

**DEFINING A
HIGHER STANDARD.
FOR TODAY.
FOR TOMORROW.**

2019 SUSTAINABILITY REPORT



Western Forest Products
DEFINING A HIGHER STANDARD™

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MESSAGE FROM THE PRESIDENT AND CEO

At Western, we take a long-term view to managing our business and are committed to providing the most sustainable building products on the planet. Wood products have long been admired for their natural beauty and versatility. More recently, there has been a growing appreciation for wood as a renewable resource that helps fight climate change while providing superior building performance. We are pleased to see a steady increase in the use of wood as the product of choice in sustainable building. Sustainability is critical to our success and it is why we are dedicated to providing stakeholders with a comprehensive annual report that highlights our sustainability performance.

The team at Western is committed to defining a higher standard in all that we do. Above all, the health and safety of our employees remains our top priority. In 2019, we made progress on our journey toward a zero-incident workplace by increasing training and adjusting our focus to leading indicators. Greater focus on leading indicators will drive increased employee involvement and support the creation of a safety culture of commitment which we view as a critical milestone on our safety journey. Our strong health and safety foundation has supported us in managing the impacts of the COVID-19 pandemic. As a designated essential service, we are committed to ensuring the health and safety of our employees above all else while continuing to operate our business.

The past year was particularly challenging for Western as our employees represented by the United Steelworkers (USW) began a seven-month long strike that curtailed most of our British Columbia coastal operations. The strike impacted our employees, contractors, their families, and the forestry dependent communities throughout the region as well as our customers. During this time, our people pulled together to support each other and our company. While the strike was a major disappointment for everyone, we are pleased with the negotiated settlement we have reached and the positive response from our employees during our successful re-start of operations.

Throughout 2019 we further demonstrated our commitment to building mutually beneficial partnerships with other businesses, and in particular with First Nations. In 2019, we concluded the sale of an ownership interest in one of our forest operations to the Huu-ay-aht First Nations. We believe this landmark transaction could be a template for how business can participate in reconciliation. In March 2020, we agreed to expand this partnership into a greater ownership stake for the Huu-ay-aht First Nations while including an interest in our sawmill in the area. Together with the Huu-ay-aht First Nations, we are focused on revitalizing the forest sector in the Alberni region for the benefit of all.

—continued on page 4

MESSAGE FROM THE PRESIDENT AND CEO —continued from previous page

In 2019, we continued to build on our strong governance structure and commitment to governance best practices. During the year we appointed an independent Chair of the Board of Directors and added two independent women directors with diverse backgrounds. We believe increased board diversity will help deliver improved business outcomes.

Western is well respected for our leadership in sustainable forest management including our commitment to variable retention harvesting. Variable retention harvesting is an important part of maintaining and enhancing biodiversity. In 2019, we continued to make important strides with respect to sustainable forest management by formalizing a Wildlife and Biodiversity Program into our practices. Our customers can be assured that the products we offer are from sustainable sources whether they originate from our third party certified sustainably managed timberlands or through our responsibly sourced purchases.

I hope you are pleased with our team's efforts to increase the level of reporting included in this year's report. This report builds on the reporting metrics developed last year and sets a higher standard in many important ways. It is our goal to have readers come away with a better understanding of our business, and how we contribute to a vibrant, sustainable forest industry and to the communities in which we operate. Our 2019 report has been informed by input from external stakeholders and as a result the report is more focused on our continuous efforts towards sector-leading sustainable forest practices. I'm proud of the difference our team is making in the communities where we live and work, and of our contribution to important global issues. I welcome your feedback.

Don Demens

PRESIDENT AND CEO

WESTERN— WHAT DEFINES US

Guided by our vision and values

Our vision and values guide our success. They set a common foundation for how our employees work together.

Sustainable, specialty products-focused, diversified, integrated, globally competitive—these are a few of the terms that define Western Forest Products Inc. (“Western” or “the Company”). We are a public company, listed on the Toronto Stock Exchange (TSX). Headquartered in Vancouver, Canada, Western and its subsidiaries operate in the coastal forests and communities of British Columbia (BC) and Washington State. We also have sales offices in Japan and China. Our business is focused on supplying high-value specialty wood products to customers around the world. We accomplish this by integrating sawmilling, remanufacturing, and procurement with sustainable forest management. Our markets range from local to global, with more than 70% of our lumber revenues coming from specialty products. We employ approximately 3,700 people, including contractors, in Canada, the United States, China and Japan. We support them with industry-leading health and safety systems. Our success depends on the support of our customers, the commitment of our employees and contractors, our collaborative relationships, and the support of Indigenous and local communities. These realities shape our business, creating both challenge and opportunity.

While we are a high-value specialty wood products business, our roots are in our forests. The forestlands within our care are voluntarily certified to third party sustainable forest management standards. With our careful stewardship, these forests represent a renewable resource for generations.

