



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

Western Forest Products Inc.
Annual Information Form

February 16, 2022

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FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form contains statements that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements because such statements are based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, and the Company can give no assurance that such statements will prove to be correct. Forward-looking statements contained herein may 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 intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. 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. Forward-looking statements are subject to a variety of risks and uncertainties that could cause our actual results or performance to be materially different from what is contemplated by these statements, including: economic and financial conditions, international demand for forest products, the Company's ability to export its products, cost and availability of shipping carrier capacity, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, the impact of climate change, relations with First Nations groups, First Nation's claims and settlements, the availability of fibre and allowable annual cut, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry including as related to old growth timber management and potential, temporary deferrals and the Manufactured Forest Products Regulation, changes in the price of key materials for our products, changes in opportunities, information systems security, future developments in the COVID-19 pandemic ("COVID-19") and other factors set out herein and in our management's discussion and analysis for the year ended December 31, 2021. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based solely on information currently available to us and are made as of the date hereof. Unless stated otherwise, the Company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, or other than as required by applicable securities laws.

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 37 of this document. All information in this Annual Information Form is current as of December 31, 2021, with subsequent events disclosed to February 16, 2022, 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, 2021, 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 seven sawmills with an annual lumber production capacity in excess of 1.0 billion board feet, 4 remanufacturing facilities, and timberland operations. Our timberlands operations have an annual available harvest of approximately 5.9 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 0.1 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 sustainable 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, 2021.

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. Western Forest Products US LLC sells its lumber products to customers in the US and Japan, and sells logs in the US.

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 collective agreement, resulting in the end of the Strike. The 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.

On February 1, 2021, the Company announced the terms of a new collective agreement which covered approximately 70 hourly employees at the Ladysmith Sawmill, had been ratified by members of the Public and Private Woodworkers of Canada ("PPWC), Local 8. The agreement came into effect January 1, 2021, and is effective through December 31, 2028.

On September 22, 2021, the Company and the PPWC, reached a new eight-year labour agreement for the approximately 80 hourly employees of the Company's Value-Added Division, a lumber remanufacturing operation located in Chemainus, BC. The agreement came into effect October 15, 2021, and is effective through October 14, 2029.

Acquisition

On February 1, 2019, the Company completed the acquisition of the assets of Columbia Vista Corporation and certain related entities including trucking facilities and working capital for \$37.7 million (the "CV Acquisition"). 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 111 employees and produced 57.4 million board feet of lumber in 2021. The CV 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.

The Company determined that the CV Acquisition was not a significant acquisition for which a business acquisition report and disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

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 lumber purchased through our Wholesale business unit to deliver the suite of products our customers require.

Western's multi-year Wholesale lumber strategy, which was most recently updated in 2021, identifies growth initiatives focused on targeted volumes of specific products, and strategic supply partnerships. Key product categories targeted include: Outdoor Living (decking/fencing); Exterior Appearance (siding/trim); Interior Living (paneling) and Structural applications.

To accelerate our strategic initiatives, we have re-aligned our sales and marketing team to better align with our product focus. In addition, we have added resources to support new product development and the continued development of our value-added Cedar business. Key marketing initiatives were completed in support of our product focus including: introducing new branding, updating the product section of our website, introducing new continuous education courses directed at the design and architectural community, introducing digital and print advertising campaigns, and developing sales and marketing collateral to support sales efforts, generate demand, and add value through the supply chain.

Capital Investments

Since 2013, Western has invested more than \$506.3 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 and related supply chain issues impacted capital expenditures in the latter half of 2020 through 2021.

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

<i>(\$ millions)</i>	2013 - 2017	⁽²⁾ 2018	⁽³⁾⁽⁴⁾ 2019	⁽⁴⁾⁽⁵⁾ 2020	⁽⁵⁾⁽⁶⁾ 2021	Total
Business Capital ⁽¹⁾	\$282.2	\$83.5	\$37.2	\$21.0	\$33.1	\$457.0
Acquisitions	-	11.6	37.7	-	-	49.3
Capital Invested	\$282.2	\$95.1	\$74.9	\$21.0	\$33.1	\$506.3

- (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) Acquisition capital in 2019 is in respect of the January 2019 Columbia Vista asset acquisition.
- (4) Due to the Strike, capital investments were restricted in the second half of 2019 and first half of 2020.
- (5) Due to the impact of COVID-19 pandemic, certain capital investments were restricted or delayed in 2020 and 2021.
- (6) Includes \$2.2 million in capital purchases through an equipment term loan.
- (7) Includes \$1.2 million in deposits on capital assets expected to be delivered in the first half of 2022.

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 and in safety and environmental protection, we also allocate capital to 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"> Dip tank for whitewood lumber treatment, barge loading facility expansion, infrastructure upgrades and optimization of both head rigs (sawmill) Enhanced timber processing system (sawmill) New stacker, strapper and paper-wrap system (planer) Automated lumber grading (planer) By-products system upgrade and improving line speeds Leachate water treatment pond Dynamic tensioning system (planer) Real-time lumber size control on edgers (sawmill) 	2015	\$10.8
		2016	15.5
		2015	5.3
		2017	7.7
		2018	4.1
		2020	0.9
		2021	0.5
		2021	0.3
			\$45.1
Saltair Sawmill	<ul style="list-style-type: none"> New sorter, trimmer, edgers and stacker New log in-feed and log merchandiser Ramp-up of log merchandiser and installation of new dual ring debarker Dip tank upgrades Real-time lumber size control on quad band mill 	2013	\$24.8
		2015	13.5
		2015	2.4
		2018	1.6
		2021	0.2
			\$42.5
Arlington	<ul style="list-style-type: none"> Building and equipment upgrades Stacker upgrades Trim block recovery system and brand stamping system 	2019	\$20.4
		2019	0.6
		2021	0.3
			\$21.3
Chemainus Sawmill	<ul style="list-style-type: none"> New timber deck Timber saw upgrades Timber saw upgrades and packager upgrade 	2016	\$1.5
		2017	3.2
		2018	0.9
			\$5.6
Cowichan Bay Sawmill	<ul style="list-style-type: none"> Automated log rotation technology Stacker modification Spray booth for whitewood lumber treatment Second log cut-off saw Planer tensioning system, quad saw deviation and speed control system 	2014	\$2.4
		2018	0.5
		2019	1.1
		2019	1.5
		2021	0.4
			\$5.9
Alberni Pacific Sawmill	<ul style="list-style-type: none"> Automated lumber grading technology Quad saw deviation and speed control system 	2014	\$4.2
		2021	0.1
			\$4.3
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 Saanich Seed Orchard and Nursery improvements Centralized saw filing room upgrade to support variable pitch bandsaws 	2018	\$6.6
		2018	2.7
		2021	0.4
		2021	0.4
			\$10.1

