



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

Western Forest Products Inc.
Annual Information Form

February 13, 2024

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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 integration of our business units, the execution of our sales and marketing strategy, developments in the regulatory framework in BC and other jurisdictions where we do business, future costs, future expenditures, capital programs and other strategic initiatives, the completion of the TFL 39 Block 2 transaction and the expected timing thereof, the timing and outcome of the negotiation processes for the APD facility, the anticipated benefits from our transactions and other strategic initiatives, available harvest levels and fibre supply, AAC determinations, capital allocation, environmental and safety certifications, the development of our sustainable practices and related disclosure, the development and completion of IRMPs and FLPs and the expected timing thereof, 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 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 including inflation, 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 and sanctions, changes in foreign currency exchange rates, labour disputes and disruptions, ability to recruit workers, natural disasters, the impact of climate change, relations with First Nations groups, First Nations' claims and settlements, the availability of fibre and future AAC determinations for the Company's timber tenures, 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 the Manufactured Forest Products Regulation, changes in the price of key materials for our products, changes in opportunities, information systems security, future developments related to COVID-19 or any other public health threat, the execution of our sales and marketing strategy, the development and completion of IRMPs or FLP pilots with First Nations, future lumber production outputs and curtailments, and other factors set out herein and in our management's discussion and analysis for the year ended December 31, 2023. 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.

BASIS OF PRESENTATION

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, 2023, with subsequent events disclosed to February 13, 2024, 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, 2023, which contains information required to be included in this Annual Information Form. The MD&A is accessible on SEDAR+ at www.sedarplus.ca.

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, four remanufacturing facilities, two glulam manufacturing facilities with production capacity of 35 million board feet, and timberland operations. Our timberland operations have an annual available timber harvest of approximately 5.8 million cubic metres (“m³”), of which 5.7 million cubic metres of allowable annual cut (“AAC”) is from high-quality tenures (replaceable 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, purchasing logs and standing timber 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, glulam manufacturing 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. Our glulam manufacturing facilities produce high quality glulam beams for industrial, commercial and residential projects around the world.

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 Prioritizes*” section in Western’s MD&A for the year ended December 31, 2023.

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, partnered with First Nations on whose traditional territory the Company operates in timber ownership and forest management, focused on operational improvements to reduce costs and implemented multiple strategic capital improvements and acquisitions 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, BC V6E 3P3.

Although the Company has a number of subsidiaries, its principal subsidiaries are:

Name	Jurisdiction of Incorporation	Percentage owned
Western Lumber Sales Limited ⁽¹⁾	Canada	100%
WFP Holdings US Inc. ⁽²⁾	Washington State	100%
<ul style="list-style-type: none"> • Western Forest Products US LLC ⁽³⁾ 	Washington State	100%
<ul style="list-style-type: none"> • WFP Engineered Products LLC ⁽⁴⁾ 	Washington State	100%

(1) Western Lumber Sales Limited sells the Company's lumber products to customers in the US.

(2) The Company indirectly holds a 100% interest in WFP Holdings US Inc., a holding company which owns and controls the Company's US operating subsidiaries. Western Forest Products US LLC and WFP Engineered Products LLC are the Company's two principal operating subsidiaries in the US.

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

(4) WFP Engineered Products LLC sells its engineered wood products to customers in the US, Canada and export markets

General Development of the Business Over the Past Three Financial Years

Senior Leadership Changes

Don Demens retired as the Company's President and Chief Executive Officer ("CEO") effective September 7, 2022. Steven Hofer was appointed President and CEO of the Company effective September 7, 2022 filling the vacancy of Mr. Demens.

On February 13, 2024, the Company announced its Executive Vice President and Chief Financial Officer ("CFO"), Stephen Williams, will step down from his role by the end of 2024. Western has commenced an executive search for a new CFO. Mr. Williams will continue in his role as CFO until his replacement has been found, and thereafter be available until the end of 2026 in a limited advisory capacity to support a seamless transition process.

Labour Relations

On February 1, 2021, the Company announced a new collective agreement which covers approximately 89 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 51 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 August 31, 2022, the Company completed the acquisition of certain assets of Calvert Company, Inc. ("Calvert") located in Washington State for total consideration of US\$12.2 million, including inventory of US\$2.7 million. Calvert is one of the oldest glulam manufacturers in the US and has more than 60 years of experience producing high quality glulam beams in multiple species, including Douglas fir, southern yellow pine and yellow cedar, for industrial, commercial and residential projects around the world. Calvert has manufacturing facilities in Washougal, Washington and Vancouver, Washington with a combined annual glulam capacity of approximately 35 million board feet on a two-shift basis. Calvert's operations employ approximately 67 employees and produced approximately 10 million board feet of glulam in 2023 on a single shift basis.

TFL 39 Block 2 Transaction with Four Vancouver Island Nations

On October 23, 2023, the Company and four Vancouver Island First Nations, Tlowitsis, We Wai Kai, Wei Wai Kum, and K'ómoks First Nations (collectively, "Nations"), announced an agreement for the Nations to acquire a 34% interest from the Company in a newly formed Limited Partnership ("Mid-Island Partnership") for \$35.9 million.

The Mid-Island Partnership will consist of certain assets and liabilities of Western's Mid Island Forest Operation, including Block 2 of TFL 39. The Mid-Island Partnership's operations will cover approximately 157,000 hectares of forest land in the traditional territories of the Nations near the communities of Campbell River and Sayward on eastern Vancouver Island. The Mid-Island Partnership will manage an AAC of 904,540 cubic metres of timber and includes a long-term fibre agreement to support Western's BC coastal manufacturing operations. The formation of the Mid-Island Partnership and acquisition by the Nations is subject to various closing conditions, including subdivision and tenure transfer approvals from the BC Ministry of Forests. Western and the Nations are working towards closing the acquisition in the first quarter of 2024.

Sales, Marketing and Wholesale Lumber Initiatives

We continue to progress with the execution of our sales and marketing strategy that focuses on moving up the value chain and solidifying relationships with targeted strategic customers. We are broadening our portfolio of distribution products to include high-quality stock glulam beams for sale to our established distribution partners in our traditional Cedar and Whitewood businesses, while continuing to focus on our high value custom glulam beam business. We are also working to expand this business into alternative species like yellow cedar and hemlock.

In 2023 we combined the management of our wholesale and custom cut business units to deliver synergies and higher margins. We continue to utilize this business unit to augment the full suite of products our customers require.

In mid-2023 we also realigned our sales and marketing organization into geographically focused units to further support implementation of our customer strategy. The Marketing and Product Development function was consolidated into an expanded group that will focus on data analytics, market and customer strategy, and sales and operations planning to continue to deliver on our new product and value-added cedar product development.

Capital Investments

Western has made significant investments in strategic and maintenance of business capital over the years, with the majority of those investments being in BC. From 2021 through 2023, those investments totaled \$140.3 million. In 2022, we acquired two glulam manufacturing facilities in Washington state. See the "Acquisition" section above for more information.