We also define Western as a company that strives for a higher standard. This means that we treat past performance, industry norms, and regulatory requirements as the base for our performance standards rather than the ultimate target. We continually ask ourselves how we can do better in all aspects of health and safety, governance, forest

OUR VISION

To provide the most sustainable building products on the planet.

OUR VALUES

- + We are committed to personal safety, sustainable management and environmental stewardship
- + We behave with integrity, passion and transparency
- + We seek mutually beneficial relationships
- + We are dedicated to a culture of accountability and continuous improvement



management, environmental practices, customer service and partnerships and relationships. In some cases, such as in the use of variable retention harvesting in our forest management, we have already established a track record of going beyond regulatory minimums. In other areas, we recognize that meeting the standard we're aiming for requires more work. This report represents such an effort as we aim for broader and improved disclosure.

WOOD— SUSTAINABLE BY NATURE

Wood is a natural marvel. Strong, resilient, renewable and beautiful, it offers endless possibilities for builders and architects. When harvested from sustainably managed forests, wood is a natural choice for those who want to express their sustainability values. As trees grow, they remove carbon from the atmosphere and store it in their wood. This stored carbon stays locked away for the life of the wood products made from it.

FORESTRY FACTS

We understand our responsibility as we work to produce wood products that society wants and needs. In British Columbia, we source our fibre from sustainably managed public forest lands. In the United States, our fibre supply requirements are met from a broad range of sources, including Federal and State lands, from private landowners and open market purchases.

In the United States, the rate of harvest is set by the land owners. In British Columbia, the amount of harvest that can occur is defined through a complex and scientific process that forecasts growth 250 years into the future. The Allowable Annual Cut (AAC) on public land tenures issued by the government in British Columbia is determined by the Chief Forester of the Province. The AAC reflects tree growth, ecology, regional and local economic and social interests, water and other environmental considerations that define how forests can be managed. Legislation requires the Chief Forester to review sustainable harvesting levels in each Management Unit in the Province at least every 10 years and to issue a "determination" which may result in reductions or increases in the AAC.



2019 OVERVIEW

2019 was a year of change and challenge for the forestry industry in British Columbia, for Western and our stakeholders. This presented us with an opportunity to more clearly define what is important to our path forward for mutually beneficial partnerships and success.

Strategic shifts

In the face of a more competitive global market for softwood lumber, Western continued with our strategy focused on supplying high-value specialty products to selected customers. This strategy aligns well with sustainability as we generate more value from the resource. In 2019, we made significant progress implementing our strategic initiatives. In February 2019, we acquired the assets of Vancouver, Washington-based Columbia Vista Corporation, a lumber operation producing Douglas fir specialty products for the Japanese and United States markets. We substantially completed equipment and building upgrades at our Arlington facility, which will assist us in growing our product lines and streamlining our logistics and distribution platform, to more effectively service our selected customers in the United States. In addition, we more than doubled our wholesale lumber shipments in 2019. Our wholesale lumber business allows us to offer an expanded product line, making us more meaningful to our selected customers and further enhancing the viability and success of our existing businesses. We continued to execute our sales and marketing strategy, building strong relationships

with selected specialty wood products distributors and home centers in North America which we expect will drive more demand for our products and benefit our business for years to come. We are proud of the quality of our products. We will continue to pursue a standard of excellence.

Advancing reconciliation with First Nations

In March 2019, we sold a 7% ownership interest in our Port Alberni Forest Operation to Huumiis Ventures Limited Partnership (“Huumiis”), an entity beneficially owned by the Huu-ay-aht First Nations (the “2019 HFN Transaction”). In March 2020, we announced a new agreement with Huumiis for its acquisition of a majority interest in the Port Alberni Forest Operation and an ownership interest in a newly formed limited partnership that will own our Alberni Pacific Division Sawmill. We anticipate that these acquisitions will be completed in the third quarter 2020.

Huu-ay-aht First Nations and Western celebrate signing of historic partnership during a ceremony in Anacla



Board leadership transition

As a demonstration of our commitment to governance best practices, we appointed Michael Waites as Independent Chair of the Board and added two more independent directors, Laura Cillis and Cheri Phyfer. We recognize the importance of Board independence and diversity in providing objective and effective stewardship. As of 2019, six of our directors—75% of the Board—are considered independent in accordance with legislative and stock exchange requirements. Three out of four of our committees are composed entirely of independent board members. This includes our Audit Committee, our Nominating and Corporate Governance Committee and our Management Resources and Compensation Committee.