Since 2016, we have made \$10.4 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 more than \$3 million in LiDAR mapping and data analysis, in addition to significant employee time contributions. Leveraging the data from our investment in LiDAR mapping has improved forest tenure planning practices, assisted with Integrated Resource Management Planning with First Nations partners, 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 role of the Board and several Committees. 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.

On March 1, 2019, Western announced the appointments of independent directors Laura Cillis and Cheri Phyfer to its Board. On March 5, 2021, Western announced that James Arthurs and Lee Doney would not be standing for re-election as directors at Western’s Annual and Special Meeting on May 6, 2021, and that Randy Krotowski and John Williamson were appointed as independent directors to the Board of Directors.

The Board leadership transition plan was recommended by Western’s Nominating and Corporate Governance Committee (which consists of independent directors within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees*) working in conjunction with the Chair of the Board and reinforces Western’s commitment to corporate governance best practices, including director independence, diversity and inclusion, and complimentary governance skillsets.

Western’s Board, including the Nominating and Corporate Governance Committee, 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 Board succession.

Senior Leadership Retirement

On February 1, 2022, the Company’s President and Chief Executive Officer (“CEO”), Don Demens, announced his intention to retire by March 31, 2023. The Board of Directors has commenced a search for a new President and CEO. Mr. Demens will continue in his role as President and CEO until his replacement has been found to ensure a smooth transition and minimal disruption to Western’s business during this time. He will also remain a member of the Company’s Board of Directors until such time as the transition to his successor occurs.

Sustainability Report

On June 23, 2021, the Company published its latest Sustainability Report detailing the progress and commitment to our key sustainability initiatives. This includes the completion of our first full lifecycle carbon accounting, which confirmed the positive role Western’s sustainable forest management practices and wood products have in fighting against climate change. Western plans to build on the progress made to date and continue to enhance and evolve our sustainable practices and disclosure.

Sale of Ownership Interest in Port Alberni Forest Operations

On March 29, 2019, the Company completed the sale of a 7% interest in our Tsawak-qin Forestry Limited Partnership (formerly, TFL 44 Limited Partnership) (“TFLP”) 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. TFLP’s assets consist of Tree Farm License 44 (“TFL 44”) and certain other associated assets and liabilities of our former Port Alberni Forest Operation. We have continued to source fibre from TFLP 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 TFLP (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 affected the ability for the parties to satisfy all closing conditions, necessitating the closing of the TFL 44 Transaction in two stages and delaying the closing of the APD Transaction.

On May 3, 2021, the Company completed the sale of an incremental 28% equity interest in its TFLP to HVLP for \$22.4 million. With the completion of this stage of the TFL 44 Transaction, HVLP’s current equity interest in TFLP is 35%. The next stage of the TFL 44 Transaction, the acquisition by HVLP of a further 16% equity interest in TFLP for total consideration of \$12.8 million, is anticipated to close in the first quarter of 2023. The APD Transaction may close in the first quarter of 2023.

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

On November 15, 2021, TFL 44 Limited Partnership changed its name to Tsawak-qin Forestry Limited Partnership. The name change is intended to better reflect the shared values of the partnership, with Tsawak-qin (C'awak ?qin) meaning 'we are one' in Nuu-chah-nulth language.

Sale of Non-Core Assets

On March 14, 2021, the Company completed sale of certain properties, and their underlying rights, related to the Orca Quarry located near Port McNeill, BC for proceeds of \$36.0 million. Western has completed \$52.0 million in non-core asset in 2021, including the sale of Orca Quarry assets and the Somass Division assets.

Since 2014, Western has received net proceeds of \$94.5 million through the sale of non-core assets.

Financing

On July 21, 2021, the maturity date of the Company's \$250 million syndicated credit facility (the "Credit Facility") was extended to July 21, 2025 from August 1, 2022 and incorporated incentive pricing terms that can reduce or increase the Company's borrowing costs by up to five basis points based on the achievement of various sustainability-linked goals.

The Credit Facility includes an accordion feature that expands the availability by an additional \$100 million. The Credit Facility is secured by a general security agreement, excluding specified properties and their related assets, and is subject to certain financial covenants, including maximum debt to total capitalization ratio.

On March 16, 2020, the Company entered into a \$2.2 million term loan agreement bearing interest at 4.5% to fund an equipment acquisition. The loan was fully repaid on August 17, 2021.

Dividends

The Company paid a dividend of \$0.0225 per share in the first quarter of 2020, however due to uncertainty created by COVID-19 and the lingering effects of the Strike, the dividend was suspended for the remainder of 2020.

On February 18, 2021, the Company's Board of Directors reinstated a quarterly dividend of \$0.01 per share. The Company's Board of Directors will continue to review our dividend on a quarterly basis.

On an annual basis, dividends of \$0.04 per share were paid in 2021, \$0.0225 per share were paid in 2020, and \$0.09 per share were paid in 2019. Dividends paid in 2021 totalled \$14.3 million, as compared to \$8.4 million in 2020, and \$34.0 million in 2019.