The following is a summary of investments in the maintenance and growth of our business in the past three years:

<i>(in \$ millions)</i>	2021 ⁽²⁾	2022 ⁽³⁾	2023	Total
Business capital ⁽¹⁾	\$33.1	\$47.5	\$44.6	\$124.2
Acquisition	-	16.1	-	16.1
Capital Invested	\$33.1	\$63.6	\$44.6	\$140.3

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

(2) Capital investment was restricted by COVID-19 and related supply chain issues.

(3) Acquisition capital is in respect of the August 2022 Calvert asset acquisition.

Capital Projects

Western's strategic capital program is focused on the installation of technology that strives to 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. We are focusing capital programs on kilns, machine stress rating ("MSR") equipment and planer improvements to support growth in lamstock and strength rated products.

The installation of a new continuous kiln at the Saltair sawmill is in the construction phase with \$11.2 million in spending completed through December 31, 2023 on a total budget of \$12.3 million and is anticipated to commence commissioning in first quarter of 2024. The optimization of a centralized planer and installation of a MSR grader at the Duke Point facility is expected to be complete in the first quarter of 2024, with total capital expenditures of \$9.2 million to December 31, 2023.

On February 13, 2024, in support of our key strategic priorities, including optimizing our business platform and growing our value-added, specialty and engineered wood products business, the Company announced two new continuous kiln projects, one at its Duke Point sawmill and one at its Value-Added Division. Each of the new kilns will have an annual capacity of approximately 70 million board feet and will support increased kiln dried products for our Industrial lumber segment.

These investments are part of a broader comprehensive strategy that the Company is pursuing in relation to its BC Coastal manufacturing operations to identify opportunities to modernize our primary manufacturing facilities, increase our kiln drying and planing capacity, reduce our cost structure and expand our engineered wood products and remanufacturing capacity.

The Company will continue to evaluate any potential future investment opportunities with a long-term view of supporting our overall business. Any potential future investments will consider the operating environment, our business and labour partnerships, and our financial condition, cash requirements and other financial metrics that we may deem relevant.

In addition to the above, the Company has invested more than \$4.0 million in LiDAR mapping and data analysis since 2017. 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.

New Members on Western's Board of Directors (the "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.

On March 1, 2022, the Company announced the appointment of independent director, Fiona Macfarlane, to its Board.

On November 3, 2022, the Company announced that Cheri Phyfer, who was appointed to the Board effective March 1, 2019, tendered her resignation from the Board, effective November 1, 2022, for personal reasons.

On February 16, 2023, the Company announced that Noordin Nanji and Peter Wijnbergen were appointed as independent directors to the Board to replace Ms. Phyfer and as part of the Board's succession plan.

On February 16, 2023, the Company also announced that, as part of the Board's succession plan, Michael Waites had stepped down as a director and Chair of the Board and that Daniel Nocente was appointed Chair of the Board.

Please refer to "*Directors and Officers – Directors*" below for more information on the current Board membership and the composition of the four standing committees of the Board.

The 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.

Sustainability and Carbon Accounting Reports

On January 16, 2024, the Company published its 2022 Sustainability Report detailing our progress on our key sustainability initiatives and engagement topics, and our 2022 Carbon Accounting Report on our carbon footprint. Our Sustainability Report includes disclosure of our Scope 1, 2, and 3 emissions data, referencing our Carbon Accounting Report which provides a 100-year forecast lifecycle carbon assessment and third party limited assurance on our carbon accounting modelling. A copy of our latest Sustainability Report and Carbon Accounting Report is available on our website at <https://www.westernforest.com/responsibility>. Western plans to build on the progress made to date and continue to enhance and evolve our sustainable practices and related disclosure.

Limited Partnership

On March 29, 2019, the Company completed the sale of a 7% interest in Tsawak-qin Forestry Limited Partnership, (“TFLP”) to Huumiis Ventures Limited Partnership (“HLVP”), a limited partnership beneficially owned by the Huumiis First Nations (“HFN”). TFLP’s assets consist of TFL 44 and certain other associated assets and liabilities of our former Port Alberni Forest Operation.

On May 3, 2021, the Company completed the sale of an incremental 28% equity interest in the TFLP to HVLP for \$22.4 million. With the completion of this stage of the TFLP transaction, HVLP’s current equity interest in TFLP is 35%.

The Company and TFLP have a long-term fibre agreement in place to continue to supply the Company’s BC coastal manufacturing operations.

Sale of Non-Core Assets

The sale of non-core assets owned by Western has been one of our focuses over the years, generating net proceeds of \$56.9 million on sales of surplus and non-core operating equipment and non-forestry private land in 2021 through 2023.

In 2021, Western realized \$52.0 million in gross proceeds primarily from the sale of certain properties related to the Orca Quarry and the sale of the Somass Division.

Financing

On July 21, 2021, the maturity date of the Company’s \$250 million syndicated credit facility (the “Credit Facility”) was extended from August 1, 2022 to July 21, 2025 and was amended to incorporate 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.

As at December 31, 2023, the Company’s Credit Facility was drawn by \$84.0 million and had \$19.6 million in letters of credit issued, leaving \$146.4 million of available credit under the Credit Facility.

Dividends

After being suspended in 2020, the Board reinstated a quarterly dividend of \$0.01 per share on February 18, 2021. On May 4, 2022, the Board increased the quarterly dividend from \$0.01 to \$0.0125 per common share.

In response to the weaker lumber market conditions and corresponding financial results, the Board suspended the dividend on November 7, 2023 until further notice. The Board will continue to review our dividend on a quarterly basis in connection with its balanced approach to capital allocation.

On an annual basis, dividends of \$0.0375 per share were paid in 2023, \$0.0475 per share were paid in 2022, and \$0.04 per share were paid in 2021. Dividends paid in 2023 totaled \$11.9 million, \$15.3 million in 2022, and \$14.3 million in 2021.

Normal Course Issuer Bid

As part of the Company's balanced approach to capital allocation, it has purchased and cancelled Common Shares under Normal Course Issuer Bids ("NCIB") over the last three years as follows:

	Current NCIB	Past NCIB	Past NCIB ⁽¹⁾
Start date	August 11, 2023	August 11, 2022	August 11, 2021
Expiry date	August 10, 2024	August 10, 2023	August 10, 2022
Common Shares permitted for purchase	15,837,277	27,420,905	29,726,940
Common Shares purchased and cancelled	-	8,767,382	29,726,940
Permitted purchases as % of public float	5.0%	10.0%	10.0%
Executed purchases as % of public float	-	3.2%	10.0%
Average price per Common Share	-	\$1.48 per share	\$2.04 per share
Program cost	-	\$13.0 million	\$60.7 million

(1) Includes 3,379,027 shares purchased and cancelled in 2022 for \$7.4 million at a price of \$2.17 per share.

In 2022 and 2023, the Company entered into an automatic share purchase plan with its designated broker to facilitate purchases of its Common Shares under the NCIBs at times when the Company would not ordinarily be permitted to purchase its Common Shares due to regulatory restrictions or self-imposed blackout periods.

