



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

Western Forest Products Inc.
Annual Information Form

February 12, 2019

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FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form contains statements that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as “estimate”, “expect”, “anticipate”, “plan”, “intend”, “believe”, “seek”, “should”, “may”, “likely”, “can”, “will” and similar references to future periods. Forward-looking statements in this Annual Information Form include, but are not limited to, statements relating to: our current intent, belief or expectations with respect to market and general economic conditions, future costs, future expenditures, the anticipated benefits from our transactions and other strategic initiatives, available harvest levels, environmental and safety certifications, and our future operating performance, objectives and strategies. Although such statements reflect management’s current reasonable beliefs, expectations and assumptions as to, amongst other things, the future supply and demand of forest products, global and regional economic activity and the consistency of the regulatory framework within which the Company currently operates, there can be no assurance that forward-looking statements are accurate, and actual results and performance may materially vary. Many factors could cause our actual results or performance to be materially different including: general economic conditions, international demand for lumber, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, the availability of allowable annual cut, changes in regulations or public policy affecting the forest industry, changes in opportunities and other factors set out herein and in our management’s discussion and analysis for the year ended December 31, 2018. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.

In this Annual Information Form, unless the context otherwise requires, “Western”, “Company”, “we”, “us”, “our” and similar terms refer to Western Forest Products Inc. and its subsidiaries.

Certain terms used in this Annual Information Form are defined under “*Glossary of Certain Terms*”, which can be found at the end of this document, starting at page 37. All information in this Annual Information Form is as of February 12, 2019, unless otherwise indicated. All dollar amounts are expressed in Canadian dollars, unless otherwise indicated.

In this Annual Information Form, we incorporate by reference our Management’s Discussion and Analysis (the “MD&A”) for the year ended December 31, 2018, which contains information required to be included in this Annual Information Form. The MD&A is accessible on SEDAR at www.sedar.com.

BUSINESS OF THE COMPANY

Company Profile and Strategy

Western is an integrated forest products company operating on the coast of British Columbia (“BC”), Canada and Washington State, United States (“US”). Our business comprises eight sawmills with an annual lumber production capacity in excess of 1.1 billion board feet, 4 remanufacturing facilities, and timberland operations. Our timberlands operations have an annual available harvest of approximately 6 million cubic metres (“m³”) of timber, of which 5.8 million cubic metres of allowable annual cut (“AAC”) is from high-quality “evergreen” tenures (renewable within the tenure term) on Crown-owned land on Vancouver Island and the mainland coast of BC. Approximately 0.2 million cubic metres of additional annual harvest is available from our privately-owned timberlands and non-replaceable Crown tenures. In addition, we source additional fibre through log trade transactions and log market purchases, and through our timber harvesting joint ventures and limited partnerships with coastal First Nations. We also participate in auctions for the purchase of standing timber through BC Timber Sales and state, federal and private timber sales in Washington State and Oregon.

Western’s primary business includes the harvesting of timber, sawmilling logs into specialty lumber and value-added manufacturing for sale to worldwide markets. Our sawmills process hemlock and balsam, Douglas fir, yellow and western red cedar into long-length, wide-width and high-grade appearance lumber, commodity grades of lumber and residual wood chips that are sold externally and used for pulp production. Our value-added lumber remanufacturing facilities dry, saw and plane high-quality lumber for appearance and structural applications such as decking, siding, mouldings, doors, windows and paneling.

Western’s long-term business objective is to create superior value for shareholders by building a margin-focused log and lumber business of scale to compete successfully in global softwood markets. We believe this will be achieved by maximizing the sustainable utilization of our forest tenures, operating safe, efficient, low-cost manufacturing facilities and augmenting our sales of targeted high-value specialty products for selected global customers with a lumber wholesale program. We seek to manage our business with a focus on operating cash flow and maximizing value through the production and sales cycle. We routinely evaluate our performance using the measure Return on Capital Employed. For additional information on our strategy, see the “*Strategy and Outlook*” section in Western’s MD&A for the year ended December 31, 2018.

History and Structure

The Company was incorporated as 4204247 Canada Inc. under the *Canada Business Corporations Act* (the “CBCA”) on April 27, 2004 and changed its name to Western Forest Products Inc. on June 21, 2004. On July 27, 2004, Western acquired certain assets of Doman Industries Limited (“Doman”) and certain related companies. Western commenced business on July 28, 2004 and on August 3, 2004, the Company’s common shares (the “Common Shares”) began trading on the Toronto Stock Exchange under the symbol “WEF”. Since 2004, the Company has expanded the business through the acquisition of manufacturing facilities and timber resources. In addition, the Company has sold non-core assets, focused on operational improvements to reduce costs and implemented multiple strategic capital improvements to best position our assets for the long-term.

Western’s head office is located at Suite 800 – 1055 West Georgia Street, Royal Centre Building, PO Box 11122, Vancouver, British Columbia, V6E 3P3 and the registered office is located at Suite 2800, 666 Burrard Street, Vancouver, BC, V6C 2Z7.

The principal subsidiaries of the Company are:

| Name | Jurisdiction of Incorporation | Percentage owned |
|---------------------------------------|--------------------------------------|-------------------------|
| Western Forest Products Japan Limited | Japan | 100% |
| Western Forest Products US LLC | United States | 100% |
| Western Lumber Sales Limited | Canada | 100% |
| WFP Partnerships Ltd. | Canada | 100% |

Western Forest Products Japan Limited has an office in Tokyo and sells Western's lumber products to Japanese wholesale and manufacturing customers. Western Lumber Sales Limited sells the Company's lumber products to customers in the US. WFP Partnerships Ltd. holds assets of our United States operations indirectly through US subsidiaries, including Western Forest Products US LLC.

Significant Developments since January 2016

The Company has focused primarily on operational improvements in order to reduce costs, including through the reinvestment in and consolidation of operations. An increased focus on margins and a refined marketing strategy has combined with the recovery in US new home construction, a robust repair and renovation sector and growing demand from China, to drive improved financial results for Western over the past three years.

Capital Projects

Since 2011, Western has invested strategic capital in our business designed to position Western as the only company on the coast of BC capable of sustainably consuming the complete profile of the coastal forest and competitively manufacturing a diverse, margin-focused product mix. These investments are expected to be achieved through reducing costs, increasing recovery, and improving product flexibility across grades and species.

The following is a summary of selected strategic capital investment in our operations.

| Location | Project Description | Year | Capital Cost (\$ millions) |
|-------------------------------------|---|------|-------------------------------|
| Duke Point Sawmill and Planer | <ul style="list-style-type: none"> Installation of diptank for the treatment of whitewood lumber, expansion of barge loading facility, infrastructure upgrades and optimization of both head rigs (sawmill) Installation of an enhanced timber processing system (sawmill) Installation of new stacker, strapper and paper-wrap system (planer) Installation of automated lumber grading (planer) By-products system upgrade and improving line speeds | 2015 | \$10.8 |
| | | 2016 | 15.5 |
| | | 2015 | 5.3 |
| | | 2017 | 7.7 |
| | | 2018 | 4.1 |
| | | | <u>\$43.4</u> |
| Saltair Sawmill | <ul style="list-style-type: none"> Installation of new sorter, trimmer, edgers and stacker Installation of a new log in-feed and log merchandiser Ramp-up of log merchandiser and installation of new dual ring debarker Dip tank upgrades | 2013 | \$24.8 |
| | | 2015 | 13.5 |
| | | 2015 | 2.4 |
| | | 2018 | 1.6 |
| | | | <u>\$42.3</u> |
| Arlington | <ul style="list-style-type: none"> Building and equipment upgrades | 2018 | \$13.1 |
| Chemainus Sawmill | <ul style="list-style-type: none"> Installation of new timber deck Installation of timber saw upgrades Completion of timber saw upgrades and packager upgrade | 2016 | \$1.5 |
| | | 2017 | 3.2 |
| | | 2018 | 0.9 |
| | | | <u>\$5.6</u> |
| Alberni Pacific Sawmill | <ul style="list-style-type: none"> Installation of automated lumber grading technology | 2014 | \$4.2 |
| Cowichan Bay Sawmill | <ul style="list-style-type: none"> Installation of automated log rotation technology Stacker modification | 2014 | \$2.4 |
| | | 2018 | 0.5 |
| | | | <u>\$2.9</u> |
| Ladysmith Sawmill | <ul style="list-style-type: none"> Optimization and conversion to single line operation | 2016 | \$1.3 |
| Other Projects | <ul style="list-style-type: none"> North Island logging truck fleet modernization Centralized round saw filing room consolidation to Saltair sawmill | 2018 | \$6.6 |
| | | 2018 | 2.7 |

In addition to the above, the Company has invested \$3.0 million in LiDAR mapping and data analysis. Leveraging the data from our investment in LiDAR mapping has improved forest tenure planning practices and has contributed to our commitment to sustainably harvesting the profile of the coastal forest. Since 2016, we have also made \$8.9

million of strategic investments in our information technology systems to strengthen our operating foundation and create a platform for growth.

In 2019, we expect to complete and commission the first phase of equipment upgrades at our Arlington remanufacturing facility; a trimline upgrade and second cut-off saw at our Cowichan Bay sawmill; a timber yard expansion at Chemainus sawmill, a packaging line upgrade at our Saltair sawmill, and the modernization and standardization of our forklift fleet across our manufacturing operations.

Acquisitions

Columbia Vista

On February 1, 2019, the Company completed the acquisition of the assets of Columbia Vista Corporation and certain related entities for US\$30.5 million, subject to post closing working capital adjustments. The assets now comprise Western's Columbia Vista division, a lumber operation in Washington State that produces Douglas fir specialty products for the Japanese and US markets. The operation employs approximately 90 employees and produced approximately 60 million board feet of lumber in 2017. The acquisition is consistent with our strategy of pursuing margin-focused business opportunities that complement our position in selected markets. Bringing Western and Columbia Vista together provides Western the opportunity to expand its Douglas fir specialty product offerings, particularly in Japan where our customers have been requesting that we source Douglas fir to complement our BC hemlock. The combination of Columbia Vista and Western will make us more meaningful to our selected customers and create a stronger company for all our employees.

Arlington Distribution and Processing Centre

On January 17, 2018, the Company completed the acquisition of the distribution and processing centre in Arlington, Washington for US\$9.0 million. The 18 acre site has 170,000 square feet of covered storage with rail access. The facility will allow us to increase the production of targeted, finished products while also providing a centralized warehousing and distribution centre to more effectively service our selected US customers. The site is ideally suited for Western's central distribution needs with direct rail service and close proximity to the Company's major US markets. During 2018, the facility underwent infrastructure improvements and upgrades which allowed it to start lumber distribution operations. Equipment installation and upgrades are expected to be completed in early 2019, and include a planer, trimmer and packager.

Sales and Marketing Initiatives

To accelerate and lead our sales and marketing initiatives, we made the following executive management additions in the fourth quarter of 2018.

Bruce Alexander joined Western as the Senior Vice President, Sales, Marketing and Manufacturing. Mr. Alexander is an experienced executive and brings over 30 years of sales, manufacturing and management experience in the forest products and manufacturing industries, including on the coast of BC. Mr. Alexander will be responsible for positioning Western as the leading global supplier of specialty building materials. Common leadership of sales, marketing and manufacturing business units will drive alignment between these functions, and is expected to optimize the production of targeted products of scale and grow our selected customer base worldwide.

Don McGregor joined Western as Vice President, Wholesale Lumber. Mr. McGregor brings almost 30 years of lumber marketing experience, including more than 20 years as President of Vanport Canada, a leading wholesale lumber company. Mr. McGregor is responsible for leading wholesale lumber operations and, in building relationships with global suppliers, broadening the scope of our specialty product offerings. Through the existing industry-leading product portfolio and complementary supply from new supply relationships, Don will expand product offerings to deliver greater value to our selected customers.