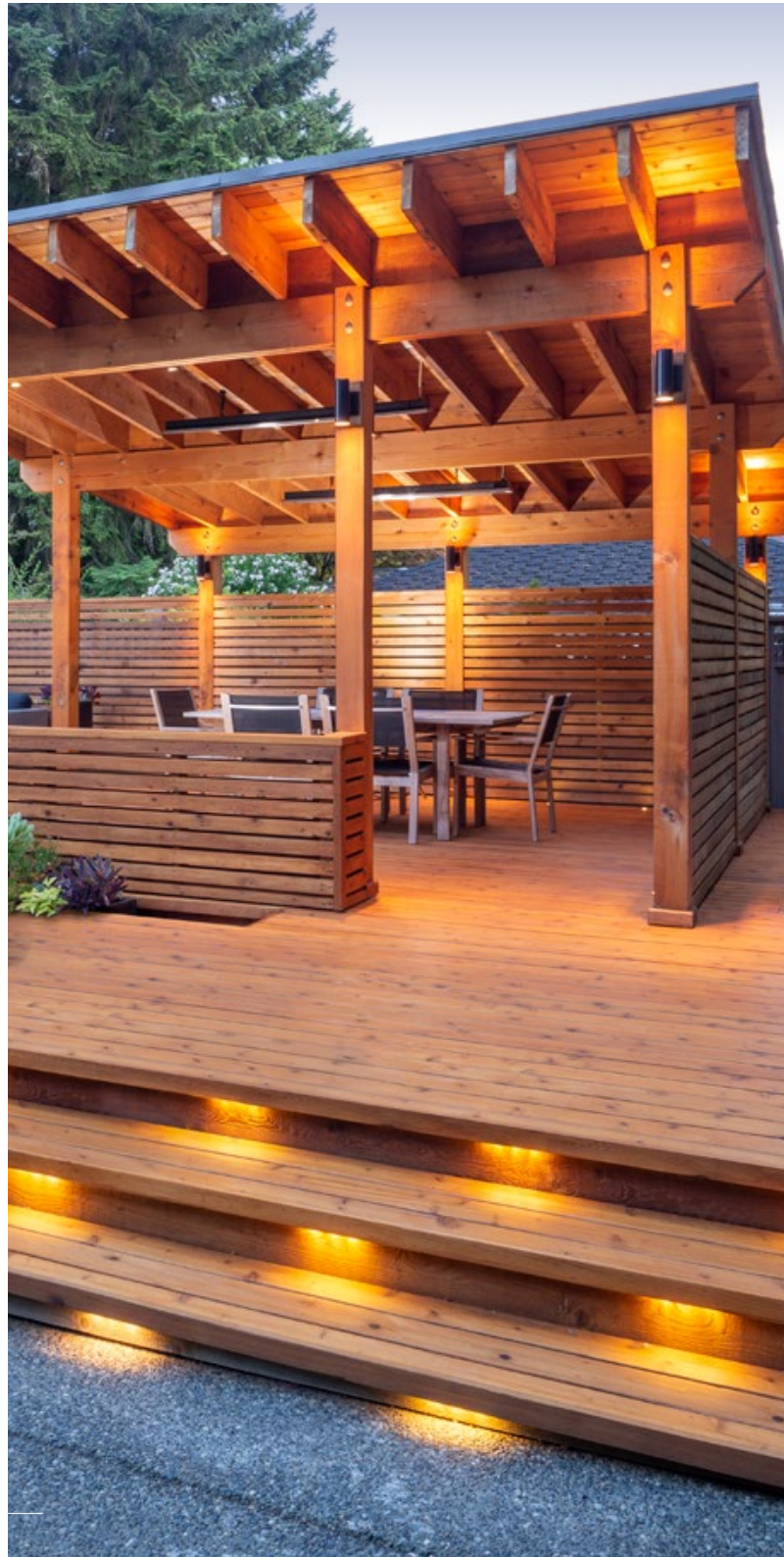
We take an integrated approach to board diversity by seeking a board composition that provides a range of skills and backgrounds to support our strategic goals and vision. In 2019, we added two women directors to our Board who provide a diversity of professional background and geographical representation that will benefit the company as we implement our strategy.

Labour relations

We are committed to moving forward in our relationship with employees following a strike that kept most of our workers in British Columbia off the job for the second half of 2019. The United Steelworkers Local 1-1937 union (USW), representing approximately 1,500 of our hourly employees and approximately 1,500 employees working for our timberlands contractors in British Columbia, commenced a strike on July 1, 2019 (the “Strike”) against Western and its contractors. The Strike was unprecedented for our company and for the BC coast. The Strike resulted in the curtailment of all of our USW-certified manufacturing and timberlands operations in British Columbia. Some non-USW certified manufacturing operations were also affected, due to insufficient log or lumber supply. Its impacts were far-reaching straining the coastal economy, local communities and the employees who were affected. A new 5-year collective agreement was ratified in 2020. Moving forward, we will build on the progress made to reach the negotiated settlement as we prioritize strengthening engagement with all our employees.

Changing regulatory environment

2019 also saw several new government policy initiatives in British Columbia affecting the forest sector’s regulatory framework. For a detailed analysis of how these changes could affect Western and our stakeholders, please refer to the 2019 MD&A.