Western did not repurchase any Common Shares in 2023. During 2022, Western repurchased and cancelled 12,146,409 Common Shares for \$20.3 million at an average price of \$1.67 per share. In 2021 Western repurchased and cancelled 47,702,569 Common Shares for \$96.9 million at an average price of \$2.03 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. To mitigate log supply constraints and avoid further temporary operating curtailments, we may reduce operating hours at our sawmills.

On November 30, 2022, the Company announced temporary curtailments at our BC-based manufacturing operations for the remainder of 2022, reducing production by approximately 20 million board feet to manage inventory levels to current market conditions.

On January 26, 2023, the Company announced that its Alberni Pacific ("APD") sawmill, curtailed since Fall 2022, would not restart in its existing configuration. The Company had established a multi-party working group to explore potential viable industrial manufacturing solutions for the sawmill over a 90-day period. On April 27, 2023, the Company announced that it had commenced negotiations and due diligence processes related to proposals it received as part of the process. These negotiations are still ongoing and operations at the APD facility will remain curtailed through the negotiations.

On June 12, 2023, the Company announced temporary reductions to its lumber production through mid-July 2023 by approximately 19 million board feet due to weak market conditions. For the remainder of 2023, Western continued to balance production against inventory levels to match market demand.

BC Government Forest Policies

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 in and since 2021 are as follows:

- 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. For more information see “*Timber Available for Harvest*” below under the header “*Forest Resources*”. The Province is expected to release a multi-year action plan soon.
- Western continues its joint work on Integrated Resource Management Plans (“IRMP”) with Indigenous partners including the Nanwakolas Council, the Tla’amin First Nation and the Quatsino First Nation. Western is co-developing the HFN-led Hišuk ma č’awak Integrated Resource Management Plan which is anticipated to be completed in 2024.
- 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 in the first half of 2024.
- 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 is expected to be implemented starting in 2024.
- In June 2023, the Province set a new AAC for TFL 44, reducing the AAC from 793,600 cubic metres to 642,800 cubic metres. The new AAC was effective immediately and reflects harvest reductions associated with forest resources and socio-economic objectives of the Province, including the reallocation of previously unharvested volume to new forest licences.
- In October 2023, the Province introduced Bill 41, Forests Statutes Amendment Act, 2023, which among other things, modifies the existing mechanism for applying for and obtaining cutting permits and makes amendments to the provisions governing the Minister of Forest’s obligation to offer replacements for replaceable forest tenures.
- On November 3, 2023, the Government of Canada, the Province and the First Nations Leadership Council announced the signing of the *Tripartite Framework Agreement on Nature Conservation* (“Nature Agreement”), which extends through March 2030, and is intended to further conserve and protect land and water, species and biodiversity in BC. The Nature Agreement includes up to \$1 billion in government funding in support of the Government of Canada’s goal to protect 30% of Canada’s terrestrial and aquatic ecosystems by 2030.
- In November 2023, the Province released a draft “BC Biodiversity and Ecosystem Health Framework”. The document outlines a high-level description of proposed outcomes, principles and coordination between various processes and initiatives. It proposes the establishment of an Office of Biodiversity and Ecosystem Health to lead development of objectives and standards.

- In January 2024, the Province announced that it intends to make amendments to the *Land Act* to enable agreements between the Province and Indigenous governing bodies to share decision-making about public land use under the *Land Act*. These amendments are expected to be introduced in the first half of 2024.
- In 2024, we expect the Provincial Chief Forester will issue a determination on the AAC for TFL 19. Western has submitted a draft Management Plan to support the determination decision. Since the draft Management Plan was submitted, a number of policy and landbase changes have come into effect, including the declaration of a new protected area, referred to as “Salmon Parks”, by the Mowachaht/Muchalaht First Nation.

The impact these policy initiatives and decisions 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, 2023 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 2023.

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 2023.

Changes Expected for 2024

For additional information regarding changes expected to the Company’s business in 2024, see Western’s MD&A for the year ended December 31, 2023, in particular the “*Market Outlook*” and “*Dividend and Capital Allocation*” sections.

FOREST RESOURCES

Forest Resources in British Columbia

BC 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 legislative changes and policy initiatives, including through 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 Ministry of Forests, Lands, Natural Resource Operations and Rural Development of BC (“MFLNRO”). Subject to provincial regulations and Constitutional and legislative obligations to Aboriginal peoples (see “*Risks and Uncertainties – Land Claims by Indigenous Groups*” in our MD&A for the year ended December 31, 2023), 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 replaceable 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 89% 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. TFL 19 and TFL 39 are due to be replaced but have not yet been replaced. MFLNRO continues to consult with potentially affected First Nations regarding the replacement of these 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 2023 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 ⁽³⁾			Available Cut ⁽⁴⁾		
	Year ended December 31,			As at December 31,		
	2023	2022	2021	2023	2022	2021
TFLs ⁽⁵⁾⁽⁶⁾	3,274	3,219	3,132	5,131	5,281	5,281
FLs	6	36	45	478	478	478
Other lands ⁽⁷⁾	35	135	340	154	154	154
Total ⁽¹⁾⁽²⁾	3,314	3,390	3,517	5,763	5,914	5,914
Logs purchased	789	1,148	1,011			
Logs consumed	2,297	2,576	3,089			
Logs sold	1,384	1,329	1,340			

- (1) Figures in the table may not equal or sum to figures presented in the table or elsewhere due to rounding.
- (2) Actual harvests were impacted by permitting delays and government policy initiatives. 2022 and 2023 harvest was further reduced by market-related curtailments to match log supply to mill requirements.
- (3) 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 32,836 m³ in 2023 and 56,786 m³ in 2022. Net volumes harvested by joint ventures / Limited Partnerships amounted to 170,788 m³ from Company tenures. Also, 69,632 m³ was harvested pursuant to a Forest Licence Utilization Agreement.
- (4) 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.
- (5) Includes 631,682 m³ of AAC related to TFL 44 held in TFLP, a partnership between Western and HVLP. We intend to continue to source fibre from TFLP to support our BC manufacturing facilities, see "*Ownership Interest in Port Alberni Forest Operations*" for more information.
- (6) The 150,800 m³ AAC reduction in 2023 was due to the Chief Forester's AAC determination for TFL 44.
- (7) At December 31, 2023, 139,000 m³ of available cut is attributed to private managed forest lands outside of TFLs (2022: 139,000 m³) and 15,000 m³ to TLs outside of TFLs (2022: 15,000 m³). The 10,000 m³ reduction in other lands AAC in 2021 was due to the sale of interests in certain TLs and expiries.

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 Nanwaḱolas Council, we temporarily deferred 1,068 hectares in TFL 39 (Block 2). This deferral area is incremental to areas previously protected under existing conservation measures, undertaken by Western and the Nanwaḱolas Council and together represent approximately 1% of that tenure area.