Sale of Ownership Interest in Port Alberni Forest Operations

On December 14, 2018, Western announced it had reached an agreement whereby the Huu-ay-aht First Nations (“Huu-ay-aht”) will acquire a 7% interest from Western in a newly formed Limited Partnership for \$7.2 million, subject to closing adjustments. The assets of the Limited Partnership will consist of certain Western assets in its Port Alberni Forest Operation, including TFL 44 and other associated assets and liabilities. The Company will continue to source fibre from the Limited Partnership assets to support its BC manufacturing facilities.

The completion of the transaction is subject to customary closing conditions and is scheduled to close late in the first quarter of 2019. As part of the agreement, Western may sell HUU-AY-AHT an incremental interest in the Limited Partnership subject to further negotiation. The agreement is consistent with the goals of the parties’ March 2018 Reconciliation Protocol Agreement.

Financing

In August 2018, the Company entered into a new \$250 million syndicated credit facility (the “Credit Facility”). The Credit Facility matures on August 1, 2022 and includes an accordion feature that expands the availability by an additional \$100 million. The Credit Facility replaced the Company’s previous \$125 million revolving credit facility and \$110 million revolving term loan facility, which would have matured in December 2018 and June 2019, respectively.

Dividends

In May 2018, the Company increased its quarterly dividend by 12.5% from \$0.02 per share to \$0.0225 per share. On an annual basis dividends of \$0.0875 per share were paid in 2018, and dividends of \$0.08 per share were paid in each of 2017 and 2016. Total dividends paid in 2018 amounted to \$34.3 million, as compared to \$31.7 million in 2017 and \$31.6 million in 2016.

Normal Course Issuer Bid

On August 3, 2018, the Company received approval to renew its normal course issuer bid (“NCIB”) first launched in August of 2017. Under the current bid, the Company can purchase for cancellation up to 19,662,439 Common Shares or approximately 5% of its issued and outstanding Common Shares as of August 3, 2018.

In 2018, Western increased purchases under the NCIB to 11,695,573 Common Shares for \$25.2 million. In 2017, Western purchased 1,079,000 Common Shares for \$2.7 million, and no Common Shares were purchased in 2016.

As at February 12, 2019, 8,498,617 Common shares remain available to be purchased under the current NCIB. The NCIB expires on August 7, 2019.

Tree Farm Licences (“TFL”)

TFL 44

In October 2016, the Province of BC agreed to compensate Western in the amount of \$14 million for the partial tenure extinguishment from the Maa’nulth First Nations Final Agreement Act (the “Treaty”) that came into effect April 1, 2011. The creation of Treaty Settlement Lands and associated protected area tied to the Treaty resulted in the permanent harvesting rights reduction of 104,000 cubic metres in TFL 44.

TFL 39

In August 2016, the Chief Forester of the Province of BC determined a new AAC for TFL 39 of 1,416,300 cubic metres. Taking into account land base changes, the new AAC represented a reduction of approximately 253,000 cubic metres from the previous determination.

Indefinite Sawmill Curtailment

In July 2017, Western announced the indefinite curtailment of its Somass sawmill located in Port Alberni, BC. The Somass sawmill had been temporarily curtailed since February 2017, prior to which it operated on a single shift basis. The decision to indefinitely curtail operations was in response to the lack of log supply to operate the mill.

Softwood Lumber Agreement

See “*Softwood Lumber Trade*” for a description of developments relating to the Softwood Lumber Agreement in 2018.

Changes Expected for 2019

For additional information regarding changes expected to the Company’s business in 2019, see Western’s MD&A for the year ended December 31, 2018, in particular the “*Market Outlook*” and “*Strategic Capital Program Update*” sections.

FOREST RESOURCES

Forest Resource – British Columbia

British Columbia has two major forest regions, coastal and interior, which are differentiated by climate, terrain and forest type and have given rise to two distinct segments of the forest industry. Historically, just less than one-third of BC's timber harvest has originated from the coastal region. In contrast to the interior forests, the BC coastal forests are distinguished by a wet maritime climate, rugged topography and a variety of high-value coastal forest species with highly productive growing sites. Over the past decade, the coastal timber harvest has declined as a result of the establishment of new parks and protected areas and AAC reductions to conform harvest levels to long-term sustainable yields. All of Western's timber harvesting operations are located in the coastal region of BC.

Our operating strategy involves maximizing the sustainable value from our timber resources. The timberlands operations seek to supply the Company's BC sawmills with a safe, efficiently-harvested supply of high-quality fibre of the appropriate species and log characteristics to enable the cost-effective manufacture of lumber to meet customers' needs.

Timber Tenures

Approximately 95% of all forest land in BC is owned by the Province and administered by the Ministry of Forests, Lands, Natural Resource Operations & Rural Development ("MFLNRORD"). Subject to provincial legislation and related regulations and Constitutional obligations to Aboriginal peoples (see "*Risks and Uncertainties – First Nations Land Claims*" in our MD&A), rights to harvest timber on such land may be granted on behalf of the Province by the MFLNRORD in the form of timber tenures. Western's timber tenures are comprised of TFLs, FLs and TLs.

Tree Farm Licence ("TFL")

A TFL is a replaceable timber tenure that requires the licensee to manage a specified area of timberland on a sustained yield basis. TFLs are granted for 25-year terms and are replaced by the MFLNRORD every five to ten years with a new TFL with a 25-year term, subject to satisfactory performance by the TFL holder of its obligations. Approximately 90% of the Company's replaceable AAC comes from six TFLs. (TFL 6, TFL 19, TFL 25, TFL 37, TFL 39 and TFL 44)

TFL 37 was replaced in November 2016 and all other TFLs were replaced between 2009 and 2011.

On January 31, 2007, the Company's private lands were withdrawn from TFLs 6, 19 and 25. The AACs of the three TFLs were reduced as of the withdrawal date to reflect the contribution that these private lands had made to the timber inventory and long-term sustainable productivity of these TFLs. The majority of these private lands are regulated under the *Private Managed Forest Land Act* (British Columbia) as well as other provincial and federal statutes. Western continues to evaluate opportunities to realize the highest-value contribution for such private lands.

Forest Licence ("FL")

Other parts of the Province's timberlands not designated as TFLs are organized into timber supply areas ("TSAs"). FLs are issued within each TSA with the AAC being determined at the TSA level and the overall harvest for the TSA being allocated and managed by the MFLNRORD on a sustained-yield basis. FLs are volume-based tenures that authorize a specified volume of timber to be cut within a specific TSA. FLs generally have a term of 15 years and are replaceable every five to 10 years with a new FL with a term of 15 years, subject to satisfactory performance by the licensee of its obligations.

Timber Licence ("TL")

TLs are area-based tenures with various fixed terms. TLs within a TFL are managed on an integrated basis with other timberlands within the same TFL and the land remains part of the TFL when the TL is harvested. Harvesting from TLs external to TFLs is subject to provincial legislation and related regulations and Constitutional obligations to Aboriginal peoples. At the end of 2018 the Company had 18 TLs external to TFLs.

Timber Available for Harvest

The AACs for TFLs and TSAs are determined by the Chief Forester of the Province (“Chief Forester”) and are intended to reflect timber conditions, regional and local economic and social interests, and environmental considerations. Legislation requires the Chief Forester to review sustainable timber harvesting levels in each TSA and TFL in the Province at least every 10 years and to issue a “determination” relating to the same, which may recommend reductions or increases in the AAC of the TSA or TFL. By leveraging the comprehensive forest cover inventory developed through our strategic investment in LiDAR, we can better demonstrate our ability to sustainably harvest our AAC in support of this process. The Chief Forester can also make permanent AAC reductions as a result of land use changes to the land base.

The available cut, including the AAC of TFLs and FLs, actual net harvest, log supply and log usage for each of the last three years are set out in the following table:

| <i>(thousands of cubic metres)</i> | Actual Gross Harvest ⁽²⁾ | | | Available Cut ⁽³⁾ | | |
|------------------------------------|--|--------------|--------------|-------------------------------------|--------------|--------------|
| | Year Ended December 31, | | | As at December 31, | | |
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| TFLs | 4,360 | 4,596 | 4,965 | 5,281 | 5,324 | 5,323 |
| FLs | 345 | 301 | 199 | 501 | 501 | 598 |
| Other lands ⁽⁴⁾ | 170 | 184 | 414 | 194 | 194 | 194 |
| Total ⁽¹⁾ | 4,875 | 5,081 | 5,578 | 5,976 | 6,019 | 6,115 |
| Logs purchased | 1,152 | 1,308 | 1,711 | | | |
| Logs consumed | 3,868 | 3,541 | 4,131 | | | |
| Logs sold | 1,510 | 1,663 | 2,104 | | | |

- (1) Declines in Available Cut have reduced Actual Gross Harvest. In addition, the Company’s Actual Gross Harvest has declined due harvest permit delays and the impact of successive years of record fire conditions that have temporarily curtailed harvest operations.
- (2) The actual gross harvest represents total log production including residual volume, with tenure assignment based on the Harvest Billing System. Market logging, joint venture volumes and other volumes resulting from external logging agreements that contribute to the total AAC, are not included in the total amounts reported. Volumes harvested by market loggers amounted to 61,701 m³ in 2018. Net volumes harvested by joint ventures amounted to 101,479 m³ from Company tenures. Also, 234,638 m³ was harvested pursuant to a Forest Licence Utilization agreement.
- (3) The available cut for the TFLs and FLs is the AAC determined by British Columbia’s Chief Forester as of December 31 and is not the average for the year. These AACs incorporate any temporary reductions put in place by the Provincial Chief Forester, and do not include volumes of timber available to third parties. See “*Timber Available for Harvest*” section below for more details.
- (4) At December 31, 2018, 145,000 m³ of available cut is attributed to private managed forest lands outside of TFLs and 50,000 m³ to TLs outside of TFLs following Forest and Range Agreement (“FRA”) reductions.

On August 29, 2016 the Chief Forester re-determined the AAC for the land base remaining in TFL 39, resulting in a reduction of approximately 253,000 m³ of available harvest for Western. On July 25, 2018 the Chief Forester re-determined the AAC for the land base remaining in TFL 37, resulting in a reduction of approximately 42,000 m³ of available harvest for Western.

Effective January 1, 2017 the Province amended the *Great Bear Rainforest (Forest Management) Regulation*, leading to a reduction in Western’s AAC of 95,769 m³.

Under Part 13 of the *Forest Act* (British Columbia) (the “Forest Act”), if the Minister of Forests, Lands, Natural Resource Operations and Rural Development determines that it is in the public interest, the Province can “designate” areas of Crown land for up to 10 years and then suspend or vary permits, licences and plans in force within the designated area. At the same time, the Chief Forester can temporarily reduce the AAC of a timber tenure by an amount attributable to the designated Part 13 area. Part 13 is generally applied in support of land use planning or environmental reserves. There was one Part 13 designation in place on Western tenures in 2016, affecting less than 50 hectares of the approximately 360,000 total hectares of TFL 39, for which no temporary AAC reduction was made.

Fibre Supply

The Company's BC fibre requirements are primarily met with logs harvested from its timber tenures and private lands, supplemented by logs purchased on the open market, and log trading activities. The Company also participates in auctions for the purchase of standing timber through BC Timber Sales. In addition, we source fibre through timber harvesting joint ventures and limited partnerships with coastal First Nations. The Company's fibre supply staff are responsible for ensuring an adequate supply of suitable logs for our manufacturing facilities and for trading or selling the logs not used for Western's lumber production to both domestic and export markets.