AIMING HIGHER

Our higher standards

We invest in our people.

We foster a culture of continuous learning and development to build a safe and engaged workforce. Read more on page 18.

We supply sustainable building products.

As a sustainable forest manager and wood products business, Western's products play an important role in mitigating climate change. Read more on page 29.

We promote diversity.

We welcome a diversity of backgrounds and perspectives across our organization starting with our leadership. Read more on page 18.

We build mutually-beneficial relationships.

We collaborate to create business relationships with Indigenous partners that contribute to reconciliation. Read more on page 32.

Our forests are certified.

All of Western's managed tenures are voluntarily certified to third party sustainable forest management standards. Read more on page 26.

We are adapting our planting to climate change.

We play a leading role in developing climate-resilient seedlings. Read more on pages 30 & 31.

We practice variable retention harvesting.

We plan our harvest so there is structural and biological diversity across the forest over time. Read more on page 21.

We conserve biodiversity and big trees.

We protect a range of biodiversity values, including big trees, in our timberlands. Read more on pages 21 & 22.



Where we're aiming higher

Becoming more proactive on safety.

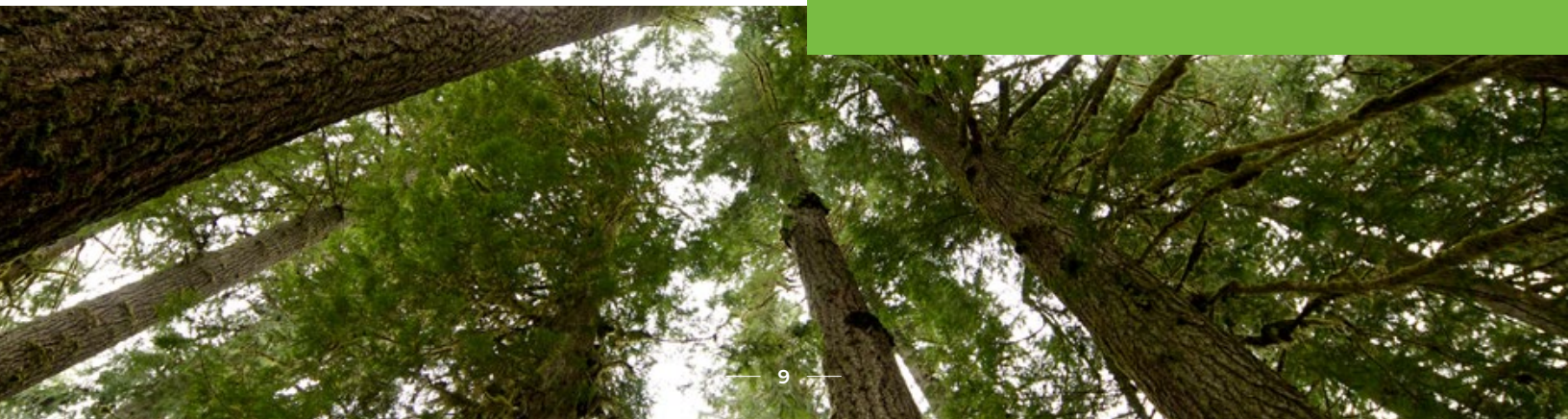
We are building on our strong safety culture by adapting our safety practices to focus on training and leading indicators to reduce safety incidents. Read more on page 16.

Increasing our understanding of our climate impacts.

We are developing our understanding of the whole forest-to-product carbon lifecycle. Read more on page 28.

Defining best practices for community relationships.

We are developing formal policies for stakeholder engagement and community investment in addition to our currently established Public Advisory Groups. Read more on page 35.



SUSTAINABILITY AND ACCOUNTABILITY

Driving sustainability through our business

Western's continued success depends on our ability to realize a business advantage through adaptation to sustainability imperatives. We believe that our high sustainability standards including worker safety, biodiversity protection, and sustainable forest management and certification, ensure market confidence in our products and support long-term business viability. This view comes naturally to Western because we have a long-term commitment to the forests in our care. We also recognize that our financial returns support our sustainable practices by enabling us to continue providing employment and important economic contributions to local communities.

Enhancing sustainable performance accountability

Accountability, integrity and transparency are part of our core values. As our business started in British Columbia and is deeply rooted in the publicly-owned forests under our care, it is critical that we demonstrate our stewardship of this renewable resource, our care for the environment, and the shared community benefits realized from our management of the working forest. Customers, investors, business partners and others are also demanding that businesses demonstrate the integration of sustainability (also referred to as environment, social and governance (ESG) considerations) into core business strategies and operations. To meet these expectations, we began reporting on our sustainability performance with the release of our 2018 Sustainability Report. With our 2019 report we are raising the bar with more metrics, increased transparency and a better reflection of what we are hearing from stakeholders. We look forward to hearing from report users on how well we've succeeded.

