



Western Forest Products Inc.
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Western Forest Products Inc.

2023 Report

Fighting Against Forced Labour and Child Labour in Supply Chains Act

Published: March 31, 2024

Overview

Western Forest Products Inc. (“**Western**” or the “**Company**”) is producing this report (the “**Report**”) in accordance with Section 11(1) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for the financial year ended December 31, 2023.

Western is committed to continuous improvement in everything we do, with health and safety being our highest priority. We conduct our business with integrity and transparency and are committed to promoting human rights in all aspects of our business.

This Report sets out Western’s actions to identify and understand any forced labour or child labour risks related to our business and describes the policies and processes the Company has in place to combat these potential risks in our business and supply chains.

This Report has been approved by Western’s board of directors (the “**Board of Directors**”). All information provided in this Report pertains to Western Forest Products Inc., as the entity required to report pursuant to Section 11(1) of the Act. All information presented in this Report is current as of the date set forth above unless otherwise indicated.

About Western

Structure

Western is an integrated forest products company amalgamated under the laws of Canada. Western’s head office is located at Suite 800 – 1055 West Georgia Street, Royal Centre Building, PO Box 11122, Vancouver, BC V6E 3P3 and its common shares are listed on the Toronto Stock Exchange under the symbol “WEF”.

Western has a number of subsidiaries which operate in Canada and the United States (“US”), with its principal subsidiaries being as follows:

Name	Jurisdiction of Incorporation	Percentage owned
Western Lumber Sales Limited ⁽¹⁾	Canada	100%
WFP Holdings US Inc. ⁽²⁾	Washington State	100%
• Western Forest Products US LLC ⁽³⁾	Washington State	100%
• 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 Japan.

As of December 31, 2023, Western had 1,666 employees, of whom 1,129 are Canadian unionized employees, 509 are Canadian salaried employees and 31 are Canadian non-union hourly employees. The unionized employees are represented by the United Steelworkers (“USW”) and the Public and Private Workers of Canada (“PPWC”). All employees directly employed by Western are located in British Columbia, Canada (“BC”). The Company uses contractors in a number of areas of its business including corporate, timberlands, manufacturing and fibre supply, as its business needs may require.

Activities

Western’s primary business includes the harvesting of timber, sawmilling logs into specialty lumber, value-added manufacturing, lumber purchase and wholesaling, and selling our logs in Canada and lumber products to worldwide markets. Our sawmills process hemlock and balsam, Douglas fir, yellow and western red cedar 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 used for decking, siding, mouldings, doors, windows and paneling.

Supply Chains

The Company harvests timber from tenures on Crown-owned land and privately-owned timberlands in BC. The Company employs unionized employees and engages contractors to perform its timberlands harvesting activities.

In addition, the Company sources fibre through log trade transactions, purchasing logs and standing timber and through our timber harvesting joint ventures and limited partnerships with First Nations on the BC coast. We also participate in auctions for the purchase of standing timber through BC Timber Sales.

Once sourced, logs are sorted according to species, size and grade and directed to one of our sawmills or other custom cutting operations, or sold to third parties on the open-market or under long-term fibre supply agreements. Logs are largely transported by water, using contracted towing and barging services, and truck, using Company-owned and contracted trucking services, to one of Western’s manufacturing plants, third-party custom cutting operations, or directly to external customers.

The Company’s manufacturing business comprises six sawmills with an annual lumber production capacity in excess of 900 million board feet and two remanufacturing facilities. All lumber manufacturing is conducted at Company owned sawmills by unionized employees in BC and at third party remanufacturing facilities located in BC.

The Company’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 in Canada and the US are made directly to select customers, including home centers, major lumber retailers, pro-dealers, remanufacturers and wholesalers. Our sales into the Japanese market are serviced from our Vancouver sales office, 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. The Company also sells logs and lumber by-products to third parties in Canada.

Western's locations on the BC coast allow for efficient, cost-effective access to world markets. Most lumber shipments to North American customers are made by rail and truck. For other export markets, including in Asia and Europe, the Company's shipments are completed primarily by vessel, including shipping container and break-bulk shipping.