Normal Course Issuer Bid

The Company has purchased and cancelled Common Shares under Normal Course Issuer Bids (“NCIB”) over the last three years as follows:

	Current NCIB ⁽¹⁾	Past NCIB ⁽²⁾	Past NCIB
Start date	August 11, 2021	August 8, 2020	August 2, 2019
Expiry date	August 10, 2022	August 10, 2021	August 7, 2020
Common shares permitted for purchase	29,726,940	23,112,988	18,763,888
Common shares purchased and cancelled	29,726,940	21,354,656	8,873,353 ⁽³⁾
Permitted purchases as % of public float	10.0%	7.5%	5.0% ⁽⁴⁾
Executed purchases as % of public float	10.0%	6.9%	2.4%
Average price per common share	\$2.04 per share	\$2.04 per share	\$1.79 per share
Program cost	\$60.7 million	\$43.6 million	\$15.9 million

(1) Includes 3,379,027 shares purchased and cancelled in 2022 for \$7.4 million at a price of \$2.04 per share.

(2) On June 22, 2021, Western amended its NCIB to increase the number of shares permitted to be purchased and cancelled from 18,759,858 to 23,112,988 as of August 6, 2020.

(3) Represents the shares purchased and cancelled during the year ended December 31, 2020.

(4) 2019 NCIB was measured on the basis of issued and outstanding shares on August 1, 2019.

In 2020, the Company 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 not ordinarily be permitted to purchase its Common Shares due to regulatory restrictions or self-imposed blackout periods. The NCIB expires August 10, 2022. Shareholders may obtain a copy of the Company’s normal course issuer bid notice, without charge, by contacting the Company.

During 2021, Western purchased 47,702,569 Common Shares for \$96.9 million at an average price of \$2.03 per common share, none in 2020, and 8,873,353 Common Shares for \$15.9 million at an average price of \$1.79 per common share during 2019.

As at January 24, 2022, the Company had repurchased and cancelled the maximum 29,726,940 Common Shares permitted for purchase and cancellation under the current NCIB for \$60.7 million at an average price of \$2.04 per common share.

Sawmill Curtailments

Temporary operating curtailments for periods greater than two weeks occur infrequently in lumber manufacturing, and arise primarily due to major maintenance requirements, insufficient log supply to operate economically, and aligning production to market conditions. Excluding our Saltair sawmill, since 2019 all the Company’s BC based manufacturing operations have been temporarily curtailed at least once resulting from one or more of those factors.

To mitigate log supply constraints and avoid further temporary operating curtailments, we may reduce operating hours at our sawmills. In 2019, the Chemainus sawmill operating hours were reduced from 120 hours per week to the 80 hours per week at which it operates today. In 2020, the Duke Point sawmill operating hours were reduced from 90 hours per week to the 80 hours per week at which it operates today.

In addition, all of the Company’s BC-based operations were temporarily curtailed in 2019 as the result of the USW Strike or insufficient log supply caused by the USW Strike. See *Labour Relations* above for more information on the USW 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 resumed such 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.

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.

In 2019 the Province became the first province in Canada to adopt the principles of the United Nations Declaration on the Rights of Indigenous Peoples (“UNDRIP”) through the bringing into force of Bill 41, Declaration on the Rights of Indigenous Peoples Act. The Act requires the Province to align all laws with UNDRIP, to develop an action plan to achieve this, and regularly report to the legislature to monitor progress. The Canadian federal government has also pledged to implement UNDRIP and the Calls to Action of the Truth and Reconciliation Commission. 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 the Act and the implementation of these commitments on Western’s ongoing operations or assets.

Notable legislative changes and policy initiatives undertaken since 2019 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 (“MFLNRO”) indicated its intention to reduce the penalties and delay implementation of 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 Province released publicly the report provided by the panel (the “Report”), including fourteen recommendations to inform old-growth management for BC.
- In January 2020, the Province announced changes to the Manufactured Forest Products Regulation (“MFPR”). The amendments to the MFPR require wood products made from WRC or cypress (yellow cedar) on the BC Coast and exported within 3,000 miles of BC to be fully manufactured to be eligible for export or be subject to export tax. 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 September 11, 2020, the Province announced an immediate deferral of harvest of old forests in 352,739 hectares of Crown land in BC, and a new Special Tree Regulation. Of Western’s 1.7 million hectares of Crown tenured land base, an area of 3,300 hectares was included in the September 2020 proposed temporary deferrals. The new Special Tree Regulation had no impact to Western given our ongoing commitment to protecting big trees.
- In October 2020, the BC New Democratic Party were re-elected and made statements that they would implement all fourteen recommendations of the Report through a phased approach over a three-year period.
- On December 15, 2020, the Province announced the application of a targeted variable fee-in-lieu of manufacturing for raw log exports harvested from cutting permits on the BC Coast.

- In March 2021, the Province announced the pending release of an Intentions Paper that included, amongst other things, the intent to diversify the BC forest sector, partially redistribute tenure and compensate existing tenure holders on a fair basis.
- In June 2021, the Intentions Paper was released. Titled “Modernizing BC’s Forest Sector”, it contained a vision and principles related to First Nations reconciliation, diversification, sustainability and stewardship amongst other things.
- On November 2, 2021, the Province announced proposed incremental, temporary harvest deferrals as recommended through its Technical Advisory Panel, subject to engagement with and agreement from First Nations. Across BC, an incremental 2.6 million hectares classified as old growth forest were identified for deferrals. The thirty-day response period initially provided to First Nations has been extended. For more information see “*Timber Available for Harvest*” below under the header “*Forest Resources*”.
- Western continues its joint work on Integrated Resource Management Plans with Indigenous partners including the HFN, the Nanwakolas Council and the Tla’amin Nation. As decisions by some First Nations remain outstanding, Western cannot determine the impact these deferrals will have on its business.
- On November 16, 2021, the Province introduced Bill 28, Forest Amendment Act, 2021, which is considered enabling legislation for the redistribution of harvest rights and, subject to further regulation, includes changes to how tenure holders may be compensated under the Forest Act for tenures. Included in the amendments arising from this Bill were requirements for area-based tenure holders to maintain and provide forest inventories, and certain log export administrative changes.
- On November 25, 2021, the Province’s Bill 23, Forests Statutes Amendment Act, 2021, amendment to the Forest and Range Practices Act received Royal Assent bringing into legislation forest planning and related changes including the replacement of Forest Stewardship Plans approved by Forest Districts with Forest Landscape Plans which are to be established by the Provincial Chief Forester.
- The ‘Namgis First Nation and Western continue their work on the TFL 37 Forest Landscape Plan Pilot, supported by the Province through the Office of the Chief Forester. The pilot and recommendations are anticipated to inform amendments to the Forest and Range Practices Act and associated Regulations and is targeted for completion late 2022 or early 2023. Western cannot determine the impact these recommendations will have on its business.
- On January 25, 2022, the Province announced that it is developing BC’s first Watershed Security Strategy and Fund, with details outlined in its published Discussion Paper: Watershed Security Strategy and Fund, including a commitment to develop and implement it with Indigenous peoples and in collaboration with local and federal governments. This initiative has an estimated target of spring/summer 2023 for launch of the Watershed Security Strategy.