In a normal operating year, approximately 97% of the Company's logging is conducted on government timberlands allocated to us under our TFLs and, to a lesser extent, under our FLs and TLs. Logging of our private lands accounts for approximately 3% of Western's harvest.

Western's timber tenures consist of multi-species, mixed ecology forest. Our investment in LiDAR mapping and technology has enabled more efficient harvest planning and facilitates our sustainably harvesting the complete profile of the coastal forest.

At the end of 2018 the species distribution of our timber resources was approximately 63% hemlock and balsam, 16% cedar, 16% Douglas fir, 4% yellow cedar and 1% spruce and other minor species. Western's average harvest production for the past five years matches this profile, being approximately 63% hemlock and balsam, 16% cedar, 16% Douglas fir, 4% yellow cedar, 1% spruce and other minor species.

Approximately 85% of our 2018 log production originated from Vancouver Island, BC. Per our license requirements, logging is conducted by a combination of Company and contractor operations. Western plans the majority and coordinates substantially all timber production from the various operating sites.

Logs are sorted according to species, size and grade and directed to our sawmills, custom cutting operations and log markets to maximize the return. The pulp log volume produced from Western's timber tenures and private lands, and all residual chips produced from sawmilling operations, are committed under long-term fibre supply agreements. These agreements commonly require the delivery of minimum periodic chip volumes. In addition, Western has a number of long-term commitments for the sale, purchase or trade of saw logs and pulp logs to third parties. Some of the Company's log trade agreements involve the exchange of our logs for residual chips.

Logs are largely transported by water, using contracted towing and barging services, to Western's manufacturing plants and to external customers.

Stumpage Expense

Stumpage is the fee that the Province of BC charges forest companies for timber harvested from Crown land in BC. Approximately 97% of the timber we harvest is from Crown land. Stumpage is set using the coast version of the Market Pricing System ("MPS"). MPS uses data from winning bids, for timber sold through British Columbia Timber Sales ("BCTS") auctions, in regression equations that predict the market (i.e. auction) value of Crown timber harvested under long-term tenures. The auction value is then adjusted to reflect costs that tenure holders incur such as forest planning and administration and silviculture. Coastal MPS has been updated every two to three years to reflect recent sales data and costs, with the most recent update occurring on December 15, 2018. Stumpage rates are also adjusted quarterly to reflect changes in log prices.

The following table illustrates the relationship of Western's stumpage expenses relative to the gross log production from Crown land for each of the last three years. Stumpage expense presented reflects the dollar per cubic metre fee paid to the Province of British Columbia (the "Province") for timber harvested from Crown land and related costs for residue and waste.

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Gross log production from Crown land (<i>thousands of cubic metres</i>) | 4,705 | 4,897 | 5,164 |
| Stumpage (<i>\$ millions</i>) | \$52.7 | \$22.1 | \$19.1 |

Forest Management

Western manages its Crown-land forest tenures and its privately-owned forest lands according to sustainable forest management principles, which include a commitment to meeting government standards. As part of the rights and responsibilities that accompany Western's Crown tenures, staff carry out or supervise pre-harvest planning, road-building and harvesting operations and follow-up silviculture treatments to establish free-growing stands of trees.

Pre-harvest planning includes a wide spectrum of activities from the collection of inventory and assessment data to the development of higher-level Management Plans for TFLs and Forest Stewardship Plans for specific planning results and strategies for operations within TFLs, FLs and TLs. These plans take into account a broad range of timber and non-timber factors, including but not limited to: wildlife, fisheries, water quality, soil sensitivity, terrain stability, visual quality, biodiversity, archaeological sites and cultural features, cave and karst features, timber species distribution and value. These higher-level plans provide direction for the development of site-specific plans and lead to the applications for specific road-building and harvesting permits.

In 2018, the Company harvested timber from 6,914 hectares of land (2017: 6,943 hectares; 2016: 8,374 hectares). Following harvest, we ensure all disturbed areas are reforested based on the natural profile of species harvested. We operate the Saanich Forestry Centre, which includes a three million-seedling nursery and a tree seed orchard that produces the select seeds needed to support our reforestation efforts. After reforesting, we conduct follow-up surveys and silviculture treatments to ensure that these harvested areas meet free-growing requirements within specified timelines. Should a developing stand be damaged prior to being declared free-growing, Western is responsible for taking the necessary corrective actions to meet free-growing requirements. Substantially all of these basic silviculture requirements are carried out at our expense. Once young stands reach the free-growing stage, they continue to be monitored for damaging agents such as pests, wind and wildfire, and may be fertilized to ensure that young stands can mature quickly into second-growth forests ready for another harvest.

Our tenures are managed by a staff of registered forest professionals who are involved in cut permit planning, road, bridge and forest inventory development, harvesting, silviculture and forest health and protection programs.

The forests on our timber tenures are at risk of damage from natural and human-caused forest fires. To deal with this hazard, we have equipment and trained personnel ready to handle initial attack and fire suppression. We are also required to pay a fire preparedness levy to the MFLNRORD each year. Should a fire start as a result of our activities, and we did not willfully cause or contribute to the start or the spread of the fire by our act or omission, payment of this fee means that we will not be charged for any MFLNRORD initial attack costs or the fire suppression costs associated with the wildfire once the MFLNRORD has assumed fire control. Further, Western will not be charged for damages to Crown resources if the Company has been duly diligent. We remain responsible for fire-fighting on our private lands, whether inside or outside of TFLs, regardless of origin or cause. Western has entered into a cost-sharing agreement with the Crown for our private lands that will reduce individual incident costs of mobilizing helicopters and aerial water tankers.

Coast Forest Conservation Initiative ("CFCI")

Western is one of five founding members of CFCI. CFCI is a collaborative effort amongst forest companies working in BC's Central and North Coast. Its purpose is to define and support the development of an ecosystem-based management ("EBM") as part of 2003 Land and Resource Management Plan recommendations. Interim legal objectives for EBM were enacted in 2006 and amended in 2009 with final implementation deferred for 5 years while the concept, intended to be unique to this region, known as the Great Bear Rainforest ("GBR"), was fully defined. The CFCI Companies, along with major environmental groups, delivered a suite of recommendations for consideration by the Province and the First Nations who live in the region. On January 28, 2016 the Province enacted, by Order in Council, the GBR Order. On May 19, 2016, the *Great Bear Rainforest (Forest Management) Act* (the "Act") received Royal Assent in the BC legislature and the Act was subsequently brought into force on December 20, 2016 with an Order in Council (number 974). As a result of the GBR related legislation the Company's AAC in the GBR area was reduced from 522,774 m³/year to 427,005 m³/year, effective January 1, 2017. Further, Forest Licence A19244 was subdivided by the Province into two forest licences to ensure timber harvest attributed to the GBR area is wholly contained in licences that only include forest operations in the GBR area.

Forest Resource – United States

The Company's fibre supply requirements are met from a broad range of sources, including Federal and State lands, from private landowners and open market purchases. We do not own any timberlands in the US. Our fibre supply requirements are currently 100% Douglas fir and approximately half of our fibre supply requirements are purchased on the open market. The Columbia Vista division has historically operated with contracts and commitments to harvest or purchase log volumes equivalent to the sawmill's operating capacity for approximately three to six months. Logs are transported by truck to Western's sawmill in Vancouver, Washington.

MANUFACTURING FACILITIES

Sawmills

We own and operate eight sawmills, seven on Vancouver Island in BC and one in Washington State, all on land we own. All of Western's sawmills in BC have adjacent water lots that are leased from the Province or a public Port Authority and some have barge and dock loading facilities to handle water-borne shipments of sawmill products. Our sawmill in Washington State has an adjacent water lot that is leased from the Washington State Department of Natural Resources. Our sawmill configuration provides significant flexibility, enabling us to change cut programs and log flows between different sawmills to maximize margins or sell logs based on market demand.

Our high-quality timber supply and the flexible manufacturing capabilities of our sawmills enable us to produce appearance-grade products (those used in decks, paneling, fencing, fascia, siding and doors, and in traditional Japanese wood framed houses, for example), and specialty structural products for markets around the world. The species and products produced typically command premium prices compared to commodity construction grades, such as SPF 2x4 lumber. Much of the softwood timber supply in North America is not capable of producing our specialty products.

Softwoods such as hemlock, balsam, spruce, pine and fir, when kiln-dried, are used primarily in construction due to their strength, light weight and ease of nailing. Western Red Cedar and yellow cedar are softwoods that are used where appearance and decay resistance are valued such as for decking, paneling, fencing, fascia, siding and doors. The forest industry generally grades lumber into two broad categories: (i) "uppers" or "appearance" grade lumber, which is evaluated on its visual attributes; and (ii) "commodity" grade lumber, which is evaluated on attributes such as strength and stiffness.

The annual lumber production capacity, actual sawmill lumber production for our sawmills in each of the last three years, and mill locations are set out in the following table:

| <i>(MMfbm)</i> Sawmill | Location | Smallest Log Diameter Processing Capacity | Capacity ⁽¹⁾ | Production Year ended December 31, | | |
|-------------------------------|------------------|---|-------------------------|---------------------------------------|------------|------------|
| | | | | 2018 | 2017 | 2016 |
| Canada | | | | | | |
| Ladysmith | Ladysmith, BC | 4" diameter log | 90 | 67 | 89 | 95 |
| Cowichan Bay ⁽²⁾ | Duncan, BC | 6" diameter log | 215 | 177 | 159 | 165 |
| Saltair | Ladysmith, BC | 6" diameter log | 240 | 214 | 198 | 206 |
| Alberni Pacific | Port Alberni, BC | 15" diameter log | 175 | 106 | 85 | 147 |
| Duke Point | Nanaimo, BC | 15" diameter log | 130 | 127 | 91 | 75 |
| Chemainus | Chemainus, BC | 15" diameter log | 130 | 99 | 108 | 118 |
| Somass ⁽³⁾ | Port Alberni, BC | 15" diameter log | 90 | -- | 4 | 40 |
| US | | | | | | |
| Columbia Vista ⁽⁴⁾ | Vancouver, WA | 10" diameter log | 80 | n/a | n/a | n/a |
| | | | 1,150 | 790 | 734 | 846 |
| Custom Cut | multiple | varies | n/a | 74 | 59 | 80 |
| Total | | | 1,150 | 864 | 793 | 926 |

(1) Based on two shifts and 250 operating days, except Chemainus and Duke Point at three shifts.

(2) Cowichan Bay capacity previously reported on a nominal basis, updated to reflect a sales count basis to be consistent with Western's other facilities and our peers.

(3) Somass operated on a single shift basis until it was temporarily curtailed in February 2017, effectively reducing capacity to approximately 5 MMfbm in 2017. Somass was indefinitely curtailed in July 2017 due to a lack of log supply to operate the mill efficiently.

(4) Acquired February 1, 2019.

Ladysmith Sawmill

Our Ladysmith sawmill has a capacity of 90 million board feet and produces primarily hemlock products. The sawmill focuses on small diameter logs, with the smallest log diameter processing capability of 4" diameter logs. The sawmill produces narrow dimension structural lumber for residential, commercial and industrial applications. Capital improvements in 2015, including a rebuilt canter line, significantly improved efficiencies at the single-line mill reflecting our focus on positioning our mills as the most cost competitive facilities on the west coast.

Cowichan Bay Sawmill

Our Cowichan Bay sawmill has a capacity of 215 million board feet and produces hemlock, Douglas fir and western red cedar products. The approximate production mix in 2018 was 87% hemlock and 13% western red cedar. The sawmill focuses on medium diameter logs, with the smallest log diameter processing capability of 6" diameter logs. The sawmill produces hemlock wide dimension structural lumber for residential, commercial and industrial applications and western red cedar for decking and trim applications. Key strategic capital investments include a planer upgrade and log auto-rotation project to modernize the mill, reduce costs and optimize its productivity.