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 Forest Landscape Plans, 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), TFL 44 and TFL 6. 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 purchase of standing timber from coastal First Nations and 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 2% of Western's harvest in 2023.

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 2023, the species distribution of our timber resources was approximately 64% hemlock and balsam, 14% cedar, 12% Douglas fir, 6% yellow cedar and 4% spruce and other minor species. Western's average harvest production for the past three years matches this profile, being approximately 62% hemlock and balsam, 12% cedar, 19% Douglas fir, 5% yellow cedar, 2% spruce and other minor species.

Approximately 80% of our 2023 log production originated from Vancouver Island, BC. Logging is conducted by a combination of Company and contractor operations. Western plans the majority and co-ordinates 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 98% 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 January 1, 2024. Stumpage rates are also adjusted monthly 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.

	Years ended December 31,		
	2023	2022	2021
Gross log production from Crown land (<i>thousands of cubic metres</i>)	3,286	3,255	3,177
Stumpage (<i>\$ millions</i>)	\$44.4	\$118.0	\$63.9

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 2023, the Company harvested timber from 4,814 hectares of land (2022: 5,113 hectares; 2021: 4,900 hectares), of the 1,620,004 hectares of land under our management, of which 626,771 hectares is both forested and available for harvest. 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 42 Registered Professional Foresters, 21 Registered Forest Technologists and 12 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, 2023 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 nine months.

MANUFACTURING FACILITIES

Sawmills

We own 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 include those used in treated lumber manufacturing for a variety of markets, timbers used in new luxury home construction and renovations, utility cross-arms and rig-mats. Much of the softwood timber supply in North America is not capable of producing our specialty products.

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

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

(MMfbm)	Sawmill	Location	Smallest Log Diameter Processing Capability	Capacity ⁽¹⁾	Production Year ended December 31,		
					2023 ⁽²⁾	2022 ⁽²⁾	2021
Canada							
	Ladysmith	Ladysmith, BC	4" diameter log	90	67	80	88
	Cowichan Bay	Duncan, BC	6" diameter log	215	71	95	131
	Saltair	Ladysmith, BC	6" diameter log	240	173	215	209
	Alberni Pacific ⁽³⁾	Port Alberni, BC	12" diameter log	175	-	27	51
	Duke Point	Nanaimo, BC	12" diameter log	130	88	93	96
	Chemainus	Chemainus, BC	15" diameter log	130	55	59	67
US							
	Columbia Vista	Vancouver, WA	10" diameter log	80	54	57	57
				1,060	508	626	699
	Custom Cut	multiple	Varies	n/a	44	28	61
	Total			1,060	552	654	760

(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 impacted by log availability in 2022 and market-related curtailments in 2022 and 2023.

(3) Alberni Pacific was curtailed in Fall 2022 and through 2023.

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, yellow cedar and WRC products. The approximate production mix in 2023 was 30% hemlock, 65% WRC and 5% yellow cedar. 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 and Douglas fir products. The approximate production mix in 2023 was 70% hemlock and 30% 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, wide dimensional structural lumber, and products for the treating segment. The sawmill is the largest single-line sawmill on the coast of BC. The facility has three kilns on site with one additional continuous dry kiln under construction, expected to be operational in the first quarter of 2024.

Alberni Pacific Sawmill

Our Alberni Pacific sawmill had a capacity of 175 million board feet when it was operational and produced hemlock and Douglas fir products. There was no production in 2023. The sawmill has capacity to process medium to large diameter logs, with the smallest log diameter being 12" and has access to eight kilns on site, four of which are temporarily non-operational.

On January 26, 2023, the Company announced that the Alberni Pacific sawmill, curtailed since Fall 2022, would not restart in its existing configuration. The Company had established a multi-party working group to explore potential viable industrial manufacturing solutions for the sawmill over a 90-day period. On April 27, 2023, the Company announced that it had commenced negotiations and due diligence processes related to the proposals it received as part of the process. These negotiations are ongoing and operations at the APD facility will remain curtailed through the negotiations.

Duke Point Sawmill

Our Duke Point sawmill has a capacity of 130 million board feet and produces primarily hemlock and Douglas fir products. The production mix in 2023 was 96% hemlock and 4% 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 timbers, specialty appearance products and products for the Japanese traditional home segment. The sawmill and planer have undergone a \$54 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 and machine stress rate grader ("MSR"). The MSR machine provides strict lumber grade quality control with known value for strength and stiffness for lumber utilized in engineered products.

Chemainus Sawmill

Our Chemainus sawmill has a capacity of 130 million board feet and produces primarily WRC and Douglas fir products. The production mix in 2023 was 76% WRC, 22% Douglas fir and 2% hemlock. 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, 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

The Columbia Vista 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 kilometers 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 a Value-Added Remanufacturing in Chemainus 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.

Overall, we have a total of 22 kilns operating at 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.

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. The facility has a planer, 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.

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 wholesale programs. With added finished lumber production at this facility, we have increased our overall processing and distribution of lumber produced for third parties.

Glulam Manufacturing

We own and operate two glulam manufacturing facilities located in Washougal, Washington and Vancouver, Washington. Acquired on August 31, 2022, these facilities produce high quality beams for industrial, commercial, and residential projects around the world. The manufacturing facilities have a combined annual glulam capacity of approximately 35 million board feet on a two-shift basis.

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,		
	2023	2022	2021
Wood chips produced	365	423	473
Wood chips purchased	5	3	4
	370	426	477
Wood chips sold	370	428	476

In our US operations, residual chips and wood residue from our manufacturing operations 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 and glulam products. 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 in 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 34% of our lumber products are currently sold kiln-dried (2022: 33%; 2021: 31%).

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:

(in \$ millions)		Year ended December 31,		
		2023	2022	2021
Lumber	Canada	\$ 172.8	\$ 306.3	\$ 256.2
	US	335.7	414.9	491.7
	Japan	129.8	204.3	195.3
	China	72.2	103.8	126.8
	Other	57.4	105.9	100.6
	Europe	13.7	17.3	26.9
		781.6	1,152.5	1,197.5
Logs, saw	Canada	150.2	195.7	123.8
	China	-	-	11.5
	US	12.2	17.1	10.3
	Other	-	-	2.5
Logs, pulp	Canada	18.5	18.1	21.3
		180.9	230.9	169.4
By-products and other	Canada	51.4	56.0	48.2
	US	3.6	4.6	2.7
		55.0	60.6	50.9
Total Sales		\$ 1,017.5	\$ 1,444.0	\$ 1,417.8

Western's locations on the BC coast 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, 2023, Western had 1,912 employees (of whom 1,129 are unionized employees), 509 Canadian salaried employees, 31 Canadian non-union hourly employees, 234 US employees and 9 employees in Japan and China.

The majority of the Canadian unionized employees are represented by the United Steelworkers ("USW"), whose USW Master Agreement covers approximately 989 Western employees and expires June 14, 2024.