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, 2021 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 2021.

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 2021.

Changes Expected for 2022

For additional information regarding changes expected to the Company’s business in 2022, see Western’s MD&A for the year ended December 31, 2021, 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, 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 and consistent with the profile of the species of our coastal tenures.

Timber Tenures

Approximately 95% of all forest land in BC is owned by the Province and administered by the MFLNRO. Subject to provincial regulations and Constitutional and legislative obligations to Aboriginal peoples (see "*Risks and Uncertainties – First Nations Land Claims*" in our MD&A for the year ended December 31, 2021), rights to harvest timber on such land may be granted on behalf of the Province by the MFLNRO in the form of timber tenures; and timber tenures may also be transferred or sold by the tenure holder. Western's timber tenures are comprised of TFLs, FLs and TLs, acquired through predecessor companies and from former coastal forestry participants.

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 MFLNRO every five to ten years with a new TFL with a 25-year term, subject to satisfactory performance by the TFL holder of its obligations. Approximately 90% of the Company's replaceable AAC comes from six TFLs (TFL 6, TFL 19, TFL 25, TFL 37, TFL 39 and TFL 44).

TFL 6 was replaced in March 2020, TFL 25 was replaced in May 2019, and TFL 37 was replaced in March 2017. TFL 44 was replaced in August 2019. TFLs 19 and 39 are due to be replaced and MFLNRO is currently consulting with potentially affected First Nations regarding the replacement of these two TFLs.

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 MFLNRO 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.

The Company's five FLs (A16845, A16847, A19231, A19244 and A94737) were replaced between 2017 and 2018.

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 2021 the Company had 5 TLs external to TFLs.

Private Timberlands

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.

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,		
	2021	2020	2019	2021	2020	2019
TFLs ⁽⁴⁾	3,132	3,767	2,552	5,281	5,281	5,281
FLs ⁽⁵⁾	45	32	63	478	501	501
Other lands ⁽⁶⁾	340	233	114	154	164	174
Total ⁽¹⁾	3,517	4,032	2,729	5,913	5,946	5,956
Logs purchased	1,011	945	729			
Logs consumed	3,089	2,228	2,004			
Logs sold	1,340	1,880	1,286			

- (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 61,182 m³ in 2021. Net volumes harvested by joint ventures / Limited Partnerships amounted to 33,436 m³ from Company tenures. Also, 39,991 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 782,482 m³ of AAC related to TFL 44 held in Tsawak-qin Forestry LP, a partnership between Western and HVLP. We intend to continue to source fibre from TFLP to support our BC manufacturing facilities.
- (5) The 23,000 m³ reduction in AAC in 2021 was due to the sale of certain FLs to First Nations, see “*Indigenous Relations*” for more information.
- (6) At December 31, 2021, 139,000 m³ of available cut is attributed to private managed forest lands outside of TFLs and 15,000 m³ to TLs outside of TFLs. The 10,000 m³ reduction in Other lands AAC in 2021 was due to the sale of interests in certain TLs and expiries.

On December 8, 2020, the Chief Forester established AAC partitions for TFL 44. The total AAC for TFL 44 remained unchanged at 793,600 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 2022.

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 are three Part 13 designations in place on Western tenures in 2021 that affected 4,820 hectares, for which no temporary AAC reduction was made.

On November 2, 2021, the Province proposed, temporary harvest deferrals in 2.6 million hectares of forests across BC. The Province stated that final decisions on the proposed, temporary deferral areas will be based on discussions between the Province and First Nations governments, most of which are ongoing in respect of territories that overlap with the Crown tenures that we manage.

On December 2, 2021, in a preliminary determination, HFN confirmed their right to its harvest in 645 hectares of proposed, temporary deferral areas within its traditional territory and TFL 44. HFN further identified that the Province's remaining proposed, temporary deferral areas were already protected under existing conservation measures, or had no planned for harvest activity in the next two years.

On January 19, 2022, in an agreement with four members of the Nanwakolas Council, we temporarily deferred 1,506 hectares in TFL39 (Block 2), representing approximately 1% of that tenure area. This deferral area is incremental to areas previously protected under existing conservation measures, undertaken by Western and the Nanwakolas Council.

Western is actively investing in capacity building and fostering positive working relationships with Indigenous groups, with traditional territories within which Western operates. Despite the Province's proposed, temporary deferrals, through ongoing efforts, we have achieved a series of milestone agreements for the development of Integrated Resource Management Plans and related initiatives with partner First Nations. These joint forest stewardship planning processes are underway in TFL 37, TFL 39 (Block 1), TFL 39 (Block 2), and TFL 44. For more information on these and other tenure related initiatives, see *"Reconciliation and Advancing Mutually Beneficial Relationships"* under *"Indigenous Relations"* below.

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 95% 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 5% 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 2021 the species distribution of our timber resources was approximately 62% hemlock and balsam, 15% cedar, 12% Douglas fir, 7% yellow cedar and 4% 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 2021 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 that auction bidders don’t incur as BCTS covers those costs. These costs, referred to as ‘Tenure Obligation Adjustments’, typically include road development, road maintenance, forest planning and administration, and silviculture. There are also other harvesting costs or ‘Specified Operations’ that are not represented in the auction dataset that are also deducted from the auction value. These ‘Specified Operations’ costs include Tree Crown Modification, Barging, Ecosystem-Based Management, and Inland Water Transportation. The Coastal MPS equations are updated annually to reflect recent sales data and costs, with the most recent update occurring on December 15, 2021. Stumpage rates are also adjusted quarterly to reflect changes in inflation and market variables including lumber prices, housing starts in Canada, United States, and Japan, and BC Coast harvest levels.

