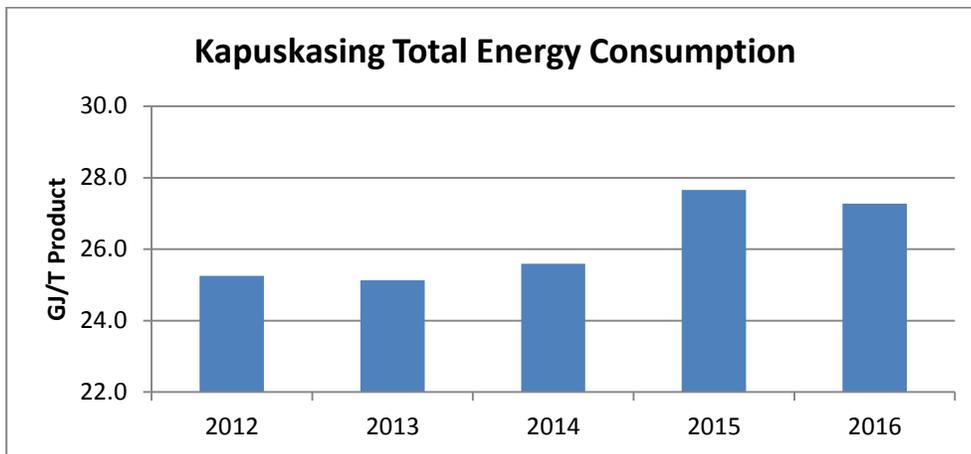
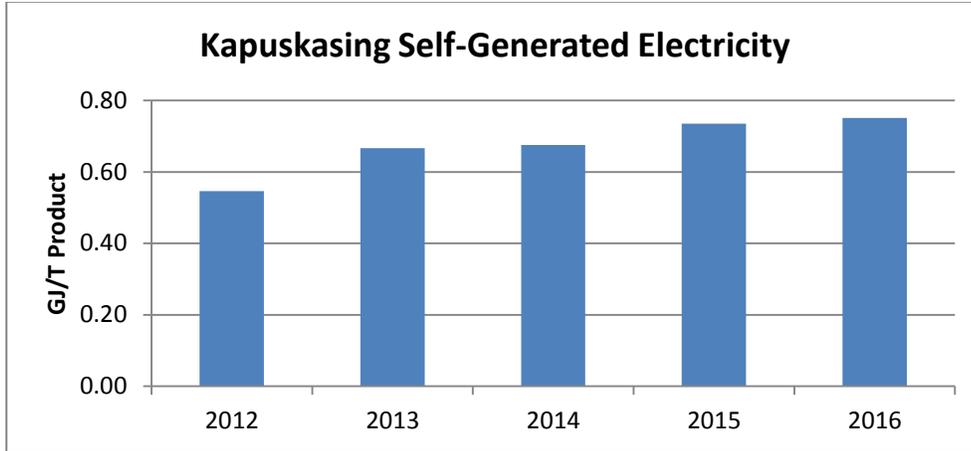


Includes energy used in the production of self-generated electricity.

Matane:

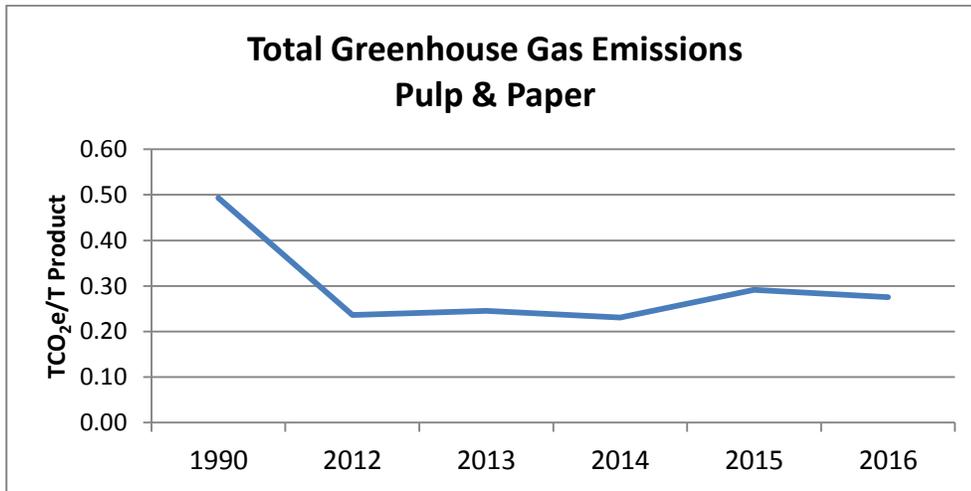


Kapuskasing:



Greenhouse Gas and Other Emissions

Greenhouse gas (GHG) emissions represent another important sustainability aspect for pulp and paper manufacturing. The Company’s focus on cost reduction and earnings continues to present challenges; however progress was made in 2016, with a **7% reduction** in pulp and paper fossil fuel consumption relative to production, compared to an objective of 20% reduction over the next 5 years.



