



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

Western Forest Products Inc.
Annual Information Form

February 18, 2021

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS AND INFORMATION	3
BUSINESS OF THE COMPANY	4
FOREST RESOURCES	12
MANUFACTURING FACILITIES	16
SALES, MARKETING AND DISTRIBUTION.....	19
HUMAN RESOURCES.....	21
ENVIRONMENT, HEALTH & SAFETY	21
RESEARCH AND DEVELOPMENT	24
FIRST NATIONS RELATIONS.....	24
OTHER STAKEHOLDER ENGAGEMENT.....	25
OTHER EXTERNAL FACTORS.....	26
RISK FACTORS	28
CAPITAL STRUCTURE.....	28
MARKET FOR SECURITIES	29
DIRECTORS AND OFFICERS.....	30
AUDIT COMMITTEE	32
LEGAL PROCEEDINGS.....	34
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	34
TRANSFER AGENT AND REGISTRAR	34
MATERIAL CONTRACTS	34
INTEREST OF EXPERTS	35
ADDITIONAL INFORMATION	35
GLOSSARY OF CERTAIN TERMS	36
APPENDIX.....	37

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 “will”, “estimate”, “commit”, “expect”, “anticipate”, “plan”, “intend”, “believe”, “seek”, “should”, “may”, “likely”, “can”, “continue” 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: domestic and international market and general economic conditions, demands and growth, the regulatory framework, future costs, future expenditures, the anticipated benefits from our transactions and other strategic initiatives, available harvest levels, capital allocation, 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 the Company’s products, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, relations with First Nations groups, First Nation claims and settlements, changes in laws, the availability of fibre and allowable annual cut, changes in regulations or public policy affecting the forestry industry, changes in opportunities, the existence of a public health crisis (such as the current COVID-19 pandemic) and other factors set out herein and in our management’s discussion and analysis for the year ended December 31, 2020. 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 on page 36 of this document. All information in this Annual Information Form is as of February 18, 2021, 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, 2020, 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 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, value-added manufacturing for sale to worldwide markets, and lumber purchase and wholesaling. Our sawmills process hemlock and balsam, Douglas fir, yellow and western red cedar (“WRC”) logs 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, 2020.

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, a distribution and processing centre 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 and registered office are located at Suite 800 – 1055 West Georgia Street, Royal Centre Building, PO Box 11122, Vancouver, British Columbia, V6E 3P3.

The principal subsidiaries of the Company are:

Name	Jurisdiction of Incorporation	Percentage owned
Western Forest Products Japan Ltd.	Japan	100%
Western Forest Products US LLC	US	100%
Western Lumber Sales Limited	Canada	100%
Western Specialty Lumber Sales US LLC	US	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. Western Specialty Lumber Sales US LLC sells lumber products to Home Centres in the US. WFP Partnerships Ltd. holds our US operating assets indirectly through US subsidiaries, including Western Forest Products US LLC and Western Specialty Lumber Sales US LLC.

Significant Developments Over the Past Three Fiscal Years

Labour Relations

In 2019, the United Steelworkers ("USW") commenced a strike (the "Strike"), which directly impacted all of the Company's USW certified manufacturing and timberlands operations. The Strike indirectly impacted certain non-USW certified manufacturing operations, including our Ladysmith sawmill (due to insufficient log supply) and our Value-Added remanufacturing facility (due to a lack of lumber supply). Our US based Arlington and Columbia Vista divisions were not directly impacted by the Strike, but our Arlington facility operated on a reduced basis in 2019 and early 2020 due to a lack of lumber supply caused by the Strike

On February 10, 2020, the Company announced that terms of a tentative collective agreement had been reached and on February 15, 2020, USW members voted in support of the tentative collective agreement, resulting in the end of the Strike. The new collective agreement provides for general wage increases of 3%, 2%, 2%, 3% and 2.5%, respectively, in each of the five years of the agreement.

Acquisitions

Purchase of Columbia Vista

On February 1, 2019, the Company completed the acquisition of the assets of Columbia Vista Corporation and certain related entities including trucking facilities for \$37.7 million, including working capital. 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 91 employees and produced 58.9 million board feet of lumber in 2020. The acquisition was consistent with our strategy of pursuing margin-focused business opportunities that complement our position in selected markets. Bringing Western and Columbia Vista together has provided Western with an 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 has made us more meaningful to our selected customers and created a stronger company for all our employees.

Purchase of Arlington Distribution and Processing Centre

On January 17, 2018, the Company completed the acquisition of the distribution and processing centre in Arlington, Washington for \$11.6 million. The 18-acre site has 170,000 square feet of covered storage with rail access. The facility allows 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 and early 2019, the facility underwent infrastructure improvements and upgrades which allowed it to start lumber distribution operations. Equipment installation and upgrades, including a planer, trimmer and packager, were completed in early 2019 allowing the Company to commence ramp up of remanufacturing operations. During 2020, an additional upgrade was completed to the kilns that were included in the initial purchase to update controls and improve the accuracy and quality of the drying. The operation added a second shift to handle the increased demand for the processing of our WRC and Yellow Cedar products. Distribution activities expanded in late 2020 to include imported fencing products from Asia for our Home Center business.

Sales, Marketing and Wholesale Lumber Initiatives

We continue to progress with the execution of our sales and marketing strategy that focuses on the production and sale of targeted, high-margin products of scale to selected customers. We supplement our key product offerings with purchased lumber to deliver the suite of products our customers require. To accelerate our sales and marketing initiatives, we have made enhancements to our sales and marketing team, including in wholesale lumber. During 2020 we continued to make progress developing and evaluating growth opportunities for our wholesale lumber business. In late 2020 we expanded our wholesale program beyond Canadian and US product offerings and started to import specialty products from Asia.

Capital Investments

Since 2013, Western has invested more than \$473.2 million into its business in the form of strategic and maintenance of business capital, representing an unparalleled investment in coastal timberlands and manufacturing capacity over that time. Most of those investments have been made in BC.

In 2018 and 2019 we acquired assets to support growing our specialty and finished products business. See the "Acquisitions" section above for more information. Capital investment was restricted in the second half of 2019 and first half of 2020 due to the Strike. In addition, COVID-19 impacted capital expenditures in the latter half of 2020.

The following is a summary of investments in the maintenance and growth of our business since 2013.

<i>(\$ millions)</i>	2013	2014	2015	2016	2017	⁽²⁾ 2018	⁽³⁾ 2019	⁽⁴⁾ 2020	Total
Business Capital ⁽¹⁾	\$59.0	\$49.9	\$62.0	\$56.1	\$55.2	\$83.5	\$37.2	\$21.0	\$423.9
Acquisitions	-	-	-	-	-	11.6	37.7	-	49.3
Capital Invested	\$59.0	\$49.9	\$62.0	\$56.1	\$55.2	\$95.1	\$74.9	\$21.0	\$473.2

(1) Includes strategic, discretionary, and maintenance of business capital and long-term capital road investments.