The remaining unionized employees are represented by the PPWC. The PPWC collective agreement for the Ladysmith Sawmill covers approximately 89 Western employees and expires on December 31, 2028. The collective agreement for the Value-Added Remanufacturing Operation covers approximately 51 employees and 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.

Western's Health and Safety representatives continue to be active in working with regulators and 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 DOSH Consultation Program 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 2023, two of Western's Canadian manufacturing operations underwent MAG audits, both obtaining MAG Safe Certification. These audits occur in cycles to review each operation every 3 years. Additionally, Western's timberlands operations were assessed by BCFSC in November 2023, earning a 95% score and securing 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 ISNetworld 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 monitors safety performance through the use of Medical Incident Rate ("MIR"), defined as the number of recordable injuries per 100 employees per year. Company and contractor MIR for each of the last three years is set out in the following table:

	Year ended December 31,		
	2023	2022	2021
Company	2.87	2.80	3.08
Contractor	3.91	2.56	3.54

Western is committed to the health and safety of our employees and remains vigilant in its pursuit of continuous improvement to support the goal of a zero-harm 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 and have established 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.

Environmental Regulatory Compliance

The Company's activities are governed by various federal, provincial, and local environmental legislations that regulate the discharge of water, land, and air pollutants, as well as the management, disposal, transportation, and remediation of solid and hazardous waste. Our compliance with 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.

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.

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 CEO 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 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 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.

For additional information, see "*Environmental Regulation*" in our MD&A for the year ended December 31, 2023, under the heading "*Risks and Uncertainties*".

Environmental Management System

For the Canadian operations, the Company employs an environmental management system ("EMS") targeted at ensuring ongoing environmental, legal and regulatory compliance, addressing environmental issues as they arise, and supporting the sustainable forest management and chain of custody systems. We have incurred, and will continue to incur, capital expenditures and operating costs to comply with such laws and regulations. To ensure conformance, Western undertakes rigorous internal audits of the EMS. These audits provide important feedback to senior management to ensure that staff, employees and contractors conduct their work in compliance with the legislation and regulations relevant to the forest products industry and to identify areas for improvement. These internal audits are in addition to the annual, independent third-party audits required by our Sustainable Forest Management systems ("SFM") and Chain of Custody ("CoC") certifications.

Implementation of Western's environmental and sustainable forest management systems is the responsibility of Western's Senior Vice President, Sales, Marketing and Manufacturing; Vice President, Forest Stewardship and Fibre Supply and the General Managers, Manufacturing. Western's Senior Vice President, HR and Corporate Affairs, and the Chief Forester, with the support of Western's Director, Environment, are accountable for the continuous improvement and execution of Western's environmental programs. All material matters are reported to the Environmental, Health and Safety Committee quarterly, if not more frequently.

Western's production process does not generally generate hazardous waste with certain exceptions which we manage closely to minimize environmental issues. Our Calvert location uses adhesives in its manufacture of glue laminated beams. Certain machinery in our timberlands and manufacturing facilities and our vehicle fleet require fuel, oil, lubes, glue, and similar products for manufacturing, operating and maintenance purposes. All glue, oil and lubes are disposed of in accordance with regulations, primarily through vendor or service provider managed recycling programs. Spray booth chemicals used for lumber preservation are recycled through a closed loop system preventing outside contamination. In relation to wood waste management, Western has continued to focus on the management of effluent discharge and wood waste disposal within its manufacturing and timberlands operations.

Sustainable Forest Management and Chain of Custody

Our Canadian timberlands operate in accordance with and are certified to the following:

- CSA Z809 Sustainable Forest Management: Five timberlands' operations are certified to the Canadian Standards Association ("CSA") Z809:2016 (R2021) Sustainable Forest Management Standard under a single multi-site registration. The certification covers approximately 75% of the Company's AAC and 51% of the land base managed by Western. Both Crown and private land tenures are included.
- SFI Forest Management: The other two Canadian timberlands operations are certified to the Sustainable Forestry Initiative ("SFI") 2022 Forest Management Standard under a single multi-site registration. Our SFI Forest Management System covers approximately 25% of AAC and 49% of the land base and includes both Crown and private land tenures.
- SFI Fiber Sourcing: Our Canadian fibre procurement is certified to the SFI 2022 Fiber Sourcing Standard as a single site registration.

Annual, independent third-party audits confirm that we remain in conformance with the CSA Z809 and SFI standards.

Western maintains CoC certifications for 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. These standards include the Program for the Endorsement of Forest Certification Chain of Custody Standard (PEFC ST 2002-2020) as Western's primary CoC approach as well as the Forest Stewardship Council ("FSC") Chain of Custody Standard and Controlled Wood Standard. The CoC undergoes annual, independent third-party audits to confirm conformance.

Sustainable Energy

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 training, support, and incentive funding to execute our energy management strategy. Since commencement of the program, energy efficiency has improved annually.

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.

In 2021 through 2023, Western worked with several third parties, including the University of BC, to find new and innovative uses for hemlock and yellow cedar. Activities included testing and assessment of baseline characteristics of hemlock (stiffness, strength and density) to gauge suitability for a variety of value-added products, including Glulam, Cross Laminated Timber, and MSR products.

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.

INDIGENOUS RELATIONS

Western operates within the traditional territories of more than 50 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 of proposed activities on 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 proposed activities would unjustifiably infringe on asserted or established Aboriginal rights and title. If a First Nation opposes a forest tenure or other operating authorization, such opposition may delay the Province from granting the application.

As part of its First Nations Forest Strategy, the Province has negotiated Forest Consultation and Revenue Sharing Agreements 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 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 traditional territory.

Since 2009, the Province and several First Nations with traditional territories that the Company's operating areas overlap have concluded strategic engagement agreements that define an enhanced process for referrals on resource projects, including forestry, proposed within the traditional territories, and may also 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, shíshálh Nation on the Sunshine Coast, and 'Namgis First Nation on Northern Vancouver Island.

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 First Nations involved in government-to-government reconciliation discussions, we continue to engage with government to stay apprised of any potential impacts to Western's operations. A 2009 Communications Protocol with the Province's Ministry of Indigenous Relations and Reconciliation remains in effect. In September 2019, BC, 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. Since that time, several Nations in the areas where Western operates have signed agreements with Canada and BC that advance their negotiations to Stage 5 (Treaty) in the BC Treaty Process without concluding an Agreement-in-Principle, and others have received advance treaty benefits through Incremental Treaty Agreements.

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. The Province's *Declaration on the Rights of Indigenous Peoples Act* ("DRIPA") came into force in November 2019, making BC 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 in implementing the legislation. The current federal government 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 related 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, in the last three years 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 initiatives are available on [our website](#).

Quatsino First Nation Initiatives

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 ("Quatsino"). 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. Together with the Province and Quatsino, Western signed a September 2020 Memorandum of Understanding to create a framework to collaborate on sustainable forest management on northern Vancouver Island, BC.