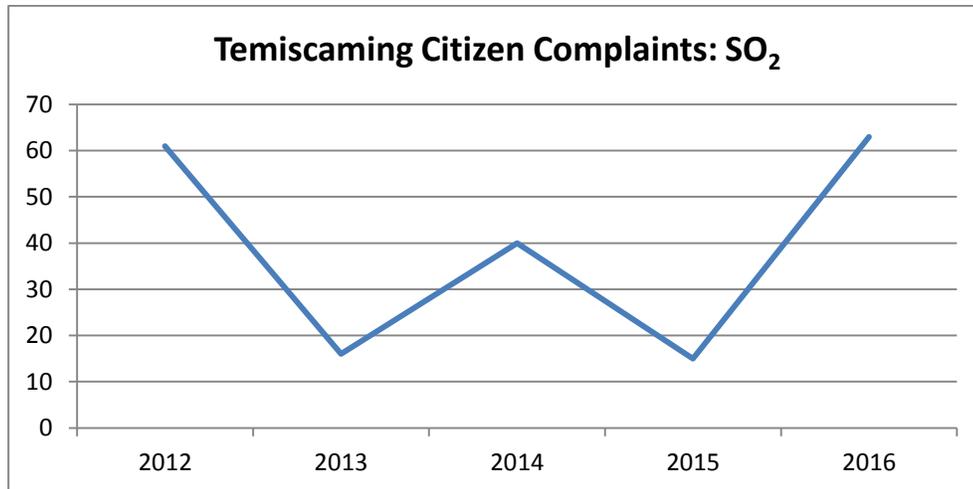
GHG Emissions Breakdown - Pulp and Paper (T CO₂e):

	1990	2012	2013	2014	2015	2016
Direct GHG Emissions - Scope 1	350,496	147,313	156,587	151,412	219,549	218,823
Indirect GHG Emissions - Scope 2	132,627	118,444	114,401	112,270	100,803	103,428

Greenhouse Gas Emissions: CO₂e is the sum of the 3 main greenhouse gases (carbon dioxide, nitrous oxide, methane), calculated as total CO₂ equivalents. CO₂e is calculated based on specific fuel composition and consumption data following standard greenhouse gas measurement protocols adopted in Canada. The CO₂ emitted from biomass energy sources is not included, as per the protocols. Scope 3 CO₂e emissions are other indirect emissions created in the manufacture of raw materials and transportation-related activities. These Scope 3 CO₂e emissions are not included in this report.

SO₂ Emissions

At the Temiscaming facility, a number of challenges remain regarding air emissions complaints. These complaints are related in part to the commissioning of the new green energy facility. Plans are in place to improve the recovery of SO₂ gas at the facility.



Overall, the combined SO₂ emissions from the Temiscaming and Tartas mills have dropped by 60% from 2011 to 2015.

Sulphur Dioxide Emissions (Metric Tons per Calendar Year):

Facility:	2011	2012	2013	2014	2015	2016
Temiscaming	1342	1075	545	518	402	¹ Not available
Tartas	328	314	335	287	258	¹ Not available
Total	1670	1389	880	805	660	

¹Results will be available in early 2017.



Photo credit: Marie-Eve Sigouin

Economic Performance

The majority of Tembec operations are located in remote areas. For this reason, the Company is often the largest employer in the community, providing revenues to the municipalities and the local businesses in these areas.

In the last fiscal year (October 2015 to September 2016), Tembec paid \$289 million in wages and benefits as per the following breakdown:

- Operational Personnel (all categories): \$243 million
- Professionals (Engineers, Accountants, Foresters, and other members of Professional Associations): \$46 million.