(2) Acquisition capital in 2018 is in respect of the January 2018 Arlington asset acquisition.

(3) Due to the Strike, capital investments were restricted in the second half of 2019. Acquisition capital in 2019 is in respect of the January 2019 Columbia Vista asset acquisition.

(4) The Strike ending in the first half of 2020 allowed more capital investments in 2020, however this was offset by the impact of COVID-19 which was declared a pandemic by the World Health Organization. In March 2020, Western financed \$2.2 million in capital purchases through an equipment term loan.

Capital Projects

Western's strategic capital program is focused on the installation of technology that will deliver top quartile performance and improve our ability to manufacture targeted products that yield the best margin. In addition to investments in our manufacturing assets, we also allocate capital to defining a higher standard in safety and environmental protection, and in strategic, high-return projects involving our information systems, timberlands assets, and forest inventories.

The following is a summary of selected strategic capital investment in our operations since 2013.

Location	Project Description	Year Completed	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 Leachate water treatment pond 	2015	\$10.8
		2016	15.5
		2015	5.3
		2017	7.7
		2018	4.1
		2020	0.9
			<u>\$44.3</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 Stacker upgrades 	2019	\$20.4
		2019	0.6
			<u>\$21.0</u>
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>
Cowichan Bay Sawmill	<ul style="list-style-type: none"> Installation of automated log rotation technology Stacker modification Installation of spray booth for treatment of white wood lumber Installation of a 2nd cut-off saw for increased log processing efficiency 	2014	\$2.4
		2018	0.5
		2019	1.1
		2019	1.5
			<u>\$5.5</u>
Alberni Pacific Sawmill	<ul style="list-style-type: none"> Installation of automated lumber grading technology 	2014	\$4.2
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
			<u>\$9.3</u>

Since 2016, we have made \$10.2 million of strategic investments in our information technology systems to strengthen our operating foundation and create a platform for growth. These investments positioned the Company for success when COVID-19 restrictions caused a shift to work-from-home arrangements.

In addition to the above, the Company has invested \$3 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.

Board of Directors (the “Board”) Leadership Transition and New Independent Directors

On February 12, 2019, Western announced the implementation of its planned Board leadership transition, including changes to Chair roles of the Board, Audit Committee and Environmental, Health and Safety Committee. Michael Waites was appointed as Chair of the Board, and as a result of the appointment of Mr. Waites' as an independent Chair, the Board combined the positions of Chair of the Board and Independent Lead Director.

Lee Doney was appointed as Chair of the Environmental, Health and Safety Committee and stepped down from the Chair of the Board position that he held since February 2014. Jim Arthurs stepped down as Chair of the Audit Committee but continued to serve as an independent member of the Company's Audit Committee, Environmental, Health and Safety Committee, and Nominating and Corporate Governance Committee. Daniel Nocente was appointed as Chair of the Audit Committee and continued to serve as an independent member of the Company's Nominating and Corporate Governance Committee until May 2, 2019, and Chair of the Management Resources and Compensation Committee for the entire year.

The Board leadership transition plan was recommended by the Company's Nominating and Corporate Governance Committee working in conjunction with the Chair of the Board and reinforces Western's commitment to corporate governance best practices.

On March 1, 2019, Western announced the appointments of Laura Cillis and Cheri Phyfer to its Board. The addition of two new directors was consistent with Western's planned Board renewal process, and brings the total Board to eight members, seven of whom are independent. Western's Board regularly evaluates its composition to ensure it includes a diverse and complementary set of skills, experience and perspectives to best meet the needs of the Company and support the Company's strategy and ongoing Board renewal and succession process.

Sustainability Report

On June 30, 2020, the Company published its second annual Sustainability Report. The latest Sustainability Report expanded the number of reporting metrics developed in our inaugural report. It incorporated input solicited from external stakeholders to inform the report's structure and content. In the future, Western will continue to adopt best practices, include metrics that are important to our stakeholders and expand who we engage with to ensure the report reflects diverse interests.

Sale of Ownership Interest in Port Alberni Forest Operations

On March 29, 2019, the Company completed the sale of a 7% interest in our newly formed TFL 44 Limited Partnership (“TFL 44 LP”) to Huumiis Ventures Limited Partnership (a limited partnership beneficially owned by the Huu-ay-aht First Nations) (“HVLP”) for gross proceeds of \$7.3 million. TFL 44 LP's assets consist of TFL 44 and certain other associated assets and liabilities of our former Port Alberni Forest Operation. We have continued to source fibre from TFL 44 LP to support our BC manufacturing facilities.

On March 16, 2020, the Company announced an agreement whereby HVLP will acquire an incremental 44% equity interest in TFL 44 LP (the “TFL 44 Transaction”) and a 7% equity interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill (the “APD Transaction”) for total consideration of \$36.2 million. COVID-19 restrictions and other impacts have affected the ability for the parties to satisfy all closing conditions at this time, necessitating the closing of the TFL 44 Transaction in two stages and delaying the closing of the APD Transaction.

The completion of each stage of the TFL 44 Transaction is subject to satisfaction of customary closing conditions, financing, and certain third-party consents, including approval by the BC Provincial Government and the Huu-ay-aht First Nations People's Assembly. The first stage of the TFL 44 Transaction involves the acquisition by HVLP of a further 28% equity interest in TFL 44 LP. The total payable by HVLP for the first stage of the TFL 44 Transaction is \$22.4 million, \$2.6 million of which will be financed through vendor take back financing provided by the Company having a maturity date of March 31, 2023. The first stage is anticipated to close in the second quarter, 2021. The second stage of the TFL 44 Transaction, for the acquisition by HVLP of a further 16% interest in TFL 44 LP for total consideration of \$12.8 million, is anticipated to close in the first quarter, 2023.

The Company may sell to other area First Nations, including HVLP, a further incremental ownership interest of up to 26% in TFL 44 LP, under certain conditions. The Company and TFL 44 LP will also enter into a long-term fibre agreement to continue to supply the Company's British Columbia coastal manufacturing operations, which have undergone significant capital investment over the past several years.

The APD Transaction is anticipated to close in the first quarter, 2023.

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

On February 18, 2021, the Company's Board of Directors reinstated a quarterly dividend of \$0.01 per share. The Company paid a dividend of \$0.0225 per share in the first quarter of 2020, however due to COVID-19 and the lingering effects of the Strike, the dividend was suspended for the balance of that year.