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,		
	2021	2020	2019
Gross log production from Crown land (<i>thousands of cubic metres</i>)	3,177	3,799	2,615
Stumpage (<i>\$ millions</i>)	\$63.9	\$30.8	\$26.0

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 all laws and regulations. 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, age class, distribution and value. These plans provide direction for the development of site-specific plans and lead to the applications for specific road-building and harvesting permits.

In 2021, the Company harvested timber from 4,900 hectares of land (2020: 5,766 hectares; 2019: 3,748 hectares). Following harvest, Western ensures that disturbed areas are reforested based on the natural profile of tree 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 reforestation, we conduct follow-up surveys and silviculture treatments to ensure that these harvested areas meet free-growing requirements within specified timelines. Should a developing tree 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 other 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 those stands 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 team of forest professionals including 47 Registered Professional Foresters, 11 Registered Forest Technologists and 8 Foresters in Training supported by staff biologists and third-party specialists including hydrologists and geoscientists using science-based sustainable forest management practices. Western’s forest stewardship organization, guided by an integrated set of high standards, completes conservation and stewardship plans that facilitate cutblock and road layout. Western has developed highly accurate forest inventories data derived through LIDAR which supports Western’s sustainable forest management planning and development including harvesting, silviculture and forest health and protection and forest certification 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 MFLNRO each year. Should a fire start as the 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 MFLNRO initial attack costs or the fire suppression costs associated with the wildfire once the MFLNRO has assumed fire control. Further, Western will not be charged for damages to Crown resources if the Company has been duly diligent. Western has entered into a cost-sharing agreement with the Crown for fire-fighting on 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, 2021 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 and from private landowners through various forms of agreements including 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.

MANUFACTURING FACILITIES

Sawmills

We own and operate seven sawmills, six on Vancouver Island (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)	Location	Smallest Log Diameter Processing Capability	Capacity ⁽¹⁾	Production		
				Year ended December 31,		
Sawmill				2021	2020 ⁽²⁾	2019 ⁽²⁾
Canada						
Ladysmith	Ladysmith, BC	4" diameter log	90	88	19	52
Cowichan Bay	Duncan, BC	6" diameter log	215	131	82	64
Saltair	Ladysmith, BC	6" diameter log	240	209	155	96
Alberni Pacific	Port Alberni, BC	12" diameter log	175	51	52	44
Duke Point	Nanaimo, BC	12" diameter log	130	96	78	64
Chemainus	Chemainus, BC	15" diameter log	130	67	58	47
US						
Columbia Vista	Vancouver, WA	10" diameter log	80	57	59	57
			1,060	699	503	424
Custom Cut	multiple	Varies	n/a	61	73	67
Total			1,060	760	576	491

(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.

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 2021 was 45% hemlock, 47% WRC and 8% Douglas fir. 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 hemlock, Douglas fir and WRC products. The approximate production mix in 2021 was 82% hemlock and 18% 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 and Douglas fir products. The approximate production mix in 2021 was 91% hemlock and 9% Douglas fir. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capabilities of 12" diameter logs. The sawmill produces products for the Japanese traditional home segment and appearance products. The facility has access to eight kilns on site.

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 2021 was 97% hemlock and 3% WRC. The sawmill focuses on medium to large diameter logs, with the smallest log diameter processing capabilities of 12" 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.

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 with breakdown equipment best suited to cutting 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.

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.

The equipment upgrades at our Arlington Distribution and Processing Centre have allowed us to increase the percentage of finished products offered by Western in the US market, including the expansion of Canadian and wholesale programs, and the importation of Japanese cedar for the US market. With added finished lumber production at this facility, we have increased our overall processing and distribution of lumber produced for third parties.

Overall, we have a total of 26 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

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 BC operations are set out in the following table:

<i>(thousands of volumetric units)</i>	Year Ended December 31,		
	2021	2020	2019
Wood chips produced	473	286	273
Wood chips purchased	4	-	70
	477	286	343
Wood chips sold	476	286	343

In our US operations, residual chips and wood residue from our manufacturing operation are 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, has one office in Tokyo, Japan, and has 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 31% of our lumber products are currently sold kiln-dried (29% - 2020; 24% - 2019).

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:

(millions of dollars)		Year ended December 31,		
		2021	2020	2019
Lumber	Canada	256.2	155.2	123.4
	US	491.7	299.7	208.3
	Japan	195.3	104.0	118.6
	China	126.8	116.7	115.2
	Other	100.6	45.5	46.8
	Europe	26.9	16.1	16.0
		1,197.5	737.2	628.3
Logs, saw	Canada	123.8	121.7	105.8
	China	11.5	41.5	18.2
	US	10.3	7.2	3.4
	Other	2.5	1.9	0.8
Logs, pulp	Canada	21.3	28.2	15.8
		169.4	200.5	144.0
By-products	Canada	48.2	23.6	30.9
	US	2.7	3.6	4.5
		50.9	27.2	35.4
Total Sales		1,417.8	964.9	807.7

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. 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 at December 31, 2021, Western had 2051 employees (of whom 1273 are unionized employees), 521 Canadian salaried employees, 51 Canadian non-union hourly employees, 198 US employees and 8 employees in Japan and China.

The majority of the Canadian unionized employees are represented by the USW, whose USW Master Agreement covers approximately 1132 Western employees and expires June 14, 2024.

The remaining unionized employees are represented by the PPWC. The PPWC collective agreement for the Ladysmith Sawmill (~80 employees) expires on December 31, 2028. The collective agreement for the Value-Added Remanufacturing Operation (61 employees) expires on October 14, 2029.

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 safety culture. As part of our ongoing commitment to defining a higher standard, in 2021 we enhanced our HSMS to include ongoing safety protocols related to the ongoing COVID-19 pandemic.

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 2021, four of Western's Canadian manufacturing operations underwent MAG audits, each achieving MAG Safe Certification. Western's timberlands operations were audited by BCFSC in November 2021, resulting in a score of 96.5%, achieving SAFE Company certification.