Policies and Due Diligence Processes

Policies

The Company implements the following policies to mitigate the risk of forced labour and child labour in its business and supply chains:

- *Code of Conduct and Business Ethics*: The Company's Code of Conduct and Business Ethics ("**Code of Conduct**") clearly sets out the Company's core values and the actions and behavior expected from all Western directors, officers and employees. The Company also expects its contractors and suppliers to adhere to the spirit of the Code of Conduct. The Code of Conduct requires all Western representatives to comply with the letter and spirit of all applicable laws, rules and regulations in the jurisdictions that the Company operates in, including those pertaining to health & safety and human rights. The Company provides a Code of Conduct and Compliance Hotline which empowers stakeholders to raise any concerns relating to the Code of Conduct, including those relating to health and safety and human rights, and is committed to investigating and addressing any concerns raised. All reported violations of the Code of Conduct are reported to the Company's Audit Committee (a committee of the Board of Directors). The Code of Conduct is available on the Company's website.
- *Human Rights Policy*: 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 and our respect for the right of our employees to join a labour union. Specifically, the Human Rights Policy sets out Western's commitment to operate in compliance with applicable employment laws and the Company's collective agreements with its 1,129 Canadian unionized employees. Such collective agreements include enhanced employee protections, including maximum working hours, overtime, rates of pay, minimum age, privacy and other fair working conditions. The Human Rights Policy is available on the Company's website.
- *Procurement Policy*: The Company's Procurement Policy outlines the governing principles for the Company's procurement of materials, goods, equipment, facilities and services used in the course of its business. The Procurement Policy requires the Company's representatives to incorporate "fair labour practices" into vendor selection. Fair labour practices is defined under the Procurement Policy to include the adoption and adherence by suppliers to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labour and social security laws and regulations, including child labour, forced labour, rights to collective bargaining and freedom of association, hours of work and compensation.

Due Diligence Processes

The Company also mitigates the risk of forced labour and child labour in its business and supply chains through various mandated due diligence processes.

As part of its standard recruitment and hiring process, the Company conducts background checks and verifies identification for every prospective employee and maintains these records in its confidential files in accordance with applicable law. The Company also requires that all new employees receive mandatory training on the Code of Conduct and Human Rights Policy (as described above) as part of their onboarding. The Company's employees are also required to annually acknowledge that they have reviewed and are complying with the Code of Conduct.

The Company also implements a number of due diligence processes in certain circumstances to mitigate the risk that forced labour or child labour is used by the Company's suppliers or service providers, including the following:

- using ISNetworld, a third-party contractor management platform, to ensure our Canadian and US contractors', and in certain circumstances the Company's shipping and logistics service providers', health, safety and governance programs meet regulatory and contractual requirements, including compliance with applicable laws;
- requiring suppliers and service providers to undertake request for proposal (RFP) or request for quote (RFQ) processes for significant capital projects, which enables the Company to further evaluate its suppliers and service providers based on specified criteria, including those set forth in the Procurement Policy (as described above);
- performing regular inspections of our forest service contractors' performance to ensure that contractors are meeting our operational expectations and complying with applicable laws, including those pertaining to forced labour and child labour; and
- seeking partnerships with large, well-known shipping and logistics partners with a proven track record of performance. Additionally, the Company performs due diligence on its prospective shipping and logistics partners to evaluate their suitability through site visits, credit and supply chain reference checks, and other steps to evaluate their business assets and credibility.

Furthermore, Western has in place a contract management policy that helps to ensure that the Company's contractual arrangements with suppliers and service providers are appropriately reviewed and contain appropriate representations, warranties and covenants regarding their compliance with applicable law in the course of performing their duties for the Company.

Risk Assessment

The Company is generally responsible for arranging for shipments of its products to export markets outside of Canada and the US; however, the sale of such products is completed in Canada. Thus, although the Company has identified this portion of its supply chain as carrying the greatest risk of forced labour and child labour, overall, the Company believes this risk is effectively mitigated as described below.