Saltair Sawmill

Our Saltair sawmill has a capacity of 240 million board feet and produces western red cedar, hemlock and Douglas fir products. The approximate production mix in 2018 was 22% western red cedar, 62% hemlock and 17% Douglas fir. The sawmill focuses on medium diameter logs, with the smallest log diameter processing capability of 6" diameter logs. The sawmill produces hemlock and Douglas fir products for the Japanese traditional home segment, high value western red cedar products and wide dimensional structural lumber. The sawmill is the largest single-line sawmill on the coast of BC following the multi-phase strategic capital investment of over \$42 million to modernize the sawmill over the last five years. An additional \$6 million investment in four high-return projects is currently underway and is expected to be completed in 2019. The facility has three kilns on site.

Alberni Pacific Sawmill

Our Alberni Pacific sawmill has a capacity of 175 million board feet and produces hemlock products. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capabilities of 15" diameter logs. The sawmill produces timbers products for the Japanese traditional home segment and appearance products. The mill has benefited from significant investments including \$4 million in the first auto-grader for coastal species resulting in increased operating speeds, improved lumber grades, and increased lumber recoveries. The facility has 15 kilns on site and on adjacent properties.

Duke Point Sawmill

Our Duke Point sawmill has a capacity of 130 million board feet and produces primarily hemlock and Douglas fir products. The approximate production mix in 2018 was 90% hemlock, 6% Douglas fir and 3% western red cedar. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capabilities of 15" diameter logs. The sawmill produces timbers, specialty appearance products and products for the Japanese traditional home segment. The sawmill and planer has undergone a \$43 million multi-phase, strategic capital investment to modernize the facility. Sawmill upgrades included optimization of both head rigs, installation of a diptank for expanded whitewood lumber capabilities, expansion of the barge loading facility and an enhanced timber processing system. The centralized planer facility improvements include installation of a new stacker, strapper and paper-wrap system, as well as the installation of a lumber auto-grader.

Chemainus Sawmill

Our Chemainus sawmill has a capacity of 130 million board feet and produces western red cedar products. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capability of 15" diameter logs. The sawmill produces western red cedar timbers and specialty appearance products for outdoor applications. The sawmill has undergone recent capital investments over the last three years, including investments to the timber deck and an enhanced grading system to reduce handling of high value timbers and clears, and upgrades to our packaging line. The facility has five kilns on site.

Somass Sawmill

Our Somass sawmill has a capacity of 90 million board feet. The sawmill was indefinitely curtailed in July 2017 due to a lack of log supply to operate the mill efficiently. When previously operating, the sawmill focused on medium to large diameter logs with the smallest log diameter capability of 15" diameter logs.

Columbia Vista Sawmill

We acquired our Columbia Vista sawmill on February 1, 2019. The sawmill has a capacity of 80 million board feet and produces Douglas fir products. The sawmill focuses on medium to large diameter logs with the smallest log diameter processing capabilities of 10" diameter logs. The sawmill produces Douglas fir products for the Japanese traditional home segment and other specialty products for the US market. The operation also has 18 kilns and a planer facility located approximately 20 kilometres away from the sawmill.

Custom Cut Division

In addition, Western also operates a division known as "Custom Cut". The Custom Cut division focuses on converting logs to lumber on a custom basis to meet customer specifications. Western's Custom Cut customers may purchase a specific volume of selected lumber products, or acquire all the lumber products which are cut from a defined volume of logs. Custom Cuts are typically conducted at third-party manufacturing facilities in the Lower Mainland of BC using logs either harvested by Western or acquired on the open market. Alternatively, Custom Cuts may be conducted at Western's own sawmill facilities in situations where the customer specifications are compatible with mill capacities. Custom Cuts are routinely performed on Western's major species and are the primary method of manufacture for our yellow cedar logs.

Remanufacturing

We own and operate four remanufacturing facilities. In BC we operate Value-Added Remanufacturing and a centralized planer facility at our Duke Point sawmill. In the US we operate our distribution and processing centre in Arlington, Washington and our Columbia Vista sawmill division has 18 kilns and a planer facility.

Value-Added Remanufacturing

Our Value-Added Remanufacturing facility, located in Chemainus, BC, specializes in value-added processes for all species and provides additional kiln-drying and planer capacity for our primary sawmills. The facility has nine double track kilns, a single track kiln, and its kiln capacity is the largest in coastal BC. In addition to kiln drying, the facility is equipped with a resaw and a planer to support its high volume drying capacity and for finishing rough lumber. The facility specializes in manufacturing high-quality specialty products from western red cedar, hemlock and Douglas fir.

Arlington Distribution and Processing Centre

Located in Arlington, Washington on an 18 acre site with 170,000 square feet of covered storage, Arlington division is a centralized specialty products distribution and processing centre. During 2018, the facility underwent infrastructure improvements and upgrades which allowed it to start lumber distribution operations. Equipment installation and upgrades are expected to be completed in 2019, which include a planer, trimmer and packager. These equipment upgrades will allow us to increase the percentage of finished products offered by Western in the US market. The facility also has four kilns and a rail spur on site.

Overall, we have a total of 33 kilns located at all of our facilities in BC and 22 kilns at our facilities in the US. As part of our marketing and manufacturing strategy, we continue to review potential investments in additional kiln capacity.

Wood Chips and Residuals

British Columbia

Our BC sawmills have a total annual production capacity of approximately 750,000 volumetric units of wood chips. Residual chips and wood residue from our manufacturing operations are sold under long-term fibre supply agreements. We also trade logs with third parties to secure preferred logs and chips or for cost benefit. The wood chip supply and usage for each of the last three years from our operations are set out in the following table:

| | Year Ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| <i>(thousands of volumetric units)</i> | 2018 | 2017 | 2016 |
| Wood chips produced ⁽¹⁾ | 544 | 518 | 598 |
| Wood chips purchased | 190 | 275 | 276 |
| Total wood chips sold | 734 | 793 | 874 |

United States

Residual chips and wood residue from our manufacturing operation is sold to pulp and paper or fibre board manufacturers under short-term agreements.

SALES, MARKETING AND DISTRIBUTION

Western's lumber products are marketed by our sales and marketing division, which is based in Vancouver, BC, and has one office in Tokyo, Japan, and a representative office in Shanghai, China. Lumber sales into the US are made directly to select customers, including lumber distributors and major lumber retailers. Our sales into the Japanese market are serviced from our Vancouver sales office and Columbia Vista division, where we sell directly to large Japanese companies with foreign trade expertise, and also through our marketing organization located in Japan, which sells to wholesale and manufacturing customers. Our China lumber sales are made through a combination of direct sales and local Canadian wholesalers.

In addition, the sales and marketing division liaises directly with the consumers of our lumber products. Western adjusts sawmill processing programs in order to customize products to meet the specific requirements of changing market conditions. Our order file is approximately six weeks on average, which allows us to manage our risk.

While a significant percentage of our logs and lumber are sold in Canada, a majority of these sales are further processed by our customers for sale to global markets. Sales to the US market consist of a wide range of products from high-quality western red cedar and hemlock used for appearance end-uses, to structural dimension lumber. We offer a comprehensive line of high-quality hemlock, Douglas fir and yellow cedar products for the Japanese traditional home segment including a line of hemlock products with high structural values which are fully recognized under Japanese building codes and standards. Our focus in Europe is western red cedar and kiln-dried, high-quality specialty products used predominantly in the United Kingdom, Belgium, Germany, France and Italy. Western's business to China is focused on commodity lumber used for construction and further remanufacturing. In addition, products are sold to customers that produce components and finished wood products for export to Japan, Europe and the US. Approximately 17% of our lumber products are currently sold kiln-dried.

Based on the known origin of the end-customer, the distribution of the Company's sales by geographic area by product line for each of the last three years is set out in the following table:

| | | Year ended December 31, | | |
|--|--------|-------------------------|----------------|----------------|
| | | 2018 | 2017 | 2016 |
| <i>(millions of dollars)</i> | | | | |
| Lumber | Canada | 214.9 | 164.0 | 202.9 |
| | US | 289.5 | 284.4 | 289.6 |
| | Japan | 150.7 | 153.0 | 168.9 |
| | China | 183.9 | 146.2 | 123.7 |
| | Other | 100.0 | 79.7 | 61.5 |
| | Europe | 13.9 | 30.9 | 37.0 |
| | | 952.9 | 858.2 | 883.5 |
| Logs, saw | Canada | 130.3 | 122.8 | 132.4 |
| | China | 7.0 | 74.8 | 72.5 |
| | Other | 1.3 | 2.0 | 11.8 |
| Logs, pulp | Canada | 20.1 | 15.2 | 18.2 |
| | US | 1.3 | - | 0.6 |
| | | 160.0 | 214.8 | 235.6 |
| By-products | Canada | 83.8 | 70.4 | 68.2 |
| Total Sales | | 1,196.7 | 1,143.4 | 1,187.3 |
| % of Saw logs Consumed Internally ⁽¹⁾ | | 79% | 74% | 73% |

(1) Defined as the volume of saw logs consumed by our sawmills and custom cutting operations, as a percentage of saw logs consumed plus external log sales.

Western's locations on the coast of British Columbia and in Washington state allow for efficient, cost-effective access to world markets. Most lumber shipments to North American customers are made by rail and truck. Offshore shipments are primarily made through ocean-going vessel and barge. Western has never issued a product recall.

In a normal operating year there is seasonality to the Company's operations with higher lumber sales volumes in the second and third quarters when construction activity in North America is at its peak. Logging activity may also vary depending on weather conditions such as rain, snow and ice in the winter and the threat of forest fires in the summer which can restrict our ability to harvest.

HUMAN RESOURCES

As of December 31, 2018, Western had 2,182 employees (of whom 1,586 are unionized employees). 523 Canadian salaried employees, 49 Canadian Non-Union Hourly, 16 US employees and 8 employees in China and Japan). The majority of the Canadian unionized employees are represented by the United Steel Workers (“USW”), who have two collective agreements with the Company. The USW Master Agreement represents approximately 1,417 Western employees and expires on June 14, 2019. The collective agreement with the office clerical employees (4 employees) expires on December 31, 2019.

The remaining unionized employees are represented by the Public and Private Woodworkers of Canada (“PPWC”). The PPWC collective agreement for the Ladysmith Sawmill (83 employees) will expire on December 31, 2019. The collective agreement for the Value-Added Remanufacturing Operation (86 employees) will expire on October 14, 2021.

Approximately 70% of our harvesting activities are performed by contractors. The majority of the contractors have replaceable contracts under the *Timber Harvesting Contract and Subcontract Regulation (British Columbia)*. The majority of the employees who work for the contractors harvesting our tenures are represented by the USW.

ENVIRONMENT, HEALTH & SAFETY

Safety

The Company's Safety Policy reflects Western's values and commitment to providing a safe and healthful workplace for its people, while at the same time ensuring compliance with our regulatory requirements under federal, provincial, state and any other applicable regulations in Canada and the United States.

The Company's comprehensive Health and Safety Management System is designed to set clear expectations for all employees, supervisors, and contractors employed by the Company. Safety initiatives, training programs, annual safety plans, incident investigations, audits/inspections and contractor specific controls are all part of our comprehensive safety system and are a key to our success. Western's Health and Safety and Environment representatives continue to be active in working with regulators, our unions, as well as participate in the British Columbia Forest Safety Council ("BCFSC"), the Manufacturing Advisory Group ("MAG"), the Coastal Harvesting Advisory Group, the Safety Advisory Foundation for Education and Research in Canada, Department of Labor and Industries Retro program, and the OSHA Voluntary Protection Programs in the United States and other industry networks to help shape programs, activities and regulations to ensure a safe workplace for all. In 2018, Western applied for recertification by the BCFSC as a SAFE Company. As of the date of this Annual Information Form, we have received our Timberlands results and scored 93% for OHS and 94% for Ability Management, and Manufacturing scored 94% for OHS and 98% for Ability Management.