Good governance supports sustainability

As the governance body accountable for the overall stewardship of the organization, the Board of Directors (Board) has oversight for sustainability. The Board ensures Western remains committed to the highest standards of legal and ethical conduct and that our corporate governance policies and practices meet or exceed applicable regulatory requirements. In 2019, we made new appointments to enhance the independence of our Board and Board committees, resulting in seventy-five percent of the Board being independent. We also regularly evaluate Board composition to ensure it includes a diverse and complementary set of skills. We are pleased to report that 37.5% of our Board members are women.

The Nominating and Corporate Governance Committee (NCGC) provides oversight for the company's corporate governance practices, policies and procedures. This includes the Board's stewardship role and the ability of directors to effectively carry out their duties.



Our [Code of Business Conduct and Ethics](#) (the Code) sets the standard for everything we do and addresses conflicts of interests, confidentiality, fair dealings, and regulatory compliance. The Code applies to our directors, officers and salaried staff, who are required to review and certify compliance with the Code annually. Of particular relevance to our governance framework are Western's [Anti-Bribery and Anti-Corruption Policy](#), [Health & Safety Policy](#), [Environmental Policy](#), and [Human Rights Policy](#). Our internal audit department monitors compliance with these policies.

In addition, the Environmental, Health & Safety (EHS) Committee of the Board has direct oversight of EHS policies, practices, systems, disclosure, and compliance with EHS legislation. The EHS Committee reviews EHS performance with the executive management quarterly at a minimum. While our executive team oversees and monitors all aspects of sustainability, our sustainability initiatives are carried out by our people. This includes certified health & safety advisors, procurement specialists, forest professionals and biologists. We provide the required support to our manufacturing and timberlands operations to safely operate and manage their complex responsibilities.

Embedding sustainability

In 2019, we made progress integrating sustainability into all business decisions by enhancing established processes and introducing new systems. Our environmental and health and safety operating systems and practices are well-defined and continuously evolving to reflect new circumstances. We are formalizing policies and practices around community investment and stakeholder engagement. Western has dedicated personnel for government and community relations, and in 2019 we created the Vice President, Corporate Affairs executive position with the mandate to formalize our stakeholder engagement strategy and structure. In addition, we expanded the Vice President and Chief Forester role to the newly created position of

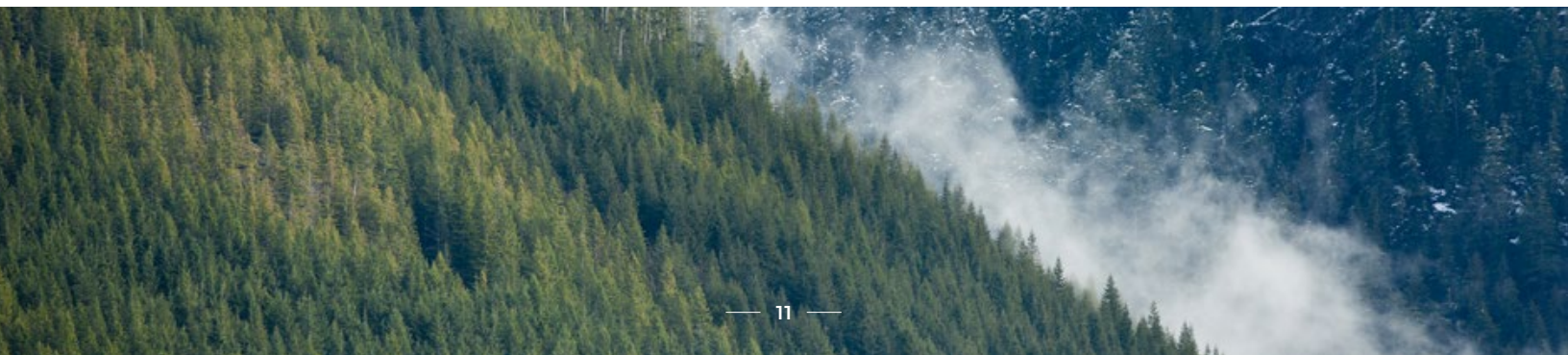
Vice President, Partnerships, Sustainability and Chief Forester. This expanded role provides increased focus and leadership as we strive to further develop mutually beneficial partnerships and enhance standardization of environmental programs across our operations. We also see setting goals, tracking progress and reporting on key performance measures for material sustainability topics as a significant opportunity for greater integration of sustainability. We are continuously working to achieve a higher standard of performance.

Indigenous engagement

Indigenous groups have made claims of rights and title to substantial portions of land in British Columbia, including areas where our timber tenures and operations are situated. We engage respectfully with Indigenous peoples and seek opportunity for mutual benefit. We have a wide variety of agreements with Indigenous communities, including our partnership with a Huu-ay-aht First Nations related entity in relation to Tree Farm License 44.