On an annual basis, dividends of \$0.0225 per share were paid in 2020, \$0.09 per share were paid in 2019, \$0.0875 per share were paid in 2018 and dividends of \$0.08 per share were paid in 2017. Total dividends paid in 2020 amounted to \$8.4 million, as compared to \$34.0 million in 2019, and \$34.3 million in 2018.

Normal Course Issuer Bid

On August 7, 2020, the Company renewed its Normal Course Issuer Bid ("NCIB") permitting the purchase and cancellation of up to 18,759,858 of the Company's Common Shares or approximately 5% of the Common Shares issued and outstanding as of August 6, 2020. The Company also entered into an automatic share purchase plan with its designated broker to facilitate purchases of its Common Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its Common Shares due to regulatory restrictions or self-imposed blackout periods. The normal course issuer bid expires on August 10, 2021. Shareholders may obtain a copy of the Company's normal course issuer bid notice, without charge, by contacting the Company.

The Company's previous NCIB to purchase for cancellation up to 18,763,888 Common Shares expired on August 7, 2020. Under the previous NCIB, the Company purchased 8,873,353 Common Shares for \$15.9 million, at a volume weighted average price of \$1.79 per Common Share, representing approximately 2.4% of the total shares outstanding at the commencement of our previous NCIB.

During 2020, Western did not purchase any Common Shares. During 2019, Western purchased 8,873,353 Common Shares for \$15.9 million. During 2018, Western purchased 11,695,573 Common Shares for \$25.2 million. During 2017, Western purchased 1,079,000 Common Shares for \$2.7 million. As at February 18, 2021, 18,759,858 Common Shares remain available to be repurchased under the current NCIB.

Sawmill Curtailments

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 and punitive US duties on Canadian softwood lumber.

In March 2019, our Cowichan Bay and Alberni Pacific sawmills were temporarily curtailed for two-week periods due to market conditions. In May 2019, our Ladysmith sawmill was temporarily curtailed for a two-week period due to constrained log supply. In June 2019, we curtailed our Duke Point sawmill for two weeks and our Saltair sawmill for one week to align production volumes to customer demands. Also in June 2019, we reduced our Chemainus sawmill operations from 120 hours per week to 80 hours per week.

On July 24, 2019, we announced an additional temporary curtailment at our Ladysmith sawmill due to illegal strike action taken by the USW, which impeded log supply to the mill. Subsequent to this announcement, the Labour Relations Board confirmed their earlier ruling that the USW tactics were illegal and ordered the USW to refrain from impeding log delivery to the mill. The Ladysmith sawmill continued to operate until it was curtailed on August 23, 2019, due to limited log supply. On September 6, 2019, our BC Value-Added remanufacturing facility was curtailed in response to limited lumber supply as a result of the Strike.

In late March 2020, due to COVID-19, we curtailed certain of our BC operations for one week to implement enhanced health and safety protocols and to re-evaluate market conditions. We then resumed operations except at our Ladysmith and Cowichan Bay sawmills which remained curtailed due to a lack of log supply. Operations resumed at our Cowichan Bay and Ladysmith sawmills on May 4 and August 4, 2020, respectively.

In December 2020, we reduced operating hours at our Duke Point sawmill by 10%; temporarily curtailed our Cowichan Bay sawmill operations for two weeks to balance production to secondary processing capacity; and curtailed our Alberni Pacific sawmill for two weeks due to unplanned maintenance. We have resumed operations at Cowichan Bay and Port Alberni, while Duke Point continues to run on an adjusted two-shift basis.

BC Government Forest Policies

In 2018, the BC Provincial Government (the "Province") introduced a Coastal Revitalization Initiative and further policy initiatives that will affect the BC forest sector regulatory framework. Notable legislative changes and policy initiatives undertaken pursuant to the Coastal Revitalization Initiative to date are as follows:

- On April 1, 2019, the Province announced the creation of fibre recovery zones. Western estimates that approximately 70% of our timberland operations are impacted with the creation of fibre recovery zones. We continue to collaboratively engage with the Province and other stakeholders to ensure that the desired outcome of the policy, less fibre waste and more fibre for domestic manufacturing and pulp production, is met without the unintended consequences of higher costs and less harvest volume for timberland operators. In December 2019, the BC Ministry of Forests, Lands, Natural Resource Operations and Rural Development ("MFLNRORD") indicated its intention to shrink the penalties and fibre recovery zones.
- On May 16, 2019, the Province brought into force Bill 21, Forest and Range Practices Amendment Act, 2019, designed to increase opportunities for public input, improve information sharing on forest planning, strengthen the Minister of Forests' ability to manage forest activity, expand the definition of wildlife to help protect at-risk species and improve and streamline range-use planning.
- On May 30, 2019, the Province brought into force Bill 22, Forest Amendment Act, 2019, amending the *Forest Act* to require tenure holders to receive approval from the Minister of Forests before disposing or transferring a tenure agreement to a third party. These amendments enable the Minister of Forests to refuse to approve, or place conditions on the approval of, a disposition or transfer if it is deemed not to be in the public interest or detrimental to competition in the buying or selling of timber or residuals.
- On July 17, 2019, the Province announced the appointment of a two-person panel to lead an Old Growth Strategic Review. On April 30, 2020, the panel provided a report, including 14 recommendations, to the Minister of Forests that may inform a new approach to old-growth management for BC. The process to transition to the recommendations is recommended to occur over three years in a phase approach with immediate, near-term and long-term actions. The Province has stated that they will involve Indigenous leaders and organizations, labour, industry and environmental groups, and analyze impacts to inform which of the recommendations will be adopted and how. Immediate actions include consultation with First Nations in areas with ecosystems deemed to be at risk and a deferral of harvest of old forests in 352,739 hectares of Crown land in BC, made up of 3,300 hectares of Crown land held by Western (Western's overall Crown land base is approximately 1.7 million hectares). Western is well positioned on several of the recommendations, including the Special Tree Protection given our ongoing commitment to protecting big trees.

- In January 2020, the Province announced changes to the Manufactured Forest Products Regulation (“MFPR”). The amendments to the MFPR require timber made from WRC or cypress (yellow cedar) to be fully manufactured to be eligible for export. Fully manufactured is defined as timber that will not be kiln-dried, planed or re-sawn at a facility outside of BC. See *“Other External Factors – Manufactured Forest Products Regulation”* for further discussion.
- On December 15, 2020, the Province announced the application of a targeted fee-in-lieu of manufacturing for raw log exports harvested from cutting permits on the BC Coast.

The impact these policy initiatives may have on our operations cannot be determined at this time. For additional information, see *“Regulatory Risks”* in our MD&A for the year ended December 31, 2020 under the heading *“Risks and Uncertainties”*.

Softwood Lumber Agreement

See *“Other External Factors - Softwood Lumber Trade”* for a description of developments relating to the Softwood Lumber Agreement in 2020.