Western's timberlands operations employ approximately 496 contractor companies who in turn employ approximately 1,500 workers to assist in achieving the Company's overall timber harvesting targets. Western expects these contractors and their workers to work to the same safety standards followed by the Company. Company contractors considered to be high risk are required to subscribe to ISNetworld which is a third party contractor management company that evaluates the Contractors health and safety programs to ensure they meet both regulatory and Company requirements based on their industry classification. To remain in good standing with the BCFSC, timberlands contractors are required to be certified as a "SAFE Company" within British Columbia.

The Company's Medical Incident Rate ("MIR"), defined as the number of recordable injuries per 100 employees per year, for each of the last three years is set out in the following table:

| <i>(Medical Incident Rate)</i> | Year ended December 31, | | |
|--------------------------------|-------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Timberlands – Company | 2.44 | 1.70 | 0.99 |
| Manufacturing – Company | 4.07 | 1.70 | 1.20 |
| Company Total | 3.17 | 1.67 | 1.04 |
| Timberlands – Contractor | 3.16 | 1.51 | 3.95 |
| Manufacturing – Contractor | 5.14 | 2.82 | 2.82 |
| Contractor Total | 3.31 | 1.62 | 3.77 |

As part of our ongoing commitment to defining a higher standard, in 2018 we enhanced our health and safety management systems. These enhancements included adjustments as a result of analyzing past health and safety reporting criteria and aligning our criteria for Western's recent expansion into the US, to meet the Federal Occupational Safety and Health Administration ("OSHA") reporting guidelines as well as OSHA's Voluntary Protection Plans requirements. This initiative has resulted in the reclassification of certain incidents and contributed to achieving a MIR of 3.17 in 2018. Western is committed to the health and safety of our employees and remains to be vigilant in its pursuit of a zero-incident workplace.

MIR is the primary metric we use in measuring our safety performance, however we track a number of other health and safety performance metrics including Near Miss Frequency and Fatality Rate.

We continue to ensure that our standards, procedures and equipment mitigate any hazard with respect to sawmill dust. We work proactively with WorkSafeBC and the industry to continuously improve standards in the area of dust mitigation for the industry. Since the mill explosions and fires in the interior of BC in 2012, we have established new, more rigorous standards and procedures and, where warranted, are making investments in engineering controls in our mills regarding dust mitigation in order to maintain a safe work environment for our employees. These new protocols include the implementation of five dust-sampling labs to service our manufacturing operations, the results from which have refined our dust mitigation focus, further mitigating risk.

Environment

The Company's Environmental Policy reflects our values and commitment to the protection of the environment, the prevention of pollution and the sustainability of the resources in our care. The Company works with its employees, contractors, First Nations, government agencies, customers, suppliers and other stakeholders to identify and address issues of environmental concern in all aspects of our forest management and solid wood operations.

Our operations are subject to a wide array of federal, provincial and local environmental legislation regulating water, land and air discharges and solid and hazardous waste management, disposal, transportation and remediation. Our compliance to these legislative and regulatory requirements are verified by government agencies, The Forest Practices Board, and internal verification processes. To oversee and co-ordinate company-wide efforts for compliance with such legislation, our Board of Directors (the "Board") has an Environmental, Health and Safety Committee. Our reporting system is designed to monitor environmental compliance with regulatory requirements, identify environmental issues and to communicate them to all levels of management and operations, including directly to the Chief Executive Officer and the Environmental, Health and Safety Committee of the Board. In conducting our operations, we minimize environmental impact through sound forestry and environmental management practices that meet or exceed government standards and adhere to an environmental policy based on the following:

- assessing and evaluating environmental risk on an ongoing basis in order to maintain meaningful environmental objectives, targets and effective operational controls;
- allocating sufficient resources to ensure continuing compliance with environmental responsibilities;
- meeting or surpassing all applicable legal requirements;
- establishing audit and reporting procedures to monitor environmental performance, continually improve environmental practices and prevent pollution; and
- communicating this policy and our environmental performance to the public as well as our employees, suppliers and contractors.

Environmental Management

During 2018, Western's timberlands operations were in substantial compliance with environmental requirements and we have not had any incidents that have had, or are expected to have, a material impact on the environment, the Company or its operations. Both the timberlands and the manufacturing and processing components of the business employs a rigorous environmental management system targeted at ensuring ongoing regulatory compliance. Our timberlands operate in accordance with the following Environmental Management System and Sustainable Forest Management Systems:

- CSA Z809: Five Defined Forest Area's ("DFA") within our timberlands operations are certified to the Canadian Standards Association ("CSA") Z80916 Sustainable Forest Management standard under a single multi-site registration. The DFAs cover approximately 74% of the allowable annual cut and 48% of the land base.
- SFI Forest Management and Fiber Sourcing: Two operations not covered by our CSA Z809 certification were certified in 2015 to the SFI 2015-2019 Forest Management Standard under a single multi-site registration. Our SFI Forest Management System covers approximately 26% of AAC and 52% of the land base. In addition, our fibre procurement is certified to the SFI 2015-2019 Fiber Sourcing Standard, single site registration.

Western's environmental management systems are managed by the Senior Vice President, Sales, Marketing and Manufacturing, Vice President, Timberlands, Vice President, Manufacturing and Vice President and Chief Forester, all of whom report into the Chief Executive Officer. The executive management team has scheduled weekly meetings that include specific consideration of environmental management matters, and all material matters are reported to the Board of Directors' Environmental, Health and Safety Committee quarterly, if not more frequently.

Through annual third party audits by PricewaterhouseCoopers Risk Assurance Services, as well as internal audits, we confirm that we remain in conformance with our Environmental Management Systems as certified through the ISO 14001, CSA Z809 and SFI standards. These audits provide important feedback to senior management to ensure that staff, employees and contractors conduct their activities in compliance with the legislation and regulations relevant to the forest products industry. Environmental Management Programs are another tool used to achieve adherence to our environmental policies. Western maintains Chain of Custody ("CoC") certification from processing facilities and through the sales operations. CoC establishes procedures to track the flow of fibre from certified forest operations through transportation and manufacturing to a certified end-product that is delivered to a customer. In 2009, Western added the FSC Chain of Custody Standard and Controlled Wood Standard Program to the long standing Program for the Endorsement of Forest Certification Chain of Custody Standard (PEFC ST 2002-2013) that is maintained. Positioning our operations to address customer needs will drive future certification initiatives.

Since 2008, Western has been in a partnership with BC Hydro to develop a sustainable energy management program. BC Hydro sponsors the energy management program by providing incentive funding to execute our energy management strategy. Since commencement of the program, power savings have improved annually. Primarily through the installation of energy efficient equipment, energy savings were further improved by an estimated 1.1 GWh in 2018 over 2017.

Western's operations involve the harvesting of trees, sawing of trees into rough lumber and subsequent lumber remanufacturing, primarily through drying and planing. Accordingly, the production process does not generate hazardous waste beyond those common to vehicle fleets, nor does it require tailing waste treatment or involve similar environmental management challenges common to other resource industries. Certain machinery in our timberlands and manufacturing facilities and our vehicle fleet require oil, lubes, and similar for operating and maintenance purposes however these are disposed of in accordance with regulations, primarily through vendor or service provider managed recycling programs.

For additional information, see "*Risk Factors – Environmental Regulation*" in our MD&A for the year ended December 31, 2018 under the heading "*Risks and Uncertainties*".

RESEARCH AND DEVELOPMENT

Silviculture and tree improvement research is conducted primarily by cooperating universities and government agencies with the help of our Saanich Forestry Centre employees (the "Forestry Centre") and from the Company's timberlands office in Campbell River. The Forestry Centre has seed orchards that supply most of our seeds and a seedling nursery that provides a third to a half of our annual seedling requirements. Our participation in Provincial tree breeding programs ensures the selection and breeding of parent trees with superior growth and form that should improve the quality and quantity of our timber over time.

The Company's logging and sawmilling operations also assess new equipment and methods for the potential to improve our operational efficiency and maintain environmental performance. Recent initiatives have included the application of auto-grading technology to the diverse coastal species mix and tethered logging trials to improve both safety and efficiency of our steep-slope coastal logging operations.

STAKEHOLDER ENGAGEMENT

The Company engages a broad array of stakeholders in all areas of its business, through formal frameworks built into the Provincial and Federal regulation to which it adheres, including but not limited to the *Forest Act* and various First Nations legislation, agreements and treaties.

First Nations Relations

Western operates within the known traditional territories of approximately 45 First Nations on Vancouver Island and the Mainland Coast. Western has developed and will continue to develop positive working relationships with many of these First Nations through our information sharing, timber harvesting, silviculture, planning and other mutually beneficial arrangements.

Current Provincial policy requires forest management and operating plans to consider potential impacts of proposed activities on all assertions of Aboriginal rights and title (whether proven or unproven). These considerations take place through a consultation process and while the Province is responsible for such consultation, industry is often involved in a supporting role. While operating in areas subject to First Nations claims, the forestry industry considers potential impacts to Aboriginal rights and title through an information sharing process. The terms of the timber tenures provide that the Province may refuse to issue cutting permits in respect of a timber tenure if it is determined that the forestry operation would unjustifiably interfere with Aboriginal rights and title. If a First Nation is opposed to a forest tenure or other operating authorization, they can slow or restrict the Province from granting the application by citing inadequate consultation. This can be the case where decisions may affect lands claimed in the ongoing treaty process or within their traditional territories.

The Province continues to engage many First Nations for the purposes of entering into formal agreements or, with the federal government, a modern treaty. In an effort to be prepared for the impacts of Provincial government-to-government agreements with First Nations, in 2009 Western developed a Communications Protocol with the Province's Ministry of Indigenous Relations and Reconciliation. That Protocol remains in effect today.

As part of the Province's First Nations Forest Strategy, the Province has negotiated Forest Consultation and Revenue Sharing Agreements with a majority of First Nations, many of whose traditional territories overlap with Western's operating areas. These agreements provide a process, and some guaranteed base funding, to support forestry-related consultation activities, as well as a revenue stream derived from stumpage collected in a First Nation's asserted traditional territory.

Since 2009, the Province of BC and several First Nations with traditional territories that overlap the Company's operating areas have concluded strategic agreements that among other things, including providing economic opportunities, establish a process for referrals on resource projects proposed within their asserted traditional territories. These include a Strategic Engagement Agreement and Reconciliation Protocol ("RP") with the five member nations of the N̄nwaḱolas Council on Vancouver Island and Southern Coast, an RP with the six member nations of Coastal First Nations, on the Mid and North Coast, and a Consultation Engagement Agreement with Gwa'sala-'Nakwaxda'xw on the Mid Coast. In 2013 and 2017, Western and N̄nwaḱolas First Nations concluded two agreements to purchase timber N̄nwaḱolas acquired through its government-to-government agreements.

The Province of BC has committed to fully adopting the *United Nations Declaration on the Rights of Indigenous People* ("UNDRIP"), the Calls to Action of the Truth and Reconciliation Commission, and the Tsilhqot'in decision. At this time, the government is working collaboratively with First Nations to establish a cross-government vision of how these items can be adopted into policies, programs and legislation.

In October 2018, the Province and shísháhlh Nation concluded the Foundation Agreement, a comprehensive government-to-government agreement covering a number of topics, the most important of which is a shared decision-making process for forestry decisions. The Foundation Agreement has been described as a potential model for how the Province intends to work with First Nations to implement UNDRIP and its commitment to reconciliation on the ground. Reconciliation agreements are under discussion with a number of First Nations whose territories overlap the Company's operations.