Stakeholder engagement

Managing sustainability is a complex process and benefits from a diversity of views. We engage a broad range of stakeholders through formal frameworks built into provincial, state, county and federal legislation and our Sustainable Forest Management system. For example, we have five Public Advisory Groups through our Canadian Standards Association forest certification whose advice helps guide our sustainable management of forests in British Columbia. We also engage with stakeholders through regular business activities at the corporate and operations levels. Our employed professionals are actively engaged and contributing to ongoing research and dialogue around best practices, forest and climate science and other matters relevant to safety and sustainability. The following table illustrates examples of engagement topics with key stakeholders in 2019.



STAKEHOLDER GROUPS	COLLABORATION	KEY TOPICS
Investors and Shareholders	We provide quarterly and annual financial performance updates and meet with investors regularly to provide company information.	Business performance · Health and safety · Environment, Social and Governance management · Operating environment
Employees	We focus on engaging with prospective and current employees to attract and retain a talented workforce.	Health and safety · Sustainable forest management indicators and performance measures · Environment and social responsibility · Business performance · Compensation and benefits
Communities	We meet with interest groups and members of the public, post on our website and social media, provide tours, and participate in trade shows, workshops and community events to share information about our business and practices.	Community benefits · Community investment opportunities · Local employment · Responsible practices · Sustainable forest management · Certification · Carbon and climate change
Customers	We partner with customers to sustainably meet market demand.	Products · Responsible practices · Green building · Carbon storage and capture in wood products and role in climate change mitigation · Supply chain
Educational institutions	We work with academic institutions to provide students exposure to forestry as a career through work experience and mentorship opportunities, classroom visits, participation in career fairs, and providing mill and Timberlands tours. We also partner with post secondary institutions to deliver research and training programs. We have partnered with UBC to support their PhD program and increase exposure of those students to operational requirements while leveraging their learnings to advance the business.	Training programs · Forest management · Research partnerships
Government (municipal, county, provincial, state, federal)	We engage with elected officials and staff at all levels of government through meetings, participation in conferences and working groups, including employee participation in over 20 provincial committees, to ensure our operations are managed consistent with government requirements, provide input into policy and regulations, and share information.	Community impacts · Responsible practices · Business practices · Employment and skills training · Sustainable forest management · Policy · Employee safety
Public Advisory Groups	We meet regularly with Public Advisory Group members to understand community interests and concerns and provide information about our business through websites, field tours and reporting.	Sustainable forest management practices · Sustainability measures and indicators · Community impacts · Climate change and carbon
Tourism and recreation interest groups	We collaborate with the provincial government on recreation sites and trails we jointly manage and provide information to recreation site users through social media.	Recreation site information · Trail management and maintenance · Karst management practices · Rock climbing and public access to logging roads
Unions	We regularly engage with the unions that represent some of our hourly workers on issues of mutual interest.	Health & Safety · Employment · Business concerns · Policy issues · Sustainable forest management practices · First Nations engagement, reconciliation and revitalization · Supportive forest policy

Engagement on this report

We made a commitment in our 2018 Sustainability Report to invite input from external stakeholders to help us define the most significant sustainability topics that we should be addressing.

To encourage frank and honest discussion with our stakeholders, we engaged an independent consultant to conduct interviews on behalf of Western. We invited ten participants representing diverse stakeholder perspectives including municipal, provincial and federal governments, communities, employees, academic experts and shareholders. Our consultant provided an overall summary of interview results, with interview details kept confidential and anonymous unless the participant consented to share the information with us.

We asked participants for feedback on our 2018 Sustainability Report, about their views on the most significant environmental, social and economic impact topics that we should be covering in future reports and what metrics or performance indicators would be meaningful. The main recommendations from the stakeholders interviewed were:

- + **Build trust and credibility through high quality sustainability disclosures**
- + **Present a forthright and balanced discussion of issues facing forestry companies**
- + **Provide more specific information on our operations and their contributions to local communities**
- + **Include more quantitative performance metrics**

Participants identified climate change, sustainable forest management and community impacts as the top three most significant sustainability topics for Western. Nine out of ten participants mentioned old forest protection as an important land use issue for British Columbia and Western. We address old forests in the Sustainable Forest Management section of this report.

We are very appreciative of the valuable input provided by our interview participants. Their recommendations have helped us shape the structure and content of this report and in the future we will expand who we engage with to ensure this report reflects diverse interests.