Manufactured Forest Products Regulation

See *“Other External Factors – Manufactured Forest Products Regulation”* for a description of developments relating to the Manufactured Forest Products Regulation in 2020.

Changes Expected for 2021

For additional information regarding changes expected to the Company’s business in 2021, see Western’s MD&A for the year ended December 31, 2020, in particular the *“Market Outlook”* and *“Dividend and Capital Allocation”* sections.

FOREST RESOURCES

Forest Resources in 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 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 for the year ended December 31, 2020), 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).

The Company has accepted an offer for replacement of TFL 6 effective March 2020. TFL 25 was replaced in May 2019, 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 2020 the Company had 9 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 result in 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 tree heights and the long-term sustainable harvest of the AAC in support of this process. The Chief Forester can also make permanent AAC reductions as a result of land use changes that reduce the size of the land base upon which forestry activities can occur.

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,		
	2020	2019	2018	2020	2019	2018
TFLs ⁽⁴⁾	3,767	2,552	4,360	5,281	5,281	5,281
FLs	32	63	345	501	501	501
Other lands ⁽⁵⁾	233	114	170	164	174	194
Total ⁽¹⁾	4,032	2,729	4,875	5,946	5,956	5,976
Logs purchased	945	729	1,151			
Logs consumed	2,228	2,004	3,868			
Logs sold	1,880	1,286	1,509			

- (1) Both 2019 and 2020 actual harvests were significantly impacted by the Strike and, to a lesser degree, 2020 was impacted by COVID-19 protocols.
- (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 92,882 m³ in 2020. Net volumes harvested by joint ventures / Limited Partnerships amounted to 81,878 m³ from Company tenures. Also, 191,537 m³ was harvested pursuant to a Forest Licence Utilization Agreement.
- (3) The available cut for the TFLs and FLs is the AAC determined by the 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 Chief Forester, and do not include volumes of timber available to third parties.
- (4) Includes 793,600 m³ of AAC related to TFL 44 held in TFL 44 LP, a partnership between Western and HVLP. We intend to continue to source fibre from TFL 44 LP to support our BC manufacturing facilities.
- (5) At December 31, 2020, 139,000 m³ of available cut is attributed to private managed forest lands outside of TFLs and 25,000 m³ to TLs outside of TFLs.

On December 8, 2020 the Chief Forester established AAC partitions for TFL 44. The total AAC for TFL 44 remained unchanged at 782,482 m³ but as of that date is attributed to two distinct segments of the land base based on an analysis conducted by Western in 2020.

The process for re-determination of the AAC for TFL 19 began in 2020 with a decision expected in the latter part of 2021.

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 2020 that affected less than 50 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 93% 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 7% 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 2020 the species distribution of our timber resources was approximately 69% hemlock and balsam, 14% cedar, 9% Douglas fir, 7% yellow cedar and 1% spruce and other minor species. Western's average harvest production for the past five years matches this profile, being approximately 65% hemlock and balsam, 15% cedar, 13% Douglas fir, 5% yellow cedar, 2% spruce and other minor species.

Approximately 88% of our 2020 log production originated from Vancouver Island, BC. Per our licence 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 several 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 charges forest companies for timber harvested from Crown land in BC. Approximately 95% 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 on a regular basis to reflect recent sales data and costs, with the most recent update occurring on December 15, 2020. Stumpage rates are also adjusted quarterly to reflect changes in the prices of logs used for lumber manufacture.

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 for timber harvested from Crown land and related costs for residue and waste.

	Year Ended December 31,		
	2020	2019	2018
Gross log production from Crown land (<i>thousands of cubic metres</i>)	3,799	2,615	4,705
Stumpage (<i>\$ millions</i>)	\$30.8	\$26.0	\$52.7

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 consider 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 2020, the Company harvested timber from 5,766 hectares of land (2019: 3,748 hectares; 2018: 6,914 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. For additional information, see "*Forest Resource Risk, Natural Catastrophes and Climate Change*" in our MD&A for the year ended December 31, 2020 under the heading "*Risks and Uncertainties*".

Forest Resources in the US

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 primarily Douglas fir, with the majority sourced through bidding on standing timber harvest contracts on Federal and State lands. Remaining fibre requirements are supplied largely from open market purchases. 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 operating and manufacturing 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. Specialty structural products includes those used in treated lumber manufacturing for a variety of markets, timbers used in new luxury home construction and renovations, utility cross-arms and rig-mats. 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. WRC 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:

(MMfbm) Sawmill	Location	Smallest Log Diameter Processing Capacity	Capacity ⁽¹⁾	Production Year ended December 31,		
				2020 ⁽²⁾	2019 ⁽²⁾	2018
Canada						
Ladysmith	Ladysmith, BC	4" diameter log	90	19	52	67
Cowichan Bay ⁽³⁾	Duncan, BC	6" diameter log	215	82	64	177
Saltair	Ladysmith, BC	6" diameter log	240	155	96	214
Alberni Pacific	Port Alberni, BC	15" diameter log	175	52	44	106
Duke Point	Nanaimo, BC	15" diameter log	130	78	64	127
Chemainus	Chemainus, BC	15" diameter log	130	58	47	99
Somass	Port Alberni, BC	15" diameter log	90	-	-	-
US						
Columbia Vista ⁽⁴⁾	Vancouver, WA	10" diameter log	80	59	57	n/a
			1,150	503	424	790
Custom Cut	multiple	Varies	n/a	73	67	74
Total			1,150	576	491	864

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

(2) The majority of our BC operations were impact by the Strike (see "Labour Relations Update") and, in 2020, COVID-19.

(3) 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.

(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, including products for the treating segment.

Cowichan Bay Sawmill

Our Cowichan Bay sawmill has a capacity of 215 million board feet and produces hemlock, Douglas fir and WRC products. The approximate production mix in 2020 was 40% hemlock and 60% WRC. The sawmill focuses on medium diameter logs, with the smallest log diameter processing capability of 6" diameter logs. The sawmill primarily produces hemlock wide dimension structural lumber for residential, commercial and industrial applications, including products for the treating segment, and WRC 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 WRC, hemlock and Douglas fir products. The approximate production mix in 2020 was 84% hemlock and 16% 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 WRC products, wide dimensional structural lumber, and products for the treating segment. 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 since 2013. 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 products for the Japanese traditional home segment and appearance products. The mill has benefited from significant investments including the first auto-grader for coastal species resulting in increased operating speeds, improved lumber grades, and increased lumber recoveries. The facility has access to 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, Douglas fir and WRC products. The production mix in 2020 was 90% hemlock. 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 have 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 WRC products. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capability of 15" diameter logs. The sawmill produces WRC 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 primarily Douglas fir products for the Japanese traditional home segment and other specialty products for the US market and produces limited hemlock products. The operation includes our Fruit Valley remanufacturing facility which is located approximately 20 kilometres away from the sawmill and has 18 kilns and a planer.