The Province of BC continues treaty negotiations with other First Nations whose traditional territories overlap with Western's tenures, and we continue to engage with the Province to stay apprised of any potential impacts.

Western continues to work to build long-term business relationships with First Nations communities. Western has formed limited partnerships with each of the Quatsino and 'Namgis First Nations, and joint ventures with each of Kitasoo/Xai'xais and Heiltsuk First Nations for harvesting activities on defined timber volumes. Western has also entered into various harvesting and timber purchase agreements with the Nuchatlaht, Tseshaht, and Huu-ay-aht First Nations, and the N̄nwaḱolas Council.

Potential Impacts as a Result of Court Action

In June 2014, the Supreme Court of Canada (the "Court") released its decision on the aboriginal title claim by the Tsilhqot'in First Nation, regarding land outside their traditional reserve area. The Court recognized Tsilhqot'in title to the area in dispute, including rights to decide how the land will be used, occupancy, and economic benefits. The court ruling held that while the Province had the constitutional authority to regulate forest activity on Aboriginal title lands, it had not adequately consulted with the Tsilhqot'in.

While the decision does not directly impact Western's business as we do not have tenure in this disputed area, we do operate on Crown tenures elsewhere that are subject to claims of Aboriginal title. The potential impact on Western's tenure holdings is not ascertainable at this stage. The Court's direction is consistent with our objective of establishing positive working relationships with the First Nations that have traditional territories which overlap our tenures. We will continue to develop and maintain relationships with First Nations, to operate respectfully and responsibly within their traditional territories, and to create business opportunities for partnerships, tenures, and employment wherever possible.

In January 2017, the Nuchatlaht First Nation filed a Notice of Civil Claim against Canada, the Province of BC and the Company, seeking a declaration of Aboriginal title to a claim area that encompasses the northern half of Nootka Island. The claim area encompasses WFP's Forest Licence A19231 and certain timber licences held by WFP. Each of the Province, Canada and the Company have filed a response to the Notice of Civil Claim and a case management judge has been appointed to oversee the proceedings. In December 2017, the Nuchatlaht First Nation filed an Amended Notice of Civil Claim that included significant changes to their original claim, and each of Canada, the Province and the Company then filed amended responses to Nuchatlaht's Amended Notice of Civil Claim. Since that time, little progress has been made toward advancing the case as the Province and Nuchatlaht have been engaged on a number of substantive and procedural issues.

On May 30, 2018, Western and several other parties, including Canada, the Province, Interfor, Marine Harvest and Cermaq, were served with a Notice of Civil Claim by the Dzawada'enuxw First Nation. The First Nation, located at Kingcome Inlet on the mainland coast, is seeking a declaration of Aboriginal title over an area that includes two Western Timber Licenses and TFL 39 block 3. The claim is unique in that the First Nation seeks a declaration of title over a marine area as well as land, and appears to have been strategically filed in advance of the Province making a decision on renewal of fish farm tenures in the Broughton Archipelago area. Western has not yet filed a response in this claim as we continue to await clarification of the claim area by Dzawada'enuxw's legal counsel.

For additional information, see "*First Nations Land Claims*" in our MD&A for the year ended December 31, 2018 under the heading "*Risks and Uncertainties*".

OTHER EXTERNAL FACTORS

Competitive Position

Lumber is a commodity and the market is cyclical. We compete both domestically and internationally with a large number of forest products firms, ranging from very large integrated firms to smaller specialty companies. Western also competes indirectly with firms that manufacture substitutes for solid wood products, including non-wood and engineered wood products. The market for lumber is highly competitive and sensitive to cyclical changes in industry capacity and the economy, both domestically and internationally. Our selling prices and profitability may be impacted by global economic changes that alter the consumption of lumber.

Our competitive position is influenced by the availability, quality and cost of fibre, labour, and energy, and our plant efficiencies and productivity in relation to our competitors. Western is the largest timber tenure holder and producer of lumber in the BC coastal region. The diversity of species and high quality of wood enables the Company to produce high-quality appearance products as well as specialty structural products for a variety of uses. Western is also a leading producer of western red cedar specialty products. To a certain extent, the Company can use the flexibility of its operating platform and variety of species to shift production to markets according to global market conditions, limiting or growing exposure to various markets and products within the constraints of the long-term balance of the various species in our timber supply.

Operating results are affected by a number of factors, including economic conditions in Canada, the United States, Japan, China, and Europe, which are the leading markets for the Company's log and lumber products. Changes in the demand for our products in these markets and in the value of the Canadian dollar relative to the US dollar and, to a lesser degree, the Japanese Yen and the Euro can have a significant impact on our financial results. In all of these markets, our competition is of a global nature as we increasingly face competing products from various regions.

Softwood Lumber Trade

The last softwood lumber agreement ("SLA"), a managed trade arrangement between Canada and the US, came into effect on October 12, 2006 and expired on October 12, 2015. A one year standstill from trade action in softwood lumber with the US commenced on October 13, 2015 and expired on October 12, 2016. During the standstill no duties were collected and there were no shipment restrictions to the US.

On November 25, 2016, a petition was filed by a coalition of US lumber producers to the US Department of Commerce ("DoC") and the US International Trade Commission ("ITC") requesting an investigation into alleged subsidies provided to Canadian lumber producers.

On January 6, 2017, the ITC announced a preliminary determination that found there was "reasonable indication" the US industry was materially injured by imports of softwood lumber products from Canada. The Canadian forest products industry and Canadian Federal and Provincial governments strongly deny these assertions which have previously been disproved in international courts.

On April 24, 2017, the DoC announced a preliminary countervailing duty ("CVD") of 19.88% for "all other" Canadian lumber producers including Western, effective April 28, 2017, and on June 26, 2017, the DoC announced a preliminary "all other" anti-dumping duty ("AD") rate of 6.87% effective June 30, 2017. The DoC also made preliminary determinations on critical circumstances in April that resulted in 90-day retroactive application of CVD from January 28 to April 27, 2017, and AD from April 1 to June 29, 2017.

The preliminary CVD was applicable from April 28, 2017 through August 25, 2017, after which it was suspended pending final determinations by the DoC and the ITC.

On November 2, 2017, the DoC announced final determinations in its CVD and AD investigations, concluding that critical circumstances did not exist for CVD, but did exist for AD.

On December 7, 2017, the ITC made an affirmative final determination that softwood lumber from Canada materially injured the US lumber industry. The ITC also concluded that critical circumstances did not exist for AD. The final rates communicated by the DoC on November 2, 2017 became effective December 28, 2017.

On January 3, 2018, DoC published amended final determinations, resulting in reduced, final CVD and AD rates of 14.19% and 6.04%, respectively, for “all other” Canadian lumber producers including Western, for a combined rate of 20.23%.

During 2018, the Company recorded export tax expense of \$43.0 million. As at February 1, 2019 \$64.9 million of aggregate duty deposits by the Company were held by the US Treasury.

Corporate Tax Payments

The following table represents Western's country-by-country income tax payments.

| | (\$ thousands) | Year ended December 31, | | |
|---------------------|----------------|-------------------------|------|------|
| | | 2018 | 2017 | 2016 |
| Tax Payments | | | | |
| | Canada | - ⁽¹⁾ | - | - |
| | US | 96 | 56 | 40 |
| | Japan | 93 | 135 | 86 |
| | | 189 | 191 | 126 |

- (1) The Company utilized the majority of its remaining Canadian non-capital loss carryforwards during the second quarter of 2018, which will result in cash taxes payable related to the tax year ending December 31, 2018 in 2019.

RISK FACTORS

A detailed discussion of risks and uncertainties that may have a material adverse effect on our operations is included in our Management's Discussion & Analysis for the year ended December 31, 2018 under the heading “Risks and Uncertainties”. That material is incorporated herein by reference and available under the Company's profile on SEDAR at www.sedar.com. These risks should be considered in the context of our business, which is described in the Annual Information Form under the heading “*Business of the Company*”.

CAPITAL STRUCTURE

Share Capital

Western's authorized capital consists of an unlimited number of Common Shares, and an unlimited number of Preferred Shares. As of the date hereof, 382,084,965 Common Shares are issued and outstanding.

There are no Preferred Shares issued and outstanding.

Common Shares

The Common Shares entitle the holders thereof to one vote per Common Share.

Preferred Shares

The Preferred Shares are non-voting and may, at any time or from time to time, be issued in one or more series, and the directors may, by resolution, fix the number of Preferred Shares in, and determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series. Before issuing Preferred Shares of a series, the directors must file articles of amendment with the Director appointed under the *Canada Business Corporations Act*. Preferred Shares of each series rank on a parity with the Preferred Shares of every other series with respect to priority in the payment of dividends and in the distribution of our assets in the event of our liquidation, dissolution or winding-up or any other distribution of our assets among shareholders for the purpose of winding-up our affairs.

If Preferred Shares were outstanding, the holders of such shares would be entitled to priority over the Common Shares with respect to the payment of dividends and the distribution of our assets on a liquidation, dissolution or winding-up or other distribution of our assets for the purpose of winding-up our affairs. The Preferred Shares of each series may be given such other preferences not inconsistent with the above over the Common Shares as may be determined in the case of each series authorized to be issued.

Except as otherwise required by law, the holders of the Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders of Western. There are currently no Preferred Shares outstanding.

Dividends

The payment of dividends on the Company's Common Shares is at the discretion of the Board and depends on the Company's financial condition, the need to finance capital expenditures, financial covenants in credit agreements and other factors the Board may wish to consider. Commencing in the third quarter of 2013, the Company initiated a regular quarterly dividend program. In 2018, the Company increased its quarterly dividend from \$0.02 per share to \$0.0225 per share. On an annual basis, dividends of \$0.0875 per share were paid in 2018, and dividends of \$0.08 per share were paid in each of each of 2017 and 2016.

The Company's Credit Facility contains various covenants, of which certain distributions, including dividends, are permitted within the agreement but are subject to certain restrictions. A copy of the Company's Credit Agreement is available on www.sedar.com.

Normal Course Issuer Bid

During 2018, the Company received approval to renew its normal course issuer bid to purchase and cancel up to 19,662,439 common shares, representing approximately 5% of the Common Shares issued and outstanding as at August 3, 2018. During 2018, Western purchased 11,695,573 Common Share for \$25.2 million. During 2017, Western purchases 1,079,000 Common Shares for \$2.7 million. During 2016, Western did not purchase any Common Shares. As at February 12, 2019, 8,498,617 Common shares remain available to be repurchased under the current NCIB. The normal course issuer bid expires on August 7, 2019. Shareholders may obtain a copy of the Company's normal course issuer bid notice, without charge, by contacting the Company.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “WEF”. The following table sets out the price range and trading volumes of the Common Shares on the TSX for each month of 2018:

| Month | High (\$) | Low (\$) | Volume |
|--------------|------------------|-----------------|---------------|
| January | 2.88 | 2.42 | 16,192,200 |
| February | 2.90 | 2.55 | 10,252,700 |
| March | 2.78 | 2.47 | 13,781,200 |
| April | 2.92 | 2.54 | 17,898,900 |
| May | 2.95 | 2.73 | 13,709,700 |
| June | 2.85 | 2.49 | 18,935,600 |
| July | 2.75 | 2.40 | 11,533,300 |
| August | 2.45 | 2.22 | 21,788,200 |
| September | 2.37 | 2.08 | 17,713,200 |
| October | 2.17 | 1.74 | 20,664,200 |
| November | 2.13 | 1.75 | 16,607,200 |
| December | 1.98 | 1.72 | 15,552,800 |

DIRECTORS AND OFFICERS

Western's articles provide that the Board is to consist of a minimum of three directors and a maximum of 15 directors. Western currently has six directors.