We also partner with a Quatsino affiliated entity in the Quatern Limited Partnership, a joint logging operation established in 2010, to facilitate collaborative forest management and advance economic reconciliation. On June 14, 2022, Western and Quatsino entered into a three-year Bridging Agreement that provides for joint forest operations in Quatsino traditional territory. The approach taken in the Bridging Agreement aims to increase collaboration between the parties in the forestry business and generate social, cultural and economic benefits for Quatsino through the expansion of the Quatern Limited Partnership, and thus Quatsino's role in the forestry industry. Furthermore, the Bridging Agreement allows for ongoing, meaningful collaboration in territorial planning through an IRMP guided by Quatsino's Land Use Plan and values.

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 ("FLP") 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 and located in 'Namgis Territory 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.

The development of the FLP is supported by the BC Government as a formal pilot project to inform amendments to the Province's *Forest and Range Practices Act*.

Sale of Forest and Timber Licence Interests to Lílwat 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 Lílwat 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 reassign operating rights.

Integrated Resource Management Plan with Nanwakolas Council

On January 19, 2022, Western and the Nanwakolas Council, representing Tlowitsis, K'ómoks, Wei Wai Kum and We Wai Kai First Nations, announced the Joint Planning and Reconciliation Agreement, which includes the development of an Indigenous-led IRMP over the next two years that would guide forest management in TFL 39 Block 2. The IRMP is 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.

Service Contract Agreement and Forest Resource Plan with Tla'amin Nation in TFL 39 Block 1

On February 15, 2022, Western and Tla'amin Nation ("Tla'amin") announced a timber harvesting services contract to provide incremental harvest capacity in TFL 39 Block 1, through Thichum Forest Products LP, a company beneficially owned by Tla'amin. The contract supports the ongoing relationship between Western and Tla'amin and builds on the Renewal Agreement signed in July 2021 by demonstrating progress in advancing innovative and mutually beneficial activities in Tla'amin territory. This initiative is in addition to the planned development of a two-year, values and science based, Tla'amin-led, collaborative Tla'amin Territory Forest Resources Plan for Tla'amin Treaty lands and Crown tenure areas, as well as the portion of Western's TFL 39 Block 1 located in Tla'amin territory.

TFLP and Integrated Resource Management Plans with HFN and TFL 44-area Nations

The Company's relationship with the HFN has grown through development of mutually beneficial agreements, including the sale of Western's former Sarita Dryland Sort assets in 2017, various timber purchase, employment and training agreements, and the 2018 Reconciliation Protocol Agreement which set the framework for a shared path to reconciliation and a joint vision for a competitive forest sector in the Alberni Valley. The foregoing agreements formed the foundation for Western and HFN's (through a limited partnership beneficially owned by HFN) joint ownership interest in TFLP, see "*Business of the Company – Limited Partnerships – TFL 44 Transaction with HFN*" for further details.

In 2021, Western began the co-development of the HFN-led Hišuk ma c'awak Integrated Resource Management Plan ("HIRMP"), a plan covering the HFN territory including portions of TFL 44, which is anticipated to be completed in March 2024. A TFL 44-wide IRMP that will incorporate Nation-led plans like the HIRMP into a single plan for the TFL, is also underway and expected to be complete by March 2025.

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

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 which may have cost, foreign currency, and taxation advantages.

Softwood Lumber Trade

The softwood lumber agreement ("SLA") between Canada and the US, under which the Company's exports to the US could be assessed an export tax by the Canadian Government, expired on October 12, 2015, eliminating export tax measures on Canadian softwood lumber shipments to the US.

The twelve-month standstill period of the SLA, which precluded the US from bringing trade action against Canadian softwood lumber producers, expired October 12, 2016. On November 25, 2016, the US Lumber Coalition petitioned the US Department of Commerce ("DoC") and the US International Trade Commission ("ITC") seeking Countervailing ("CV") and Anti-dumping duties ("AD") on Canadian softwood lumber shipments to the US. On January 6, 2017, the ITC concluded that there was "reasonable indication" that softwood lumber products from Canada materially injured US producers; and, as a result, the DoC imposed duties on Canadian shipments of softwood lumber into the US.

From 2017 onward, as a result of petitions filed by the US Lumber Coalition, and others, and determinations made by the US International Trade Commission, the DoC imposed CV and AD on shipments to the US from Canada. As a result of these actions, cash deposits for CV were required for Canadian lumber imports to the US effective April 28, 2017 through August 25, 2017, and from December 28, 2017 onwards; and cash deposits for AD were required for Canadian lumber imports to the US effective June 30, 2017 until December 26, 2017, and from December 28, 2017 onwards.

As each DoC Administrative Review ("AR") of a shipment year is completed, final rates are published in the federal register and a revised cash deposit rate is established until publication of final rates of the next AR.

The Company expenses export taxes at the cash duty deposit rate as lumber shipments are made. Where final duty rates differed from cash deposit rates, the Company recognized revisions to its export tax expense.

As cash deposit rates exceeded final duty rates for lumber shipments made in 2017 through 2021, the Company recognized a long-term interest-bearing duty receivable totalling USD\$53.4 million (CAD\$70.8 million) in its consolidated statements of financial position, of which USD\$3.5 million (CAD\$4.3 million) was recognized as an export tax recovery in 2023 (2022: USD\$13.4 million; CAD\$18.0 million). This recovery was netted against export tax expense of \$20.2 million (2022: \$38.9 million), resulting in a net export tax of \$15.9 million (2022: \$20.9 million) as recorded in the Statement of comprehensive income.

Under US law, the DoC and US International Trade Commission ("USITC") are required to conduct a sunset review no later than five years after an AD or CV order is issued. The DoC review determines whether revoking the orders would be likely to lead to a continuation or recurrence of dumping or subsidies. The USITC review determines whether revoking the orders would be likely to lead to a continuation or recurrence of material injury to the US industry. If both determinations are negative, the orders will be revoked. The sunset review was initiated on December 1, 2022.

On March 27 and April 3, 2023, the DoC issued the final results of its first sunset review of the CV and AD orders, respectively, concluding that if duties on Canadian softwood lumber products were revoked, there would likely be a continuation or recurrence of countervailable subsidies and dumping.

On July 27, 2023, the DoC released its final determination for CV and AD rates from its fourth AR for shipments in 2021, amended on September 7, 2023 for ministerial errors, which resulted in an additional export tax recovery of USD\$3.5 million (CAD\$4.3 million) recognized in 2023. Effective August 1, 2023, cash deposits will continue at the revised combined duty rate of 8.05% until publication of final rates of the fifth AR in the federal register, after which time the new rates will apply.

On October 5, 2023, the North American Free Trade Agreement ("NAFTA") Chapter 19 panel determined that the DoC erred in how it calculated important aspects of the anti-dumping duties applied to Canadian softwood lumber exports and directed the DoC to revisit key elements of its dumping determination.

On November 30, 2023, the USITC issued its final determination under the sunset review, concurring with the DoC conclusion. The USITC filed its final determination in the Federal Register on December 21, 2023, resulting in a continuation of the CV and AD orders.