Custom Cut Division

The Custom Cut division focuses on converting logs to lumber on a custom manufacturing program 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 a distribution and processing centre in Arlington, Washington and the Fruit Valley remanufacturing facility in Vancouver, Washington which has 18 kilns and a planer facility. We also extensively engage third party custom remanufacturers in BC to meet our remanufacturing needs.

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 WRC, 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, our Arlington division is a centralized specialty products distribution and processing centre. During 2018 and 2019, the facility underwent infrastructure improvements and upgrades, which allowed it to start lumber distribution operations. Equipment installation and upgrades were completed in early 2019, which included a planer, trimmer and packager. These equipment upgrades allowed 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. During 2020, an additional upgrade was completed to the kilns that were included in the initial purchase to improve the accuracy and quality of the drying.

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:

<i>(thousands of volumetric units)</i>	Year Ended December 31,		
	2020	2019	2018
Wood chips produced	286	273	544
Wood chips purchased	-	70	190
Total wood chips sold	286	343	734

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 in support of 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 department liaises directly with the consumers of our lumber products and works with sales agents for greater global sales representation. 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 WRC 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. 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 29% of our lumber products are currently sold kiln-dried (24% - 2019; 17% - 2018).

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,		
<i>(millions of dollars)</i>		2020	2019	2018
Lumber	Canada	155.2	123.4	214.9
	US	299.7	208.3	289.5
	Japan	104.0	118.6	150.7
	China	116.7	115.2	183.9
	Other	45.5	46.8	100.0
	Europe	16.1	16.0	13.9
		737.2	628.3	952.9
Logs, saw	Canada	121.7	105.8	130.3
	China	41.5	18.2	7.0
	Other	1.9	0.8	1.3
Logs, pulp	Canada	28.2	15.8	20.1
	US	7.2	3.4	1.3
	200.5	144.0	160.0	
By-products	Canada	23.6	30.9	83.8
	US	3.6	4.5	-
	27.2	35.4	83.8	
Total Sales		964.9	807.7	1,196.7
% of Saw logs Consumed Internally ⁽¹⁾		54%	70%	79%

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

Western's locations on the coast of BC 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, 2020, Western had 2153 employees (of whom 1434 are unionized employees), 490 Canadian salaried employees, 42 Canadian non-union hourly employees, 179 US employees and 8 employees in China and Japan.

The majority of the Canadian unionized employees are represented by the USW, who have two collective agreements with the Company. The USW Master Agreement covers approximately 1294 Western employees and expires June 14, 2024. The collective agreement with the office clerical employees (2 employees) expires December 31, 2022.

The remaining unionized employees are represented by the Public and Private Woodworkers of Canada (“PPWC”). The PPWC collective agreement for the Ladysmith Sawmill (~62 employees) expired on December 31, 2019 but Ladysmith continued to operate under the old agreement as negotiations were delayed due to a mill curtailment for most of 2020. A new collective agreement was ratified in January 2021 with an expiry date of December 31, 2028. The collective agreement for the Value-Added Remanufacturing Operation (78 employees) is due to expire on October 14, 2021.

Approximately 50% 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 US.

The Company’s comprehensive Health and Safety Management System (“HSMS”) 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 HSMS and are a key to our success. As part of our ongoing commitment to defining a higher standard, in 2020 we enhanced our HSMS. 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.

Western’s Health and Safety representatives continue to be active in working with regulators, our unions, as well as participate in industry associations such as the British Columbia Forest Safety Council (“BCFSC”), the Manufacturing Advisory Group (“MAG”), the Coastal Harvesting Advisory Group (“CHAG”), the Safety Advisory Foundation for Education and Research in Canada (“SAFER”), Department of Labor and Industries Retro program, and the OSHA Voluntary Protection Programs in the US. Western’s Health and Safety representatives participate in these and other industry networks to help shape programs, activities and regulations to ensure a safe workplace for all.

In 2020, Western’s Canadian manufacturing operations were unable to complete a planned MAG audit due to COVID-19. The Company and MAG agreed to postpone the audit which will be scheduled once MAG resumes their auditing activities. Western’s timberlands operations were audited by BCFSC in December 2020, resulting in a score of 97.5%, achieving SAFE Company certification.

Western’s timberlands operations employ approximately 169 contractor companies who in turn employ approximately 1,800 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 ISNetwork which is a third-party

contractor management company that evaluates the contractor's 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,		
	2020	2019	2018
Timberlands – Company	1.89	3.73	2.44
Manufacturing – Company	3.27	3.66	4.07
Company Total	2.47	3.30	3.17
Timberlands – Contractor	4.11	2.02	3.16
Manufacturing – Contractor	5.42	0.00	5.14
Contractor Total	4.15	1.80	3.31

Western is committed to the health and safety of our employees and remains vigilant in its pursuit of a zero-incident workplace.

MIR is the primary lagging metric we use in measuring our safety performance, however, we track a number of other health and safety performance metrics including Severity Rate and leading indicators such as Near Miss and Hazard Identification.

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.

Human Rights

The Company's Human Rights Policy reflects our values on, and commitment to, human rights and addresses such topics as our commitment to a safe and healthful workplace, our promotion of inclusion and diversity, and our respect for the right of our employees to join a labour union. Our Board is responsible for this policy, and all employees, officers and directors of the Company are responsible for upholding the principles of the policy.

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 and internal verification processes. In addition, BC has a Forest Practices Board that serves a public interest as an independent watchdog for sound forest and range practices, including through auditing government and industries' activities for compliance with the Forest Practices Code.

To oversee and co-ordinate company-wide efforts for compliance with such legislation, 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 2020, Western's timberlands operations were in substantial compliance with environmental requirements and we did not have 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 managed by Western.
- SFI Forest Management and Fiber Sourcing: Includes the 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.

Execution of Western's environmental management systems is the accountability of the Senior Vice President, Sales, Marketing and Manufacturing; Vice President, Timberlands and Vice President, Canadian Manufacturing. Western's Vice President, Partnerships and Sustainability and Chief Forester, with the support of a fulltime Director of Environmental Management, is accountable for the continuous improvement and execution of Western's environmental program. 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 is 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. Energy savings were further improved by an estimated 0.77 GWh in 2020 over 2019.

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 "*Environmental Regulation*" in our MD&A for the year ended December 31, 2020, 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.