Western's timberlands operations employ approximately 120 contractor companies who in turn employ nearly 2,000 people 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" in BC.

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,		
	2021	2020	2019
Timberlands – Company	1.81	1.89	3.73
Manufacturing – Company	4.23	3.27	3.66
Company Total	3.08	2.47	3.30
Timberlands – Contractor	3.55	4.11	2.02
Manufacturing – Contractor	3.58	5.42	0.00
Contractor Total	3.54	4.15	1.80

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 and Range Practices Act and regulations.

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 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 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 2021, 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 responsibility 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, independent third-party audits, as well as internal audits, we confirm that we remain in conformance with our Environmental Management Systems as certified through 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”) certifications from its processing facilities, its suppliers and through its sales operations. This CoC has established 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 continues to be maintained as Western’s primary CoC approach.

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 4 GWh in 2021 over 2020.

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 significant 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, 2021, under the heading *“Risks and Uncertainties”*.

RESEARCH AND DEVELOPMENT

Silviculture and tree improvement research is conducted primarily by Western cooperating with 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.

INDIGENOUS RELATIONS

Western operates within the traditional territories of more than 45 First Nations on Vancouver Island and the Mainland Coast. Western has developed and intends to continue to support positive working relationships with many of these First Nations through proactive business and planning agreements and through our information sharing, timber harvesting, silviculture, planning and other mutually-beneficial arrangements.

Current provincial policy requires that forest management and operating plans consider potential impacts of proposed activities on all asserted or established 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 established Aboriginal rights and title. If a First Nation is opposed to a forest tenure or other operating authorization, such opposition 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, including many where the Company’s operating areas overlap with their traditional territories. 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 with which the Company’s operating areas overlap have concluded strategic engagement 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 with the Nanwakolas 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 and other reconciliation agreements with First Nations. Where Western’s operating areas overlap with the traditional territories of those Nations, 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 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 June 21, 2021 the federal *United Nations Declaration on the Rights of Indigenous Peoples Act* received Royal Assent.

Significant expectation has been raised among Indigenous groups in BC and across the country as to the impact that legislation and the federal and provincial governments’ commitments may have on efforts to achieve true reconciliation with Indigenous peoples. At this time, the Company is unable to predict the potential impacts of the legislation or the implementation of government commitments on Western’s ongoing operations or assets.

Reconciliation and Advancing Mutually Beneficial Relationships

We respect the treaty and Aboriginal rights of Indigenous groups, and we are committed to open dialogue and meaningful actions in support of reconciliation.

We are actively investing time and resources in capacity building and fostering positive working relationships with Indigenous groups, with traditional territories within which Western operates, through information sharing, joint sustainable forest management planning, timber harvesting, reforestation practices, restoration initiatives and other mutually beneficial interests. These arrangements may include business-to-business service and supply contracts, combining tenure for joint forest management, job creation and training, and limited partnerships with shared governance and financial interests.

In collaboration with Indigenous groups, and as presented below, we have achieved a series of milestone agreements that advance our mutually beneficial relationships and exemplify Western's ongoing actions to support reconciliation. Further details on these relationships and other community initiatives are available on our website at www.westernforest.com/responsibility/community/.

Integrated Resource Management Plan with Nanwakolas Council

On October 20, 2021, together with the Nanwakolas Council, we announced the completion of a letter of understanding to develop a joint planning and reconciliation protocol agreement; that will guide the co-development of an Integrated Resource Management Plan for collaborative, sustainable forest management in the traditional territories of the Nanwakolas Council member First Nations on central Vancouver Island, BC.

Nanwakolas Council represents K'ómoks, Tlowitsis, Wei Wai Kum and We Wai Kai First Nations. Several Western forest tenures overlap with Nanwakolas Council member First Nations' traditional territories, and the focus of this agreement is TFL 39 (Block 2). In recent years, we have engaged in several innovative projects together, including joint development and the ongoing implementation of the Nanwakolas Large Cultural Cedar Declaration and the 2020 Information Sharing Protocol.

On January 19, 2022, Western and the four member Nations of the Nanwakolas Council announced an agreement to work on a joint approach to managing forests through development of an Integrated Resource Management Plan for TFL 39 (Block 2). The agreed collaborative planning efforts are expected to integrate the Nations' perspectives, values, and interests with the intent of enhancing forest stewardship, creating socio-economic opportunities, and providing greater operating certainty.

Sale of Forest and Timber Licence Interests to Lil'wat Nation and Tsleil-Waututh Nation

On October 7, 2021, we completed the sale of our interests in timber licences and jointly held forest licences to third parties, including the Lil'wat Nation and Inlailawatash Limited Partnership, a Tsleil-Waututh Nation business.

These licence interests had been held by Western, under the management of third parties, as the result of Western-predecessor company transactions to acquire and reassess operating rights.

Forest Landscape Plan Pilot with 'Namgis First Nation

On September 23, 2021, together with the 'Namgis First Nation, we announced the launch of the TFL 37 Forest Landscape Plan Pilot project to guide collaborative decision-making and for the joint development of an innovative and progressive plan to sustainably manage TFL 37.

The three forest areas covered by the plan include the area-based tenure managed by Western, a replaceable forest licence managed by a 'Namgis-owned corporation, and the operating area of the Danyas Limited Partnership, a successful forest partnership established by 'Namgis and Western in 2015.

This Landscape Level Plan is supported by the BC Government as a formal pilot project to inform amendments to the Province's Forest and Range Practices Act.

Integrated Resource Management Plan with Tla'amin Nation

On July 6, 2021, together with the Tla'amin Nation, we announced a Renewal Agreement and the planned development of a Tla'amin led, collaborative Integrated Resource Management Plan for Tla'amin treaty lands and Crown tenure areas, and the portion of Western's TFL 39 (Block 1) located in Tla'amin territory. Completion of this values and science-based plan is expected to take up to two years.

The Renewal Agreement advances joint efforts that have been underway since the signing of a 2019 Memorandum of Understanding, supports continued exploration of innovative ideas to advance common interests related our respective forestry assets and interests in Tla'amin territory.