The Company mitigates this risk through entering into agreements or other contracts consistent with customary international shipping practices with large, well-known shipping and logistics service

providers which contain representations, warranties and covenants requiring such service providers to comply with all applicable laws. In certain circumstances, the shipping and logistics service providers retained by the Company are required to be registered with ISNetworld, which helps ensure that their health, safety and governance programs meet regulatory and contractual requirements, including compliance with applicable laws. Additionally, the Company performs due diligence on its prospective shipping and logistics partners to evaluate their suitability through site visits, credit and supply chain reference checks, and other steps to evaluate their business assets and credibility.

Remediation Measures

The Company did not discover nor was made aware of any instances of forced labour or child labour in its operations and supply chains during 2023 and, consequently, no remediation measures were required.

Training

As mentioned above, the Company requires all new employees to participate in mandatory training on the Company's Code of Conduct and Human Rights Policy as part of their onboarding. Moreover, the Company's employees are required to comply with all Company policies, including all policies described in this Report, and the Company provides regular training and testing to ensure that all employees understand such policies.

All Western employees who are engaged in the procurement of supplies and services are required to familiarize themselves with the Company's Procurement Policy (as described above). Certain key employees of the Company who are engaged in the procurement of supplies and services receive personalized training on the Procurement Policy as part of their onboarding and also have a Supply Chain Management Profession (SCMP) designation which mandates that they comply with the SCMP Code of Conduct, along with all applicable laws.

Assessing Effectiveness

The Company primarily assesses the effectiveness of its policies and due diligence processes relating to forced labour and child labour through monitoring and evaluating any concerns raised through its Code of Conduct and Compliance Hotline (as described above). The Company also provides its employees a forum to raise any concerns through regular, confidential employee engagement surveys, the results of which are used to inform updates to the Company's policies and changes to our workplace. To date, no issues relating to forced labour or child labour have been raised through the Code of Conduct and Compliance Hotline nor any employment engagement survey.

The Company continually evaluates the performance of our suppliers and service providers, including their compliance with our Code of Conduct, to ensure that the Company's business relationships align with our strategic objectives and core values. The Company documents any instances of non-compliances from our suppliers and service providers, including violations of our Code of Conduct, and will consider such non-compliances as we engage such supplier or service provider for future projects or, in some circumstances, terminate our business relationship with such supplier or service provider. Moreover, ISNetworld requires certain of the Company's suppliers and service providers to provide updated information on an annual basis to verify that their health, safety and governance programs continue to meet regulatory and contractual requirements, including compliance with applicable laws.

The Company's Nominating and Corporate Governance Committee ("**NCGC**") is responsible for assessing the overall effectiveness of the Company's corporate governance policies, including the Code of Conduct. The NCGC reviews the Code of Conduct on an annual basis.

Steps Taken in 2023

The Company has taken the following steps during the 2023 financial year ended December 31, 2023 to prevent and reduce the risk that forced labour or child labour is used at any step of the production of the Company's goods:

- continuing to implement the policies and mandated due diligence processes described in this Report;
- providing mandatory training on the Company's Code of Conduct and Human Rights Policy to all new Company employees, including the Code of Conduct and Compliance Hotline for reporting concerns relating to the Code of Conduct;
- requiring that all existing employees provide an annual acknowledgement that they have read and are complying with the Company's Code of Conduct;
- undertaking a confidential engagement survey to solicit feedback from all employees regarding working conditions at the Company's workplaces;
- verification of certain of the Company's suppliers and service providers' compliance with health, safety and governance programs through ISNetworld; and
- delivering contract management training to ensure that the Company enters into appropriate contracts with its suppliers and service providers which mandate performance standards including, among other things, compliance with all applicable laws and regulations.

The Company intends to continue to review and update its policies, procedures and processes to ensure that it maintains appropriate safeguards against the risk of forced labour and child labour in its business and supply chains. The Company will also continue to implement its training processes to ensure that all employees are empowered to identify and report any suspected instances of forced labour and child labour in the course of their employment at Western.

Attestation follows on the next page.

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

ATTESTED this 31st day of March, 2024.

By order of the Board of Directors

“Daniel Nocente”

Daniel Nocente

Chair, Board of Directors

Western Forest Products Inc.

I have authority to bind the Company.