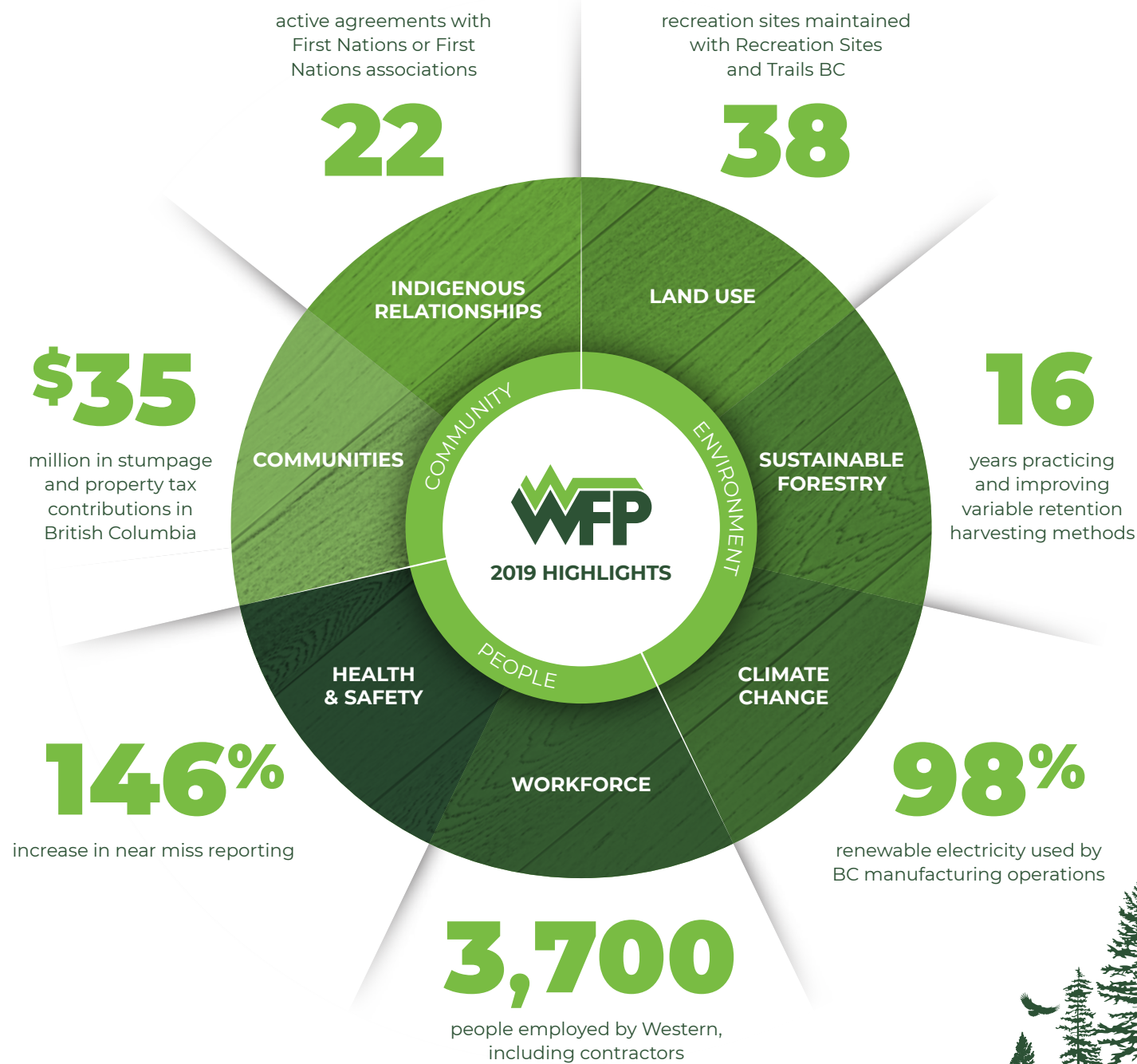
Material sustainability topics

In this report, a material sustainability topic is one that has the most significant potential for environmental, social or economic impacts or matters most to our stakeholders. These are topics we actively manage in order to mitigate risks, maximize positive benefits from our work and secure the sustainability of our business for the future as we strive to produce the most sustainable building materials on the planet.

We completed our first materiality assessment in 2018. We reviewed widely-used sustainability disclosure standards (Sustainability Accounting Standards Board and Global Reporting Initiative) and peer company sustainability reports to understand common material topics for the forestry industry. A steering committee including our Executive Vice President and Chief Financial Officer, Senior Vice President, Human Resources and Corporate Affairs, and Vice President, Partnerships & Sustainability and Chief Forester then reviewed the list to identify key topics for Western. In 2019, we engaged a small group of stakeholders as described above to validate and help prioritize the material topics through an independent consultant to maintain confidentiality of stakeholder assessments. Our Board reviews our sustainability reports, including the list of sustainability topics. We plan to review our material sustainability topics annually. Our material sustainability topics for 2019 are:

1. **Health and Safety**
2. **Workforce**
3. **Sustainable Forest Management (including land use)**
4. **Climate Change**
5. **Indigenous Relationships**
6. **Communities**





PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

HEALTH AND SAFETY

This topic includes our Health and Safety (H&S) commitment, systems and practices. Performance data applies to employees and contractors.

Why Health and Safety is material to Western's sustainability

Timber harvesting and manufacturing activities involve the use of heavy equipment and have inherent hazards. A safety incident can have serious implications for our employees and contractors, their families, communities, and our business. Preventing injury and managing hazards is key to our long-term business success.