Quatsino First Nation Land Agreement

On June 21, 2021, we announced an agreement to sell private land near Coal Harbour, on northern Vancouver Island, BC, to a wholly owned limited partnership of the Quatsino First Nation. The land will be used for community housing and a Big House.

The land purchase and sale transaction is another positive milestone in a long-standing relationship of joint efforts. Most recently, involving the Province, we co-developed the September 2020 Memorandum of Understanding to create a framework to collaboration on sustainable forest management on northern Vancouver Island, BC. We also co-partner in Quatern Limited Partnership, a joint logging operation created in 2010 to facilitate collaborative forest management and advance economic reconciliation.

Tsawak-qin Forestry LP and Integrated Resource Management Plan with Huu-ay-aht First Nations

On May 3, 2021, Western completed the sale of an incremental 28% equity interest in TFLP to HVLP, a limited partnership beneficially owned by the HFN, for \$22.4 million. HVLP's current equity interest in TFLP is 35%. Also in the first half of 2021, we began the co-development and TFLP implementation of an HFN-led Integrated Resource Management Plan that is anticipated to be completed in 2023. We have previously agreed to an option to sell a further 16% equity interest in TFLP to HVLP with an anticipated close in the second quarter of 2023, subject to closing conditions. We also have an agreement to sell up to an incremental 26% in TFLP to area First Nations and, alongside the HFN, we are now engaging those Nations.

Our growing relationship with HFN has resulted in a suite of other mutually beneficial agreements since 2017, including the sale of our former Sarita Dryland Sort assets, employment and training agreements, and the 2018 Reconciliation Protocol Agreement. The Western-HFN Reconciliation Protocol Agreement set the framework for a shared path to reconciliation and a joint vision for a safe and competitive forest sector in the Alberni Valley, and formed the foundation for the creation of TFLP.

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 (“CV”) 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 CV 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 CV and AD rates.

On November 23, 2020, the DoC released its final determination of CV and AD rates resulting from its first administrative review reducing the rates applied to exports during the period of review (April 28, 2017 through December 31, 2018) and establishing revised cash deposit rates applicable to Canadian lumber shipments made to the US in December 2020 until the publication of final rates under the next administrative review.

On November 24, 2021, the DoC released its final determination of CV and AD rates resulting from its second administrative review reducing the combined rate applied to exports for the year ended December 31, 2019 and establishing revised cash deposit rates applicable to Canadian lumber shipments made to the US in December 2021 onwards.

On January 10, 2022, as a result of a ministerial error in its second administrative review, the DoC revised the published CV rate to 6.32% increasing the combined cash deposit rate to 17.91%.

On January 31, 2022, the DoC released its preliminary determination for CV and AD rates resulting from its third administrative review of shipments for 2020. The DoC may revise these rates between the preliminary and the final determination, expected to be released in July 2022. Cash deposits continue at the combined duty rate of 17.91% until the final determinations are published, after which the 2020 rate will apply.

The following table summarizes the cash deposit rates in effect, the final rates for 2017, 2018 and 2019 and the preliminary rates for 2020:

	1 month ended Dec. 31 2021	11 months ended Nov. 30 2021	1 month ended Dec. 31 2020	11 months ended Nov. 30 2020	Year		
					2019	2018	2017
Cash deposit rate, CV	6.31%	7.42%	7.42%	14.19%	14.19%	14.19%	14.19%
Cash deposit rate, AD	11.59%	1.57%	1.57%	6.04%	6.04%	6.04%	6.04%
Cash deposit rate, combined	17.90%	8.99%	8.99%	20.23%	20.23%	20.23%	20.23%
Final rate, CV					6.32%	7.42%	6.71%
Final rate, AD					11.59%	1.57%	1.66%
Final rate, combined					17.91%	8.99%	8.37%
				Year			
				2020			
Preliminary rate, CV				6.88%			
Preliminary rate, AD				4.76%			
Preliminary, combined				11.64%			

During 2021, the Company recorded export tax expense of \$29.8 million, somewhat offset by a recovery in November 2020 of \$3.3 million for a net export tax expense of \$26.5 million. As at February 1, 2022, \$158.1million (US\$121.6million) of aggregate duty deposits paid by the Company were held by the US Treasury.

On January 3, 2022, the DoC announced the fourth administrative review of CV and AD rates for shipments for the year ended December 31, 2021.

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. The tax rate is also based on the combined cash deposit rate (see "*Softwood Lumber Trade*"). These changes were effective September 30, 2020.

During 2021, the Company recorded export tax expense of \$3.6 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, 2021.

Corporate Tax Payments

The following table represents Western's country-by-country income tax cash payments (refunds):

(\$ thousands)	Year ended December 31,		
	2021	2020	2019
Canada	(70)	(16,828) ⁽¹⁾	16,797 ⁽¹⁾
US	-	18	183
Japan	107	180	112
	36	(16,630)	17,092

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

(2) In 2020 and 2021, the Company utilized tax non-capital loss carry-forwards which arose as a result of the Strike to reduce income taxes. In 2021, Western also utilized capital loss carry-forwards loss carry forwards to reduce taxes otherwise payable on disposal of properties.

The Company's income tax liability of \$64.1 million at December 31, 2021 will be remitted in 2022. Western is required to make income tax instalments in 2022.

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, 2021, 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 February 16, 2022, 325,401,543 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 February 18, 2021, the Company’s Board of Directors reinstated a quarterly dividend of \$0.01 per share.

On an annual basis, dividends of \$0.04 per share were paid in 2021, \$0.0225 per share were paid in 2020, and \$0.09 per share were paid in 2019. Dividends paid in 2021 totalled \$14.3 million, as compared to \$8.4 million in 2020, and \$34.0 million in 2019.

The Company’s Board of Directors will continue to review our dividend on a quarterly basis.