On January 17, 2024, the Government of Canada (“Government”) filed a notice of intent to challenge the ITC decision to maintain duties on Canadian softwood lumber products, under Chapter 10 of the Canada-United States-Mexico Agreement.

On February 1, 2024, the DoC released its preliminary determination for CV and AD rates resulting from its fifth AR of CV and AD rates for shipments in 2022, indicating a combined rate of 13.86%. The DoC may revise these rates between the preliminary and the final determination, expected to be released in the third quarter of 2024. Cash deposits continue at the combined duty rate of 8.05% until the final determinations are published, after which the 2022 rate will apply.

The following table summarizes the cash deposit rates in effect and the final rates applicable to Canadian lumber shipments to the US in 2017 through 2021 and preliminary rates for 2022:

Lumber shipment date	Aug. 1, 2023	Aug. 9, 2022 through Jul. 31 2023	Jan. 10, 2022 through Aug. 8 2022	Dec. 1, 2021 through Jan. 9 2022	Dec. 1, 2020 through Nov. 30 2021	Jan. 1, 2020 through Nov. 30 2020	Year		
	onward	2023	2022	2022	2021	2020	2019	2018	2017
Cash deposit rate									
CV	1.79%	3.83%	6.32%	6.31%	7.42%	14.19%	14.19%	14.19%	14.19%
AD	6.26%	4.76%	11.59%	11.59%	1.57%	6.04%	6.04%	6.04%	6.04%
Combined	8.05%	8.59%	17.91%	17.90%	8.99%	20.23%	20.23%	20.23%	20.23%
Lumber shipment year				AR5 2022 Preliminary	AR4 2021 Final	AR3 2020 Final	AR2 2019 Final	AR1 2018 Final	AR1 2017 Final
Duty rate									
CV				6.71%	1.79%	3.83%	6.32%	7.42%	7.26%
AD				7.15%	6.26%	4.76%	11.59%	1.57%	1.57%
Combined				13.86%	8.05%	8.59%	17.91%	8.99%	8.83%

This dispute may have an adverse impact on our financial condition and could also result in increased costs resulting from the administrative burden of such proceedings. The Government is appealing the US findings and, as in previous trade cases, the softwood lumber dispute may take years to resolve through the legal process and remains open to a negotiated settlement at any time. Based on the foregoing, it is unclear at this time when any duty amounts paid will be recovered or if amounts paid in excess of the amended final rates will be refunded.

As at December 31, 2023, \$219 million (US\$165 million) of aggregate duty deposits paid by the Company were held by the US Treasury.

Manufactured Forest Products Regulation

The *Manufactured Forest Products Regulation* (“Regulation”) requires 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. In addition, the Regulation applies a tax rate on WRC and cypress exported from the BC Coast to any location within 3,000 miles and sets a variable tax rate dependent upon the extent of processing applied to the lumber before it is exported and based on the cash deposit rate levied set by the DoC for Canadian lumber imports to the US (see “*Softwood Lumber Trade*”).

On December 4, 2023, the fully manufactured requirements under the Regulation were expanded to include the BC Interior effective February 1, 2024.

The Company recorded export tax expense of \$2.4 million in 2023, \$4.3 million in 2022, and \$3.6 million in 2021 in respect of this Regulation. For additional information, see “*Regulatory Risks*” under the heading “*Risks and Uncertainties*” in our MD&A for the year ended December 31, 2023.

Corporate Tax Payments

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

(\$ thousands)	Year ended December 31,		
	2023	2022	2021
Canada	\$ (15,565) ⁽²⁾	\$ 93,381	\$ (70) ⁽¹⁾
US	(31)	442	-
Japan	151	98	107
	\$ (15,445)	\$ 93,921	\$ 37

(1) In 2021, the Company utilized tax non-capital loss carry-forwards which arose as a result of the USW strike from 2019 to 2020 to reduce income taxes. In 2021, Western also utilized capital loss carry-forwards to reduce taxes otherwise payable on disposal of properties

(2) The Company recovered an overpayment of tax instalments made in 2022 upon filing its 2022 tax returns.

The Company's income tax receivable of \$23.5 million at December 31, 2023 will be received in 2024. Western is not required to make income tax instalments in 2024.

RISK FACTORS

A detailed discussion of risks and uncertainties that may have a material adverse effect on our operations is included in our MD&A for the year ended December 31, 2023, under the heading "*Risks and Uncertainties*". That material is incorporated herein by reference and available under the Company's profile on SEDAR+ at www.sedarplus.ca. 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 December 31, 2023, 316,745,557 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 at meetings of shareholders. The holders of Common Shares are also entitled to receive dividends as and when declared by the Board. More information about dividends for Common Shares is available below under the heading "*Dividends*".

The holders of Common Shares are entitled to receive the remaining property and assets of the Company in the event of the liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company, subject to the priority rights of the holders of Preferred Shares as described below under "*Preferred Shares*".

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 Board 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 Board 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 USW strike from 2019 to 2020, the dividend was suspended for the balance of 2022. On February 18, 2021, the Board reinstated a quarterly dividend of \$0.01 per share, increasing it to \$0.0125 per common share on May 4, 2022. On November 7, 2023, in response to the weaker lumber market conditions and corresponding financial results, Western suspended its quarterly dividend until further notice. The Board will continue to review our dividend program on a quarterly basis.

On an annual basis, dividends of \$0.0375 per share were paid in 2023, \$0.0475 per share were paid in 2022, and \$0.04 per share were paid in 2021. Dividends paid totaled \$11.9 million in 2023, \$15.3 million in 2022, and \$14.3 million in 2021.

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.sedarplus.ca.

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 2023:

Month	High (\$)	Low (\$)	Volume
January	1.44	1.13	9,160,189
February	1.45	1.18	8,166,612
March	1.28	1.05	10,299,872
April	1.13	1.03	8,704,310
May	1.14	1.01	17,885,268
June	1.11	1.01	3,699,082
July	1.09	1.03	3,512,417
August	1.06	0.92	3,138,611
September	0.96	0.82	4,975,906
October	0.83	0.72	4,067,078
November	0.81	0.63	7,773,735
December	0.77	0.64	9,198,872

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 8, 2024) or until their successor is elected or appointed, unless their 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 13, 2024, 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
LAURA CILLIS ⁽²⁾⁽³⁾ Nelson, BC, Canada	Corporate Director	March 1, 2019
STEVEN HOFER Bellingham, WA, USA	President and CEO, Western	September 7, 2022
RANDY KROTOWSKI ⁽³⁾⁽⁴⁾ Florence, MA, USA	Independent Consultant	March 5, 2021
FIONA MACFARLANE ^{(1) (2) (4)} West Vancouver, BC, Canada	Corporate Director	March 1, 2022
NOORDIN NANJI (K.C.) ^{(2) (4)} Vancouver, BC, Canada	Corporate Director	February 16, 2023
DANIEL NOCENTE ⁽⁵⁾ Vancouver, BC, Canada	Corporate Director	May 8, 2014
PETER WIJNBERGEN ^{(1) (3)} Toronto, ON, Canada	Corporate Director	February 16, 2023
JOHN WILLIAMSON ^{(1) (2) (4)} San Juan Island, 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) Mr. Nocente is the 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:

- Steven Hofer, who was the Executive Vice President, Strategy & Business Development for BID Group from October 2019 to August 2022 and Senior Vice President, Operations for the BID Group from June 2018 to October 2019;
- Noordin Nanji, who was a Partner at Stikeman Elliott from 2010 to December 2022; and
- Peter Wijnbergen, who was the President, Engineered Wood of West Fraser Timber Co. Ltd. from February 2021 to December 2021 and President and CEO of Norbord Inc. from January 2014 to January 2021.