FIRST NATIONS RELATIONS

Western operates within the asserted traditional territories of approximately 45 First Nations on Vancouver Island and the Mainland Coast. Western has developed and intends to 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 asserted or proven Aboriginal rights and title. 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 forest 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 or other operational permits in respect of a timber tenure if it is determined that the impacts of those activities would unjustifiably infringe on the asserted or proven Aboriginal rights and title. If a First Nation is opposed to a forest tenure or other operating authorization, they may delay the Province from granting the application by citing inadequate consultation. This situation may arise where decisions may affect lands within First Nation traditional territories subject to ongoing treaty and/or reconciliation processes.

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

Since 2009, the Province and several First Nations with traditional territories that overlap the Company's operating areas have concluded strategic agreements that define an enhanced process for referrals on resource projects proposed within their asserted traditional territories, including forestry, and provide economic benefits. Within Western's operating areas, these include agreements the N̓anw̓aḱolas Council on Vancouver Island and Southern Coast, the Coastal First Nations on the Mid and North Coast, the Gwa'sala-'Nakwaxda'xw on the Mid Coast, and shísháhlh Nation on the Sunshine Coast.

The Province and Canada continue to negotiate treaties or other reconciliation agreements with First Nations whose traditional territories overlap with Western's tenures, and we continue to engage with government to stay apprised of any potential impacts. A 2009 Communications Protocol with the Province's Ministry of Indigenous Relations and Reconciliation remains in effect. In September 2019, British Columbia, Canada and the First Nations Summit endorsed the *Recognition and Reconciliation of Rights Policy for Treaty Negotiations in British Columbia*, which marked a significant departure from previous policy statements and is meant to re-invigorate the BC treaty process.

The Province has committed to fully adopting the *United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)*, the Calls to Action of the Truth and Reconciliation Commission, and the 2014 *Tsilhqot'in* Supreme Court of Canada decision. On November 28, 2019, Bill 41, the *Declaration on the Rights of Indigenous Peoples Act (DRIPA)* came into force, making British Columbia the first jurisdiction in Canada to formally adopt such legislation. *DRIPA* requires the government to initiate a process to align all laws with *UNDRIP* and make space for consent-based decision-making with Indigenous governing bodies, which may include agreements with multiple First Nations working together, or hereditary governments. Further, *DRIPA* requires government to prepare and implement an action plan to achieve the objectives of the legislation in consultation and cooperation with Indigenous peoples, and to present annual public reporting on its progress. The current federal government has also pledged to implement *UNDRIP* and the Calls to Action of the Truth and Reconciliation Commission. On December 3, 2020, the federal government introduced Bill C-15, its response to calls to implement *UNDRIP* as a framework for reconciliation in Canada.

Significant expectation has been raised among Aboriginal groups in BC and across the country as to the impact that this Act and the federal government's commitments may have on efforts to achieve true reconciliation with Aboriginal groups. At this time, the Company is unable to predict the outcome of *DRIPA* and the implementation of these commitments on Western's ongoing operations or assets.

Western continues to work to build long-term business relationships with First Nations communities. In March 2019, Western completed the sale of a 7% ownership interest in TFL 44 LP to HVLP, a limited partnership beneficially owned by the Huu-ay-aht First Nations. In March 2020, Western and HVLP announced an agreement whereby HVLP would acquire an incremental 44% ownership interest in TFL 44 LP and a 7% ownership interest in the Alberni Pacific Sawmill. On a smaller scale, Western has formed limited partnerships with each of the Quatsino and 'N̓amgis First Nations, and joint ventures with each of Kitasoo/Xai'xais and Heiltsuk First Nations for harvesting activities on defined timber volumes. In the last three years, Western entered into harvesting and timber purchase agreements with the Ditidaht, and Huu-ay-aht First Nations, and the N̓anw̓aḱolas Council.

OTHER 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 regulations to which it adheres.

OTHER EXTERNAL FACTORS

Competitive Position

Lumber is a commodity and the market is cyclical. We compete both domestically and internationally with 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, as well as domestic and foreign tariffs, subsidies, duties and export and import restrictions. Western is the largest timber tenure holder and lumber producer 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 WRC 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 US, 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.

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.

Using preliminary rate determinations, the DoC began to impose countervailing duty ("CVD") from April 28, 2017, with anti-dumping duty ("AD") 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. On January 3, 2018, the DoC published amended final determinations, resulting in reduced, final CVD and AD rates.

On February 3, 2020, the DoC issued preliminary revised rates in the CVD and AD first administrative review of shipments for the years ended December 31, 2017 and 2018.

On March 10, 2020, the DoC initiated the second administrative review of CVD and AD rates for shipments for the year ended December 31, 2019.

On November 23, 2020, the DoC released its final determination of CVD and AD rates reducing the rates applied to exports during the period of review (April 28, 2017 through December 31, 2018) and establishing revised rates applicable to Canadian lumber shipments made to the US in December 2020 onwards.

The following table summarizes the cash deposit rates in effect and the final rates released on November 23, 2020:

	1 month	11 months	Years ended Dec. 31		
	ended Dec. 31, 2020	ended Nov. 30 2020	2019	2018	2017
Cash deposit rate, CVD	7.42%	14.19%	14.19%	14.19%	14.19%
Cash deposit, AD	1.57%	6.04%	6.04%	6.04%	6.04%
Cash deposit rate, combined	8.99%	20.23%	20.23%	20.23%	20.23%
Final rate, CVD				7.42%	6.71%
Final rate, AD				1.57%	1.66%
Final rate, combined				8.99%	8.37%

During 2020, the Company recorded export tax expense of \$34.6 million, offset by a recovery in November 2020 of \$31.6 million for a net export tax expense of \$3.0 million. As at February 1, 2021, \$127.4 million (US\$97.1 million) of aggregate duty deposits by the Company were held by the US Treasury.

On January 5, 2021, the DoC announced the third administrative review of CVD and AD rates for shipments for the year ended December 31, 2020.

Manufactured Forest Products Regulation

On January 21, 2020, the Province announced changes to the *Manufactured Forest Products Regulation* ("Regulation") effective July 1, 2020 to ensure more accessibility to fibre for local manufacturers. The Regulation amendments require timber that is made from WRC or cypress (yellow cedar) to be fully manufactured to be eligible for export. Fully manufactured is defined as timber that will not be kiln-dried, planed or re-sawn at a facility outside of BC.

On September 16, 2020, the Province provided additional information with respect to implementation of amendments to the Regulation, including the application of a tax on WRC and cypress exported from the BC Coast to any location within 3,000 miles. The amount of the tax varies depending upon the extent of processing applied to the lumber before it is exported. These changes were effective September 30, 2020.

During 2020, the Company recorded export tax expense of \$0.2 million in respect of this Regulation. For additional information, see "*BC Government Forest Policies Update*" in our MD&A for the year ended December 31, 2020.