At each annual meeting of the Company's shareholders, the entire Board retires and directors are elected for the next annual term. Each director serves until the close of the next annual meeting (being May 2, 2019) or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Company's articles or the provisions of the CBCA. Not less than 25% of the members of our Board are required to be resident Canadians, in accordance with the CBCA. Western's officers serve at the discretion of the Board.

Directors

The table below sets out Western's directors as of February 12, 2019, their municipalities of residence, principal occupations during the past five years and the period during which they have served as directors.

| Name and Municipality of Residence | Principal Occupation | Director Since |
|---|--|-------------------|
| JAMES ARTHURS ⁽¹⁾⁽²⁾⁽⁴⁾ North Vancouver, BC, Canada | Executive Vice President, Westport Fuel Systems Inc. | July 27, 2004 |
| JANE BIRD ⁽³⁾⁽⁴⁾ Vancouver, BC, Canada | Senior Business Advisor, Bennett Jones | August 4, 2015 |
| DONALD DEMENS Vancouver, BC, Canada | President and Chief Executive Officer, Western | February 21, 2013 |
| LEE DONEY ⁽²⁾ Victoria, BC, Canada | Corporate Director | July 27, 2004 |
| DANIEL NOCENTE ⁽¹⁾⁽³⁾⁽⁴⁾ Vancouver, BC, Canada | Corporate Director | May 8, 2014 |
| MICHAEL T. WAITES ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Vancouver, BC, Canada | Corporate Director | November 13, 2014 |

(1) Member of the Audit Committee.

(2) Member of the Environmental, Health and Safety Committee.

(3) Member of the Management Resources and Compensation Committee.

(4) Member of the Nominating and Corporate Governance Committee.

Each director has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years except Jane Bird, who was an attaché to Canada's Department of Foreign Affairs, International Trade and Development in London, UK, from August 2013 to February 2015 and before that Chief Executive Officer of Columbia Power Corporation.

Officers

The tables below sets forth the names, municipalities of residence and positions with Western of the officers of Western as of February 12, 2019, and the principal occupation of each of them during the past five years.

| Name and Municipality of Residence | Executive or Other | Position Held With Western |
|--|---------------------------|---|
| BRUCE ALEXANDER North Vancouver, BC, Canada | Executive | Senior Vice President, Sales, Marketing and Manufacturing |
| DONALD DEMENS Vancouver, BC, Canada | Executive | President and Chief Executive Officer |
| RICK FORGAARD Blaine, WA, US | Executive | Vice President, Manufacturing ⁽¹⁾ |
| JENNIFER FOSTER North Vancouver, BC, Canada | Executive | Vice President, Human Resources |
| ALYCE HARPER Vancouver, BC, Canada | Other | Senior Director, Legal & Corporate Secretary |
| SHANNON JANZEN Ladysmith, BC, Canada | Executive | Vice President and Chief Forester |
| BRADLEY KIRKBRIDE Vancouver, BC, Canada | Executive | Vice President, Sales and Marketing ⁽²⁾ |
| DON MCGREGOR West Vancouver, BC, Canada | Executive | Vice President, Wholesale Lumber |
| ROBERT REGNER Lantzville, BC, Canada | Executive | Vice President, Timberlands |
| STEPHEN WILLIAMS North Vancouver, BC, Canada | Executive | Executive Vice President and Chief Financial Officer |
| DALLYN WILLIS Vancouver, BC, Canada | Other | Senior Director, Finance & Administration |

(1) In 2018, Mr. Forgaard provided his notice of intention to retire at March 31, 2019.

(2) In 2018, Mr. Kirkbride provided his notice of intention to retire at March 1, 2019.

All of the executive officers have held their present positions or other executive positions with the Company during the past five years, except as follows:

| Executive Officer | Western Executive Officer Since | Past Position(s) |
|--------------------------|--|--|
| Bruce Alexander | December 2018 | Highland Helicopters Ltd, Chief Operating Office until April 2017 Senior Vice President, Business Development, Norbord Inc until November 2017 Senior Vice President, Sales, Marketing and Logistics, Norbord Inc until December 2018 |
| Rick Forgaard | October 2014 | General Manager, US Operations for Interfor Corporation |
| Jennifer Foster | December 2015 | Vice President, Human Resources for Stackpole International |
| Shannon Janzen | January 2015 | Manager, Strategic Planning for Western until July 2013, and Chief Forester for Western until January 2015 |
| Bradley Kirkbride | May 2017 | President, Mary's River Lumber Company (Corvallis, OR) |
| Don McGregor | October 2018 | President and Founder, Vanport Canada until December 2017 Senior Vice President, Forestry, Ledcor Group until October 2018 |
| Robert Regner | October 2017 | Region Operations Manager, Northern US & Canada for Halliburton Energy Services ("Haliburton") until January, 2015; Region Operations Manager, Europe & Sub-Saharan Africa for Haliburton until July 2016; Director, Global Operations for Haliburton until September 2017 |
| Stephen Williams | October 2014 | Vice President, Finance & Administration for Interfor Corporation |

Shareholdings of Directors and Executive Officers

As at February 12, 2019, the directors and executive officers as a group owned, directly or indirectly, or exercised control or direction over 1,199,652 Common Shares, which represented less than one percent of the Company's outstanding Common Shares.

Corporate Governance and Policies

Western strives to be a leader in corporate governance and our policies and practices meet or exceed the guidelines and requirements of the applicable regulatory authorities. These include policies relating to, among other categories, safety, environmental, human rights, anti-bribery, anti-corruption and whistleblowing. Additional information is available on our website www.westernforest.com under Governance.

AUDIT COMMITTEE

The Audit Committee was established to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the accuracy and completeness of our financial statements;
- (b) our internal control and financial reporting systems;
- (c) the selection and activities of our internal and external auditor;
- (d) risk management; and
- (e) our compliance with legal, tax and regulatory requirements.

The Committee is responsible for the oversight of financial reporting and disclosure, annual and quarterly review of financial statements, and the related management's discussion and analysis and earnings release, and oversight of internal controls and disclosure procedures. The Committee also recommends the appointment of our external auditors, reviews the annual audit plan and auditor compensation, approves non-audit services provided by the external auditor, reviews hiring policies regarding former staff and auditors and reviews the adequacy of our risk management policies and procedures. The Committee is also responsible for establishing procedures for handling complaints and employee concerns regarding accounting and auditing matters.

The Audit Committee has adopted a charter that reflects these and other responsibilities. The charter as most recently approved by the Board is attached as an appendix to this Annual Information Form.

Composition of and Education and Experience of Members of the Audit Committee

The Audit Committee is composed of three directors, being, as of February 12, 2019, Daniel Nocente (Chairman), Michael T. Waites and Jim Arthurs. The Board has determined that all three members of the Audit Committee are independent and financially literate under the standards established by Canadian securities regulatory authorities in National Instrument 52-110 *Audit Committees*. During 2018, the Audit Committee met four times.

Relevant Education and Experience

Daniel Nocente – Chairman – Mr. Nocente currently sits on the Vancouver Coastal Health Board and is Chairman of its Audit Committee, and is the Chairman of Savary Gold Inc. Previously, Mr. Nocente held positions of: Vice Chairman of Corporate and Investment Banking with National Bank Financial Inc., Vice Chairman and BC Geography Head with RBC Dominion Securities, Director and Audit Committee member of Carmanah Technologies Corporation, Director and Audit Committee Chair with Canada Line Rapid Transit Inc., Chair of St. Paul's Hospital Foundation, Chairman of the Nature Trust of BC, Vice Chair and Director of Providence Healthcare, Director and Head of the Governance Committee with the Arts Club Theatre Company, and was a member of the YMCA Cabinet. Mr. Nocente holds a Bachelor of Arts degree from the University of British Columbia, a Master's degree in Business Administration from George Washington University in Washington, DC and has completed the Leadership in Professional Services Firms course at the Harvard Business School.

Michael T. Waites – Mr. Waites served as President and CEO of Finning International Inc. from 2008 through to retirement in 2013. Prior to that, Mr. Waites was Executive Vice President and CFO of Finning. He has also held senior positions with Canadian Pacific Railway and Chevron Canada Resources. Mr. Waites holds a Bachelor of Arts (Honours) in Economics from the University of Calgary, a Master of Business Administration from Saint Mary's College of California, and a Master of Arts, Graduate Studies in Economics from the University of Calgary. He has also completed the Executive Program at the University of Michigan Business School.

James Arthurs – Mr. Arthurs is Executive Vice President, Electronics Group for Westport Fuel Systems Inc., a developer and supplier of natural gas engine technologies and a member of the board of directors of Cummins Westport Inc. Mr. Arthurs was Chairman of Cummins Westport Inc. from 2015 to 2017 and of Cummins Westport Inc. from 2012 to 2013. He was Executive Vice President, Heavy Duty Systems for Westport Innovations Inc. from 2014 to 2017, and Vice President, Cryogenic Systems for Westport Innovations Inc. from 2011 to 2012. Previously, he was a Managing Partner with i3 Transition Partners, a Vancouver-based management consulting firm. Prior to this, Mr. Arthurs was Senior Vice President, North American Operations, Integrated Paving Concepts Inc., a

manufacturer of equipment, tooling and high technology coatings for the decorative asphalt industry from 2004 to 2009. He was Managing Director, Operations, for The Jim Pattison Group, one of Canada's largest privately-held companies, from 2002 through 2004. Mr. Arthurs holds a Bachelor of Science degree in Computer Science from the University of Calgary. He is a member of the Institute of Corporate Directors.

Pre-Approval Policies and Procedures of Non-Audit Services

The Audit Committee has adopted a policy that requires, in accordance with applicable law, its pre-approval of all non-audit services to be provided by the Company's auditors. The Audit Committee has adopted the following pre-approval policies:

- (a) Annually, the Audit Committee will review a list of audit, audit-related, tax and other non-audit services and recommend pre-approval of these services.
- (b) All additional requests to engage our auditor for other services will be addressed on a case-by-case specific engagement basis. Except as otherwise permitted by applicable law, the engagement may commence only upon approval by the Audit Committee.

External Auditor Service Fees

The aggregate fees billed for professional services rendered by our auditors, KPMG LLP, to us for the years ended December 31, 2018 and 2017 are as follows:

| <i>(\$ thousands)</i> | 2018 | 2017 |
|-------------------------------|-------------|-------------|
| Audit | 555 | 545 |
| Audit-related | 25 | 25 |
| Taxation | 154 | 102 |
| Total for all services | 734 | 672 |

Description of Services:

- *Audit* includes the audit of the annual financial statements of the Corporation and the review of the Company's unaudited condensed consolidated interim financial statements, prospectus work and accounting consultation.
- *Audit-related* includes audits of the Company's pension plans, supplemental audit and review procedures conducted during the course of the year, and French translation costs.
- *Taxation* consists of tax compliance and advisory services, tax planning and structuring.

LEGAL PROCEEDINGS

In addition to the legal proceedings referred to elsewhere in this Annual Information Form, including in the “*Risks and Uncertainties*” section in our MD&A for the fiscal year ended December 31, 2018, in the normal course of business, Western is subject to a number of claims and legal actions that may be made by customers, suppliers, logging contractors and others in respect of which either provision has been made or no material liability is expected. Where we are not able to determine the outcome of these disputes, no amounts have been accrued in our financial statements.

Other than as disclosed elsewhere herein, we are not aware of any material legal proceedings to which we are a party or to which our property is subject, nor are we aware that any such proceedings are contemplated.

