

# 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.

The term “**Executive Officer**” refers to the President and CEO, the Chief Financial Officer, the Chief Operating Officer, executive vice presidents, senior vice presidents and any other executive officer (as defined by applicable securities laws).

## 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, the sustainability report and carbon accounting 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 Governance Reporting Oversight.** Review the design, implementation, and adequacy of procedures used to prepare sustainability and ESG related disclosures, including the Corporation's sustainability and carbon accounting reporting.
- (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, cyber security and artificial intelligence, 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. Review and approve the Corporation's policies regarding non-audit services to be provided to the Corporation by the external auditor, including the Non-Audit Services Policy.
- (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, including the Hiring of External Audit Employees Policy.
- (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, cyber-security and artificial intelligence 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 Compliance.**

- (i) *Compliance Program.* Review the program used by management to monitor compliance with the Corporation's Code of Business Conduct and Ethics (the "Code") and the policies that support such program, including the Corporation's Compliance and Code of Business Conduct Hotline Policy.
- (ii) *Investigation.* 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.

- (iii) *Waivers*. Review and make appropriate recommendations to the Board regarding any director or Executive Officer waivers granted under the Code.
- (iv) *Conflicts*. Review and make appropriate recommendations to the Board on managing conflicts of interest in relation to any directors or Executive Officers.
- (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 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.