Corporate Tax Payments

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

(\$ thousands)	Year ended December 31,		
	2020	2019	2018
Canada	-	16,797 ⁽²⁾	- ⁽¹⁾
US	18	183	96
Japan	180	112	93
	198	17,092	189

(1) The Company utilized the majority of its remaining Canadian non-capital loss carryforwards during the second quarter of 2018, which resulted in cash taxes payable in 2019 for the fiscal year 2018.

(2) The Company has applied for a refund for 2019 tax installment payments made in the first half of 2019, prior to the Strike.

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, 2020, 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, 375,197,166 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.

From time-to-time the Company may choose to allocate capital to the repurchase of its Common Shares on the open market. More information is available above under the heading "*Normal Course Issuer Bid*".

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 CBCA. 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 May 2018, the Company increased its quarterly dividend by 12.5% from \$0.02 per share to \$0.0225 per share. The Company paid a dividend in the first quarter of 2020, however due to COVID-19 and the impacts of the Strike, the dividend was suspended for the balance of the year. On an annual basis, dividends of \$0.0225 per share were paid in 2020, \$0.09 per share were paid in 2019, \$0.0875 per share were paid in 2018 and dividends of \$0.08 per share were paid in 2017. Total dividends paid in 2020 amounted to \$8.4 million, as compared to \$34.0 million in 2019 and \$34.3 million in 2018.

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.

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 2020:

Month	High (\$)	Low (\$)	Volume
January	1.26	1.06	10,740,500
February	1.41	1.03	23,063,600
March	1.16	0.58	28,338,000
April	0.97	0.58	22,489,400
May	0.93	0.70	24,689,900
June	0.96	0.74	22,173,000
July	1.10	0.84	14,488,900
August	1.29	1.01	22,705,600
September	1.22	0.99	15,201,200
October	1.06	0.84	10,112,400
November	1.01	0.85	17,897,000
December	1.31	0.92	18,981,000

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 8 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 6, 2021) 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 18, 2021, 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 LLP	August 4, 2015
LAURA CILLIS ⁽¹⁾⁽⁴⁾ Nelson, BC, Canada	Corporate Director	March 1, 2019
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⁾ Vancouver, BC, Canada	Corporate Director	May 8, 2014
CHERI PHYFER ⁽²⁾⁽³⁾ Bay Village, OH, United States	President, Global Plumbing Group for Fortune Brands Home Security	March 1, 2019
MICHAEL T. WAITES ⁽⁵⁾ 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.
- (5) Chair of the Board.

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 Cheri Phyfer, who was the President, U.S. Business, Moen from January 2018 to February 2019, President, Consumer Brand Division of Sherwin Williams Company from February 2017 to December 2017 and President and General Manager, Diversified Brands Division of Sherwin Williams Company prior to 2017.

Executive Officers

The tables below set forth the names, municipalities of residence and positions with Western of the officers of Western as of February 18, 2021, and the principal occupation of each of them during the past five years.

Name and Municipality of Residence	Positions Held with Western and Principal Occupations During the Past 5 Years	From	To
BRUCE ALEXANDER North Vancouver, BC, Canada	Senior Vice President, Sales, Marketing and Manufacturing	January 2019	Present
	Senior Vice President, Sales, Marketing and Logistics, Norbord Inc.	December 2017	December 2018
	Senior Vice President, Business Development, Norbord Inc.	May 2017	November 2017
	Highland Helicopters Ltd, Chief Operating Officer	June 2013	April 2017
DONALD DEMENS Vancouver, BC, Canada	President and Chief Executive Officer	February 2013	Present
JENNIFER FOSTER North Vancouver, BC, Canada	Senior Vice President, Human Resources & Corporate Affairs	February 2020	Present
	Vice President, Human Resources	December 2015	February 2020
	Vice President, Human Resources for Stackpole International	September 2005	December 2015
ALYCE HARPER Vancouver, BC, Canada	Vice President, General Counsel & Corporate Secretary	January 2020	Present
	Senior Director, Legal & Corporate Secretary	February 2017	December 2019
	Director, Legal Services	May 2016	January 2017
	Associate, DLA Piper (Canada) LLP	August 2013	April 2016
SHANNON JANZEN Ladysmith, BC, Canada	Vice President, Partnerships & Sustainability and Chief Forester	February 2020	Present
	Vice President and Chief Forester	January 2015	February 2020
DONALD HOLMES Nanaimo, BC, Canada	Vice President, Timberlands	January 2020	Present
	Regional Manager, Contract Operations	January 2019	December 2019
	General Manager, TimberWest Forest Corporation	July 2001	December 2018
STEPHEN WILLIAMS North Vancouver, BC, Canada	Executive Vice President and Chief Financial Officer	February 2018	Present
	Senior Vice President and Chief Financial Officer	February 2017	February 2018
	Senior Vice President, Chief Financial Officer and Corporate Secretary	October 2014	February 2017
DALLYN WILLIS Vancouver, BC, Canada	Vice President, Finance	January 2020	Present
	Senior Director, Finance & Administration	March 2016	December 2019
	Director, Finance & Administration	June 2014	March 2016

Shareholdings of Directors and Executive Officers

As at February 18, 2021, the directors and executive officers as a group owned, directly or indirectly, or exercised control or direction over 2,379,239 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, diversity and inclusion, 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 reporting and disclosure;
- (b) our internal control and financial reporting systems;
- (c) oversight of the Company's 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 principal risks of the Company and 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 18, 2021, Daniel Nocente (Chairman), Laura Cillis 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 2020, the Audit Committee met 4 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. 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, Chairman of Savary Gold Inc., 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.

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.

Laura Cillis – Ms. Cillis currently serves as a board member of Crescent Point Energy Corp and Shawcor Ltd., where she is Chair of their respective Audit Committees. She has previously held board positions with Enbridge Income Fund Holdings Inc. and Solium Capital Inc. Ms. Cillis also held the role of Senior Vice President, Finance and Chief Financial Officer of Calfrac Well Services Ltd. from 2008 until 2013, and Chief Financial Officer of Canadian Energy Services L.P. from 2006 to 2008. Prior thereto, she held various positions at Precision Drilling Corporation and Schlumberger Canada. Ms. Cillis is a CPA, CA and holds the ICD.D designation granted by the Institute of Corporate Directors. She earned her Bachelor of Commerce degree from the University of Alberta.

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, 2020 and 2019 are as follows:

(\$ thousands)	2020			2019 ⁽¹⁾		
	Fees	Admin	Total	Fees	Admin	Total
Audit	599	3	602	590	13	603
Audit-related	26	2	28	25	2	27
Taxation	29	1	30	10	-	10
Total for all services	654	6	660	625	15	640

(1) Comparative figures have been adjusted to reflect administrative costs and disbursements.

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, 2020, 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, South Tower, 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 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.

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 18, 2021.