Regionally, this amount breaks down as follows:

- Quebec: 53%
- Ontario: 34%
- Europe: 12%
- U.S. and Other. 1%

Fiscal 2016 Economic Performance – All Operations:

Adjusted EBITDA	\$148 million
Productivity: Sales per Employee	\$474,000
SG&A Expenses	\$62 million
Annual Interest Expenses	\$61 million

Adjusted EBITDA: Earnings before interest, income taxes, depreciation, amortization and other items.

SG&A: Selling, general and administrative expenses.

Tembec’s economic performance is reported in detail in the 2016 Financial Report, including net sales, total capitalization and quantities of products. This and other financial reports are available on the Tembec website at:

<http://tembec.com/en/investors/financial-reports> or, at SEDAR:

<http://www.sedar.com/>.

2016 Sustainability Report

All questions regarding this report can be addressed to Linda Coates, Vice President, Human Resources and Corporate Affairs:

linda.coates@tembec.com,

416-775-2819.



Photo credit: Dan Martineau

GRI G4 Content Index

A- General Standard Disclosures:

Disclosure Number	Description	Page Reference or Location in Other Publications
Strategy and Analysis		
G4-1	CEO statement.	Pages 4
G4-3	Name of the organization.	Tembec Inc.
Organizational Profile		
G4-4	Primary brands, products, and services.	www.tembec.com/en/products
G4-5	Location of the organization's headquarters.	Montreal, Quebec, Canada
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	3 countries: Canada, U.S.A, France
G4-7	Nature of ownership and legal form.	Page 8
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	www.tembec.com/en/company
G4-9	Scale of the organization.	Page 8
G4-10	Workforce information.	Page 13
G4-11	Percentage of total employees covered by collective bargaining agreements.	76%
G4-12	Organization's supply chain.	Pages 23 - 33 and http://www.tembec.com/forest-management
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	None
G4-14	Precautionary approach or principle addressed by the organization.	Pages 7, 8, 14 – 35, 37, 42, 43, and 45.

G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Pages 19 - 21, 23, and www.tembec.com : Environmental Press Releases
G4-16	Memberships of associations and national or international advocacy organizations	Pages 19 – 21, 23, and www.tembec.com : Environmental Press Releases

Identified Material Aspects and Boundaries		
G4-17	Entities included in the organization's consolidated financial statements.	2016 Financial Report: www.tembec.com/en/investors/financial-reports
G4-18	Process for defining the report content and the aspect boundaries.	Pages 7, 8
G4-19	Material Aspects identified in the process for defining report content.	Pages 7, 8
G4-20	Aspect Boundary within the organization.	Page 7
G4-21	Aspect Boundary outside the organization.	Page 7
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	NA
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None

Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organization.	Pages 18 - 21
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Pages 7, 8, 18 - 21
G4-26	Organization's approach to stakeholder engagement.	Pages 18 - 21
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and responses.	Pages 18 - 21

Report Profile		
G4-28	Reporting period.	October 2015 to September 2016
G4-29	Date of most recent previous report.	December 2015
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents.	Page 46
G4-32	'In accordance' option, GRI Content Index.	Core
G4-33	Policy and current practice with regard to seeking external assurance for the report.	External assurance has not been provided for this report.

Governance		
G4-34	Governance structure of the organization, including committees of the highest governance body.	Pages 10, 11

Ethics and Integrity		
G4-56	Organization's values, principles, standards and norms of behavior.	www.tembec.com/en/company/vision-and-values

B- Specific Standard Disclosures:

Disclosures, G4 Number	Description	Page Reference or Locations in Other Publications	Comments
Material Aspects			
Economic Performance			
G4-DMA	Disclosure on Management Approach.	http://tembec.com/en/investors/financial-reports	
G4-EC1	Direct economic value generated and distributed.	Page 45 and http://tembec.com/en/investors/financial-reports	

Biodiversity			
G4-DMA	Disclosure on Management Approach.	Pages 23 - 30	
G4-EN13	Habitats protected or restored.	Pages 29 - 30	
Energy			
G4-DMA	Disclosure on Management Approach.	Page 34 - 41	
G4-EN3	Energy consumption within the organization.	Pages 35 - 41	
G4-EN5	Energy intensity.	Pages 36 - 41	
Emissions			
G4-DMA	Disclosure on Management Approach.	Pages 34, 37, 42, 43	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Page 42	
G4-EN16	Indirect GHG emissions (Scope 2).	Page 42	
G4-EN18	GHG emissions intensity.	Page 42	
Occupational Health and Safety			
G4-DMA	Disclosure on Management Approach.	Pages 14, 15	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Pages 16	Gender, lost days, and absentee statistics are not available.



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