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 2021:

Month	High (\$)	Low (\$)	Volume
January	1.35	1.24	13,649,300
February	1.71	1.26	18,818,600
March	1.90	1.57	23,678,500
April	2.20	1.80	24,567,700
May	2.58	1.92	46,900,000
June	2.21	1.91	26,495,000
July	2.22	1.86	16,666,200
August	2.16	1.87	16,082,600
September	2.26	1.90	26,973,100
October	2.40	2.10	18,204,200
November	2.26	1.66	36,047,100
December	2.17	1.72	21,198,400

DIRECTORS AND OFFICERS

Western’s articles provide that the Board is to consist of a minimum of three directors and a maximum of fifteen directors. Western currently has eight 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 5, 2022) 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 16, 2022, 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
JANE BIRD ⁽¹⁾⁽²⁾ Vancouver, BC, Canada	Senior Business Advisor, Bennett Jones LLP	August 4, 2015
LAURA CILLIS ⁽²⁾⁽³⁾ Nelson, BC, Canada	Corporate Director	March 1, 2019
DONALD DEMENS Vancouver, BC, Canada	President and Chief Executive Officer, Western	February 21, 2013
RANDY KROTOWSKI ⁽³⁾⁽⁴⁾ Florence, MA, USA	Corporate Director	March 5, 2021
DANIEL NOCENTE ⁽¹⁾⁽³⁾⁽⁴⁾ Vancouver, BC, Canada	Corporate Director	May 8, 2014
CHERI PHYFER ⁽¹⁾⁽⁴⁾ Bay Village, OH, USA	President, Global Plumbing Group for Fortune Brands Home Security	March 1, 2019
MICHAEL T. WAITES ⁽⁵⁾ Vancouver, BC, Canada	Corporate Director	November 13, 2014
JOHN WILLIAMSON ⁽¹⁾⁽⁴⁾ Friday Harbour, WA, USA	Corporate Director	March 5, 2021

- (1) Member of the Management Resources and Compensation Committee
- (2) Member of the Nominating and Corporate Governance Committee
- (3) Member of the Audit Committee
- (4) Member of the Environmental, Health and Safety 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 for:

- 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;
- Cheri Phyfer, who was 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;
- Randy Krotowski, who was General Manager and Strategic Advisor to C3 AI from September 2014 to April 2021; and,
- John Williamson, who was Chief Executive Officer at Atkore International from June 2011 to September 2018.

Executive Officers

The tables below set forth the names, municipalities of residence and positions with Western of the officers of Western as of February 16, 2022, 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
ALYCE HARPER Vancouver, BC, Canada	Vice President, General Counsel & Corporate Secretary	January 2020	Present
	Senior Director, Legal & Corporate Secretary	February 2017	December 2019
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
SHANNON JANZEN Ladysmith, BC, Canada	Vice President, Partnerships & Sustainability and Chief Forester	February 2020	Present
	Vice President and Chief Forester	January 2015	February 2020
GLEN NONTELL Vancouver, BC, Canada	Vice President, Corporate Development	February 2020	Present
	Senior Director, Corporate Development	March 2018	February 2020
	Director, Investment Banking, Scotiabank	November 2017	March 2018
	Associate Director, Investment Banking, Scotiabank	December 2013	October 2017
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
DALLYN WILLIS Vancouver, BC, Canada	Vice President, Finance	January 2020	Present
	Senior Director, Finance & Administration	March 2016	December 2019

Shareholdings of Directors and Executive Officers

As at February 16, 2022, the directors and executive officers as a group owned, directly or indirectly, or exercised control or direction over 2,557,355 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 16, 2022, Laura Cillis (Chairperson), Daniel Nocente, and Randy Krotowski. 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 2021, the Audit Committee met 5 times.

Relevant Education and Experience

Laura Cillis – Ms. Cillis currently serves as a board member of Crescent Point Energy Corp and Shawcor Ltd., where she is Chair of Shawcor's Audit Committee. 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.

Daniel Nocente – 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.

Randy Krotowski – Mr. Krotowski is an independent consultant, specializing in digital strategy development, execution and customer and market development. Mr. Krotowski previously served as Vice President and Chief Information Officer of Caterpillar, retiring in 2014, and Chief Information Officer for Chevron's Global Exploration and Production business. He has held various senior management positions in Chevron Corporation and has served as an advisor to several Silicon Valley technology companies. Mr. Krotowski has extensive experience in operations management and supply chain optimization. He currently sits on the board of Paragus IT. Mr. Krotowski holds a Bachelor of Applied Science in Chemical Engineering from the University of Toronto and an MBA from Golden Gate University.

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, 2021 and 2020 are as follows:

(\$ thousands)	2021			2020 ⁽¹⁾		
	Fees	Admin	Total	Fees	Admin	Total
Audit	619	7	626	599	3	602
Audit-related	26	-	26	26	2	28
Taxation	28	1	29	29	1	30
Total for all services	673	8	681	654	6	660

(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 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, 2021, 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, (a) 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; (b) no penalties or sanctions material to the Company have been imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision; and (c) 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 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.

On August 8, 2018, the Company entered into the Credit Facility which provides for borrowing of \$250 million and includes an accordion feature of \$100 million which allows the Company to increase the aggregate amount available to \$350 million, subject to lender approval. The Credit Facility will be used for general corporate purposes.

On July 21, 2021, the maturity date of the Credit Facility was extended to July 21, 2025 from August 1, 2022 and incorporated incentive pricing terms that can reduce or increase the Company’s borrowing costs by up to five basis points based on the achievement of sustainability-linked goals.

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 16, 2022.

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 6, 2021. 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.
“MFLNRO”	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 and environmental, social and corporate governance reporting and disclosure;
- (b) the internal control and financial reporting systems and management information systems and security 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.

2. 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.

3. 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.

4. Quorum

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

5. 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) *Environmental, Social and Corporate Governance (ESG) Reporting.* Oversee the Corporation's reporting standards in relation to ESG, review and make appropriate recommendations to the Board on the sustainability report, and periodically review and assess the Corporation's communications in respect to its policies and practices in the area of ESG;
 - (c) *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 and security.
 - (ii) *Policies and Procedures.* Monitor policies and procedures for internal accounting and financial control. Monitor policies, procedures and plans for management information systems, electronic data control and cyber security, including crisis management and business continuity plans.
 - (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.
- (d) *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.
- (e) *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.
- (f) *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.
- (g) *Related Party Transactions.* Review with management all related party transactions and the development of policies and procedures related to those transactions.
- (h) *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.
- (i) *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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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 5, 2021.