Executive Officers

The tables below set forth the names, municipalities of residence and positions with Western of the officers of Western as of February 13, 2024, 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
JONATHAN ARMSTRONG Courtenay, BC, Canada	Vice President, Forest Stewardship and Fibre Supply Vice President, Fibre Supply General Manager, Timberlands Planning	November 2022 January 2020 December 2016	Present November 2022 January 2020
JENNIFER FOSTER North Vancouver, BC, Canada	Senior Vice President, Human Resources & Corporate Affairs Vice President, Human Resources	February 2020 December 2015	Present February 2020
ALYCE HARPER Vancouver, BC, Canada	Vice President, General Counsel & Corporate Secretary Senior Director, Legal & Corporate Secretary	January 2020 February 2017	Present December 2019
STEVEN HOFER Bellingham, WA, USA	President and CEO Executive Vice President, Strategy & Business Development, BID Group Senior Vice President, Operations, BID Group	September 2022 October 2019 June 2018	Present August 2022 October 2019
DONALD HOLMES Nanaimo, BC, Canada	Vice President, Timberlands Regional Manager, Contract Operations	January 2020 January 2019	Present December 2019
GLEN NONTELL Vancouver, BC, Canada	Vice President, Corporate Development Senior Director, Corporate Development	February 2020 March 2018	Present February 2020
STEPHEN WILLIAMS North Vancouver, BC, Canada	Executive Vice President and CFO	February 2018	Present
DALLYN WILLIS Vancouver, BC, Canada	Vice President, Finance Senior Director, Finance & Administration	January 2020 March 2016	Present December 2019

Shareholdings of Directors and Executive Officers

As at February 13, 2024, the directors and executive officers as a group owned, directly or indirectly, or exercised control or direction over 2,482,779 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, inclusion and equity, human rights, indigenous relations, 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 auditors;
- (d) risk management; and
- (e) our compliance with legal, tax and regulatory requirements.

The Audit 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 Audit 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 Audit 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 13, 2024, Laura Cillis (Chairperson), Randy Krotowski and Peter Wijnbergen. Mr. Wijnbergen joined the Audit Committee on February 16, 2023, replacing Daniel Nocente. 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 2023, the Audit Committee met 4 times.

Relevant Education and Experience

Laura Cillis – Ms. Cillis currently serves as a board member of Matr Corp. (formerly Shawcor Ltd.), where she is Chair of Matr's Audit Committee. She has previously held board positions with Crescent Point Energy Corp, Enbridge Income Fund Holdings Inc. and Solium Capital Inc. Ms. Cillis also held the role of Senior Vice President, Finance and CFO of Calfrac Well Services Ltd. from 2008 until 2013, and CFO 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.

Peter Wijnbergen – Mr. Wijnbergen currently serves as the interim CEO and a board member of Swiss Krono Group. He previously served as President, Engineered Wood of West Fraser Timber Co. Ltd., in connection with the integration of Norbord Inc. and West Fraser, and President and CEO of Norbord Inc. Prior to his appointment as President & CEO of Norbord, he held various senior executive positions with Norbord. Mr. Wijnbergen has 20 years' experience in the forest products industry with roles spanning from business development, operations and sales, marketing and logistics. He holds a Bachelor of Economics from, and has completed the Executive Management Program at, the University of Toronto.

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, 2023 and 2022 are as follows:

(\$ thousands)	2023			2022		
	Fees	Admin	Total	Fees	Admin	Total
Audit fees	\$ 681	\$ 9	\$ 690	\$ 690	\$ 11	\$ 701
Audit-related fees ⁽¹⁾	74	-	74	28	-	28
Tax fees ⁽²⁾	74	-	74	19	1	20
All other fees ⁽³⁾	172	-	172	113	-	113
Total for all services	\$ 1,001	\$ 9	\$ 1,010	\$ 850	\$ 12	\$ 862

(1) In 2023 Audit-related fees include \$40,000 paid on behalf of and reimbursed by third parties.

(2) In 2023 Tax fees include \$14,000 billed to third parties and reimbursed by the Company.

(3) In 2023, All other fees Include services provided by our auditors on the 2021 and 2022 Sustainability Reports.

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.
- *Tax* consists of tax compliance and advisory services, tax planning and structuring.
- *All other fees* consist of other products and services provided by our auditors including the Company's Sustainability Report.

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, 2023, 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.

REGULATORY ACTIONS

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, BC 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 million, of which a non-refundable \$35 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 is 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. On June 29, 2023, the Credit Facility was amended to reflect certain changes to the Company's corporate structure and related administrative matters in the Credit Facility.

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 13, 2024.

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 4, 2023. 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.sedarplus.ca 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 MFLNRO which entitles the holder to cut up to a specific volume of timber on government lands.
“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.
“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 MFLNRO 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 replaceable by the MFLNRO 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 controls 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 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 carbon accounting report, and periodically review and assess the Corporation's communications with respect to its policies and practices in the area of ESG.
- (c) *Oversight of Internal Audit, Internal Controls and Information Management*

- (i) *Oversee.* Oversee the Corporation's system of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFP).
 - (ii) *Monitor.* Monitor and review the company's internal audit function and performance, including the adoption and annual review of an Internal Audit Charter that ensures the internal auditors have adequate procedures, resources, qualifications and independence to effectively complete their work.
 - (iii) *Review and Assessment.* Review with management and the internal auditor the adequacy and effectiveness of the Corporation's DC&P, ICFP and management information systems and security.
 - (iv) *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.
 - (v) *Fraud.* Oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.
 - (vi) *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 on 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 Compliance.* Review any actual or anticipated litigation, other events or legal matters, including tax assessments, which could have a material current or future effect on the Corporation's financial statements and oversee and make recommendations to the Board on any policies and procedures designed by the Corporation to promote legal compliance that are not subject to the oversight of another committee of the Board.
- (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. In Camera Sessions

The Committee will meet separately in in camera sessions with representatives of each of management, the internal auditor and the external auditors following each Committee meeting or as otherwise determined by the Committee to be necessary and appropriate to discharge its oversight duties.

The Committee will meet in in camera sessions excluding management or other third parties that are not Board members, following each Committee meeting or as otherwise determined by the Committee

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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 3, 2023