As of the date of this Annual Information Form, no penalties or sanctions material to the Company have been imposed by a court relating to securities legislation or by a securities regulatory authority, a court or regulatory body, and the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

We are not aware of any material interest, direct or indirect, of any director or executive officer of the Company, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to the Common Shares, or any associate or affiliate of any of the foregoing, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect us.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for our Common Shares is Computershare Investor Services Inc. with registers of transfer offices in Vancouver and Toronto located at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, respectively.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise disclosed herein, Western has not entered into any other material contracts within the most recently completed financial year or before the most recently completed financial year (but after January 1, 2002) that are still in effect.

On August 8, 2018, Western entered into a \$250 million syndicated credit facility (the “Credit Facility”) that matures on August 1, 2022 and includes an accordion feature of \$100 million. The Credit Facility replaced Western’s \$125 million revolving credit facility and \$110 million revolving term loan facility, and will be used for general corporate purposes.

On January 17, 2006, Western executed a 40-year fibre supply agreement with the owners of Howe Sound Pulp and Paper Mill (“HSPP”). As consideration for entering into this long-term fibre supply agreement, the Company received the chip price premium of \$80.0 million, of which a non-refundable \$35.0 million was paid to Western in cash on March 17, 2006. The balance of \$45 million of the chip price premium was set off against the consideration due on the acquisition of the Englewood Logging Division consisting of TFL 37 on Vancouver Island and certain related assets formerly owned by Canfor Corporation. In 2018, Western discharged the security interest in TFL 37 and the related assets granted under the agreement, having met the 3,000,000 volumetric unit threshold of wood chips delivered. The Company and the owners of HSPP amended the long-term fibre supply agreement and associated agreements in 2009 and in 2011 with changes effective December 31, 2010. The Company delivered the required minimum volumes of pulp logs and chips in 2018.

INTEREST OF EXPERTS

Our auditors, KPMG LLP, have prepared the audit report attached to our audited financial statements for our most recent fiscal year. KPMG LLP has confirmed that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of February 12, 2019.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our management information circular in respect of our most recent annual meeting of shareholders held on May 3, 2018. Additional financial information is provided in our audited financial statements and accompanying Management’s Discussion and Analysis for our most recent fiscal year. Additional information relating to Western is available on SEDAR at www.sedar.com under the Company’s name.

GLOSSARY OF CERTAIN TERMS

Certain terms used herein are defined below.

| | |
|--------------------------------|---|
| “AAC” | Allowable annual cut — the volume of timber which the holder of a tree farm licence or forest licence may harvest under the licence in any given year as determined by the Ministry of Forests, Lands and Natural Resource Operations. |
| “annual cut” | Timber volume which the holder of a timber licence expects to harvest annually from that licence. |
| “board feet” | The plural of board foot; a board foot is calculated by multiplying 1” x 12” x 12” = 1 foot board measure gross count. Lumber is then finished (planed/sanded) to a smaller size and sold based on the original gross count. The difference between gross size and net size is approximately 7%. |
| “forest licence” or “FL” | A licence granted by the Ministry of Forests, Lands, Natural Resource Operations & rural Development which entitles the holder to cut up to a specific volume of timber on government lands. |
| “ISO” | International Standards Organization. |
| “m ³ ” | A cubic metre. |
| “MFLNRORD” | The Ministry of Forests, Lands, Natural Resource Operations & Rural Development of British Columbia. |
| “MMfbm” | One million board feet measure (see “board feet”). |
| “Part 13” | Part 13 of the Forest Act, under which the Province of BC may suspend cutting authorities or plans in identified areas in the public interest for a period of time specified in regulations. Also known as “Designated” or “Protected” areas. |
| “replaceable contract” | Replaceable contract under the Forest Act. An “evergreen” timber harvesting contract that is entered into between a holder of a replaceable licence and a contractor, whereby the contractor is obligated to perform one or more defined phases of timber harvesting within the licence and, if satisfactorily performed, the licence holder is obligated, prior to the expiry of the term of the contract, to offer the contractor a replacement contract on substantially the same terms and conditions as the contract being replaced. |
| “SPF 2x4 lumber” | 2” x 4” kiln-dried random lengths of spruce, pine and fir lumber, which is a North American commodity grade of standard and better dimensional lumber. |
| “sustained yield” | The yield that a forest can produce continuously (i.e. in perpetuity) at a given intensity of management without impairment of the land’s productivity, with the intent that there will be a balance between timber growth and harvesting on a sustainable basis. |
| “timber licence” or “TL” | A licence granted by the Ministry of Forests, Lands and Natural Resource Operations entitles the holder to harvest the area over a specified period. |
| “timber supply areas” or “TSA” | The areas of Province timberland which are not designated as TFLs. |
| “tree farm licence” or “TFL” | A TFL is a replaceable timber tenure that requires the licensee to manage a specified area of timberland on a sustained yield basis. TFLs are granted for 25-year terms and, subject to satisfactory performance of its obligations under the TFL agreement by the licensee, are replaced by the Minister of Forests, Lands and Natural Resource Operations every five to 10 years with a new TFL with a 25-year term. |
| “volumetric unit” | Equals 200 cubic feet of wood chips, hog fuel or sawdust. |
| “wood chips” | Small pieces of wood used to make pulp. The wood chips are produced either from wood-waste in a sawmill or a log merchandiser or from pulp wood cut specifically for this purpose. Wood chips are generally uniform in size and are larger and coarser than sawdust. |

APPENDIX

WESTERN FOREST PRODUCTS INC.

AUDIT COMMITTEE CHARTER

1. Purpose

The Board of Directors (the “Board”) of Western Forest Products Inc. (the “Corporation”) has established an Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the accuracy and completeness of the Corporation’s financial statements;
- (b) the internal control and financial reporting systems of the Corporation;
- (c) the selection and activities of the Corporation’s internal and external auditors;
- (d) risk management;
- (e) the Corporation’s compliance with legal, tax and regulatory requirements; and
- (f) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Members

Committee members, including the Committee Chair, shall be appointed annually by the Board based on recommendations of the Nominating and Corporate Governance Committee and shall consist of at least three members of the Board who meet the independence requirements of National Instrument 52-110 - Audit Committees.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

3. Duties

The Committee shall have the following duties:

- (a) Financial Reporting and Disclosure
 - (i) *Audited Annual Financial Statements and Annual Information Form*: Review the audited annual financial statements as prepared by management and audited by the external auditors, related management’s discussion and analysis (“MD&A”) and earnings press releases, and annual information form, for submission to Board for approval.
 - (ii) *Audited Annual Financial Statements for Pension Plans*: Review the audited annual financial statements for the Corporation’s pension plans as prepared by management and audited by the external auditors for submission to Board for approval.
 - (iii) *Quarterly Review*: Review the unaudited quarterly financial statements, the related MD&A and earnings press releases for submission to the Board for approval.
 - (iv) *Significant Accounting Practices and Disclosure Issues*: Review with management and the external auditor, significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This review process shall be

undertaken in order to have reasonable assurance that the financial statements are complete, do not contain any misrepresentations, and present fairly the Corporation's financial position and the results of its operations in accordance with Canadian GAAP and applicable International Financial Reporting Standards.

- (v) *Compliance*: Confirm through discussions with management and the external and internal auditors whether Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been considered and obtain confirmations from management that Canadian GAAP and all such applicable laws have been complied with.
 - (vi) *Legal Events*: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation's financial statements, and the manner in which these have been disclosed in the financial statements.
 - (vii) *Off-Balance Sheet Transactions*: Discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
 - (viii) *Disclosure Procedures*: Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's financial statements and periodically assess the adequacy of those procedures.
- (b) Oversight of Internal Controls
- (i) *Review and Assessment*: Review the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management and the internal and external auditors.
 - (ii) *Oversight*: Oversee system of internal control, by:
 - Consulting with the internal and external auditors regarding the adequacy of the Corporation's internal controls;
 - Monitoring policies and procedures for internal accounting, financial control and management information, electronic data control and cyber security;
 - Obtaining from management adequate assurances that all statutory payments and withholdings have been made; and
 - Taking other actions as considered necessary.
 - (iii) *Fraud*: Oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.
 - (iv) *Complaint*: Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.
- (c) External Audit
- (i) *Appointment or Replacement*: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.

- (ii) *Compensation*: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of other support provided by the Corporation to the external auditor.
- (iii) *Reporting Relationships*: The external auditor will report directly to the Committee.
- (iv) *Performance*: Review with management the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
- (v) *Transition*: Review management's plans for an orderly transition to a new external auditor, if required.
- (vi) *Audit Plan*: Review the audit plan and scope of the external audit with the external auditor and management, and consider the nature and scope of the planned audit procedures.
- (vii) *Audit Plan Changes*: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- (viii) *Review of Results*: Review, independently from management and without management present, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (ix) *Disagreements with Management*: Resolve any disagreements between management and the external auditor regarding financial reporting.
- (x) *Material Written Communications*: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (xi) *Interim Financial Statements*: Engage the external auditor to review all internal financial statements and review the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A independent of and without management present.
- (xii) *Other Audit Matters*: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditor.
- (xiii) *Meeting with External Auditor*: Meet with the external auditor independently from management and without management present (1) at least annually to discuss and review specific issues; and (2) as appropriate with respect to any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (xiv) *Correspondence*: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.

- (xv) *Independence*: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every seven years, as is required under the rules of the Canadian Public Accountability Board.
 - (xvi) *Non-Audit/Audit Services*: Pre-approve, in accordance with applicable law, any non-audit services to be provided to the Corporation by the external auditor, with reference to compatibility of the service with the external auditor's independence.
 - (xvii) *Hiring Policies*: Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.
- (d) **Risk Management**
- Review and assess the adequacy of the Corporation's risk management policies and procedures with respect to the Corporation's principal business risks and major information technology and cyber-security risk. Review and assess the adequacy of the implementation of appropriate systems, including management information systems, to mitigate and manage such risks, and report regularly to the Board. Review and make recommendations to the Board as necessary regarding the Corporation's insurance program.
- (e) **Tax and Regulatory Compliance**
- Review with management the Corporation's relationship with taxation authorities and regulators, including the timeliness and accuracy of the Corporation's filings with these entities.
- (f) **Related Party Transactions**
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- (g) **Board Relationship and Reporting**
- (i) *Adequacy of Charter*: Together with the Nominating and Corporate Governance Committee, review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Board.
 - (ii) *Disclosure*: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Corporation's Annual Information Form and all other applicable disclosure documents, including the necessary CEO and CFO certifications relating to annual and interim financial statements, and any management information circular distributed in connection with the solicitation of proxies from the Corporation's security holders.
 - (iii) *Reporting*: Report regularly to the Board on Committee activities, issues and related recommendations.

4. **Chair**

The Board will in each year appoint the Chair of the Committee. The Chair shall be financially literate. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. In case of an equality of votes on any matter voted on by the Committee, the Chair shall have a second casting vote.

5. Meetings

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members. The external auditor or any member of the Committee may call a meeting of the Committee. The Chair of the Committee shall develop and set the Committee's agenda, in consultation with the other members of the Committee. Each member of the Committee is free to suggest the inclusion of items on the agenda. The agenda and information concerning the business to be conducted at each Committee meeting shall be distributed to the members of the Committee in advance of each meeting to permit meaningful review.

6. Quorum

A majority of members of the Committee, present in person, by teleconference, or by videoconference will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

8. Experts and Advisors

In order to carry out its duties, the Committee may retain or appoint, at the Corporation's expense, such independent counsel and other experts and advisors, and on such fee arrangements, as it deems necessary. The Committee shall provide notice to the Nominating and Corporate Governance Committee of its actions in this regard.

9. Access

The Committee may have access to and direct contact with any employee, contractor, supplier, customer or other person that is engaged in any business relationship with the Corporation to confirm information or to investigate any matter within the mandate of the Committee.

10. Secretary and Minutes

The Chair of the Committee shall appoint a secretary for each meeting to keep minutes of such meeting. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.

Dated as of May 2, 2018