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 22, 2020. 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, Natural Resource Operations and Rural Development.
“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 and 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 and Rural Development of British Columbia.
“MMfbm”	One million board feet measure (see “board feet”).
“Part 13”	Part 13 of the <i>Forest Act</i> , 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 <i>Forest Act</i> . 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, Natural Resource Operations and Rural Development 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, Natural Resource Operations and Rural Development 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 reporting and disclosure;
- (b) the internal control and financial reporting systems of the Corporation;
- (c) oversight 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.

1. Members

The Committee will consist of at least three members of the Board. Each member must be independent and financially literate in accordance with applicable legislative and stock exchange policies and requirements.

Committee members, including the Committee Chair (the “**Chair**”), will be appointed annually by the Board and will serve until the earlier of (a) the appointment of their successor or (b) their removal (which will automatically occur if the member ceases to be a director). The Board may remove any member from the Committee at any time and may fill any vacancies by appointing a member from the Board. If a vacancy on the Committee exists, the remaining members will exercise all the Committee’s powers so long as a quorum exists.

2. Meetings

The Committee may hold such meetings as are necessary or appropriate in order for the Committee to fulfill its responsibilities and the Chair should establish a meeting calendar annually. The Committee is governed by the same rules regarding meetings that apply to the Board. The Chair will set the agenda and may seek input from Committee members, the Company’s management and the external auditor in setting the agenda. The agenda and information concerning the business to be conducted at each Committee meeting will be distributed to the members of the Committee in advance of each meeting to permit meaningful review.

The external auditor of the Company will receive notice of every meeting and may call a meeting of the Committee.

3. Quorum

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

4. Duties

The Committee will have the following duties:

(a) *Financial Reporting and Disclosure*

- (i) *Annual Disclosure.* Review and make appropriate recommendations to the Board on the audited annual financial statements, the related management's discussion and analysis ("MD&A"), the earnings press releases and the annual information form, and financial disclosures in the management information circular and the sustainability report.
- (ii) *Pension Plan Disclosure.* Review and make appropriate recommendations to the Board on the audited annual financial statements for the Corporation's pension plans.
- (iii) *Quarterly Disclosure.* Review and make appropriate recommendations to the Board on the unaudited quarterly financial statements, the related MD&A and the earnings press releases.
- (iv) *Disclosure of Other Financial Information.*
 - Review the design, implementation, maintenance and adequacy of procedures for the review of the Corporation's public disclosure of financial information, including information derived from the Corporation's financial statements.
 - Review, on a quarterly basis, the disclosure committee's report to the Committee pertaining to the disclosure committee's activities for the previous quarter. Review, on a yearly basis, (a) the disclosure committee's assessment of the Corporation's disclosure procedures, including any control deficiencies, and its recommendations on corrective measures to be taken to correct these deficiencies, and (b) the disclosure committee's Charter.
 - Oversee and monitor compliance with and make recommendations to the Board for any necessary amendments to the Corporation's disclosure and confidentiality policies, including the Corporation's Communications (Disclosure) Policy. Authorize any waiver granted in connection with such policy, and confirm with management the appropriate disclosure of any such waiver.
- (v) *Significant Accounting and Disclosure Practices.* Review with management and the external auditor significant accounting and disclosure practices employed by the Corporation to ensure that the financial statements are complete, do not contain any misrepresentations, and fairly present the Corporation's financial position and the results of its operations in accordance with Canadian GAAP and applicable International Financial Reporting Standards.
- (vi) *Compliance with GAAP and Applicable Laws.* Confirm that GAAP and all applicable laws or regulations related to financial reporting and disclosure have been considered and complied with.
- (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.

- (b) *Oversight of Internal Controls and Information Management*
- (i) *Review and Assessment.* Review with management and the internal auditor the adequacy and effectiveness of the Corporation's system of internal control and management information systems.
 - (ii) *Policies and Procedures.* Monitor policies and procedures for internal accounting, financial control and management information, electronic data control and cyber security.
 - (iii) *Fraud.* Oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.
 - (iv) *Complaints.* 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) *Reporting Relationships:* The external auditor will report directly to the Committee.
 - (ii) *Appointment or Replacement:* Review and make appropriate recommendations to the Board (including for shareholder approval) regarding the appointment or replacement of the external auditor.
 - (iii) *Compensation.* Review with management and make appropriate recommendations to the Board regarding the external auditor's compensation.
 - (iv) *Performance.* Evaluate the performance of the external auditor.
 - (v) *Independence.* Review and monitor the independence of the external auditor.
 - (vi) *Audit Plan.*
 - Before an audit commences, review the audit plan with the external auditor and management, and consider the nature and scope of the planned audit procedures.
 - 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.
 - (vii) *Review of Results.* Review, without management present, the reports of the external auditor 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.
 - (viii) *Disagreements with Management.* Resolve any disagreements between management and the external auditor regarding financial reporting.
 - (ix) *Meeting with External Auditor.* Meet with the external auditor without management present (1) at least quarterly 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.

- (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) *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.
 - (xii) *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.
 - (xiii) *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.
 - (xiv) *Other Audit Matters.* Oversee any other matters relating to the external auditor and the performance of audit services on the Company's behalf.
- (d) *Risk Management.*
- (i) *Risk Review.* Review the principal business risks of the Corporation at least annually and review and assess the adequacy of the Corporation's risk management policies and procedures with respect to the Corporation's principal business risks (including major information technology and cyber-security risks).
 - (ii) *Risk Management.* Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage risks and report regularly to the Board.
 - (iii) *Insurance.* Review and make recommendations to the Board as necessary regarding the Corporation's insurance program.
- (e) *Legal, Tax and Regulatory Compliance.*
- (i) *Tax 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.
 - (ii) *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.
- (f) *Related Party Transactions.* Review with management all related party transactions and the development of policies and procedures related to those transactions.
- (g) *Code of Conduct.* Cause an investigation of any reported violations of the Code to be undertaken and oversee an appropriate response being taken to any violation of the Code.
- (h) *Anti-Bribery and Anti-Corruption Policy.* Oversee and make recommendations to the Board for any necessary amendments with respect to the Corporation's Anti-Bribery and Anti-Corruption Policy.

5. Board Relationship and Reporting

The Committee will report to the Board on all matters set out in this Charter and any other matters as may be assigned to the Committee by the Board.

6. Delegation of Authority

The Committee has the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

7. Adequacy of Charter

The Committee will, together with the Nominating and Corporate Governance Committee, review this Charter at least annually and recommend any proposed changes to the Board for approval.

8. Experts and Advisors

The Committee may, in its sole discretion, retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfil its duties and responsibilities under this Charter. The Committee will set the compensation and oversee the work of any outside counsel and other advisors to be paid by the Corporation.

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 will 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 6, 2020.