How we manage Health and Safety

Safety is a core value. We believe everyone should return home safe and healthy each day. We actively work to foster a strong safety culture. Our [Employee H&S Policy](#) is reviewed annually by our CEO. It sets out Western's vision for a zero-incident workplace and our commitment to providing a safe and healthful workplace, managing hazards, and mitigating risks. We also reinforce our commitment to providing a safe and healthful workplace in our [Human Rights Policy](#).

Safety is a shared responsibility. Management, employees and contractors are all responsible for integrating safety into daily operations, while our Board EHS committee reviews H&S performance quarterly. Our corporate H&S team collaborates with operational sites to standardize processes, ensure use of best practices and improve performance. Corporate safety advisors work at facilities on regular rotations, participate in inspections, and work with field teams to implement Western's safety program. Working with our contractors is critical to our safety performance. We have approximately 180 contractors with 1,500 workers at our timberlands operations, performing more than 60% of Western's harvesting activities. We expect all contractors to meet Western's safety standards. We screen contractors for safety performance using a third-party platform, ISNetworld, to ensure they meet specific safety criteria. ISNetworld also monitors contractor compliance with contractual and regulatory requirements. Contractors are required to self-report on safety criteria and metrics, provide proof of insurance and are subject to independent audits and inspections.

We provide our workers with the H&S resources they need. Ensuring our people are healthy, well and fit for work is our first step in creating a healthful workplace. We also provide comprehensive hands-on, job-specific training. This is complemented by regular refresher training, information campaigns on managing hazards (e.g. working around heavy equipment) and safety-focused team meetings at the start of shifts. In addition to regular on-the-job training, we provide employees with access to Western Learning, our online-learning system, where they can refresh compliance training on topics such as safety orientation and hazard assessment. A key element in defining our culture is the investment we are making in our people through the training we provide through Western's Safety Leadership Development program. This training is aimed at ensuring our safety leaders are equipped to manage hazards and reduce risks across our operations.

We use our Health and Safety Management System (HSMS) to drive continuous improvement. The HSMS covers all regulatory requirements and provides a consistent framework to drive safety performance across Western's operations. It has 13 key elements (including annual safety plans, incident investigations, inspections and contractor specific controls) and 52 corporate standards. Our HSMS meets the standard for US Occupational Health and Safety Act (OSHA) Voluntary Protection Programs (VPP) and is based on the ISO45001 Occupational Health and Safety Standard. Every year, we review our performance and identify specific areas for improvements.

We measure our performance. We monitor our performance using indicators such as medical incident rate (MIR) and are focusing more on leading indicators, including near miss reporting. Our internal Western Safety Accreditation program evaluates key safety performance indicators at our operations on an annual basis. This includes HSMS inspections, annual safety improvement plans, corrective action completion rates, and safety leadership training completion rates. In 2019, we added tiered leadership inspection completion rates, as part of improvement actions identified in 2018. Tiered leadership inspections include field inspections at a defined frequency conducted by leaders at different levels of the organization (Supervisors, Operations Managers and General Managers). This is a proactive way of regularly sharing safety knowledge between leaders and employees and building our safety culture. Our safety practices at our Canadian timberlands and manufacturing operations are externally audited and SAFE certified by the BC Forest Safety Council (BCFSC). Our Columbia Vista manufacturing facility in the United States is OSHA VPP Certified and is audited regularly.

We collaborate to improve industry safety. We work closely with regulators and industry associations to ensure our procedures meet or exceed expected standards, to develop and implement best practices, and to advocate for improvements to safety standards. One example is our ongoing engagement with WorkSafeBC to help improve industry standards for dust mitigation in sawmills. Western is also a member of the Manufacturing Advisory Group (MAG) and the Coastal Harvesting Advisory Group (CHAG) through the BCFSC, the Safety Advisory Foundation for Education and Research in Canada, and the Department of Labor and Industries Retro Program and OSHA VPP in the United States.

THE PATH TO ZERO

Our ultimate goal is a zero-incident workplace, which is an ongoing journey that depends on the proactive decisions we make every day. We are focused on key areas we believe will reduce our MIR (Medical Incident Rate—the number of incidents per 100 employees): shifting from lagging to leading performance indicators, enhancing employee training on near miss reporting and hazard identification, providing leadership training to improve the ability of our leaders to engage and motivate our workforce, fostering a culture of accountability by monitoring and measuring our performance and standardizing our HSMS system across our operations.



Performance in 2019

Most of our Canadian operations were curtailed for the second half of 2019 due to the Strike. During the Strike, we focused specific care and attention to safety in 'out of process' work (work completed by management for safety reasons unrelated to production) in affected operations. We also implemented a hotline to further support safe operating conditions during the Strike. In anticipation of affected operations resuming, and to support a safe transition back-to-work, we provided training to leaders to equip them with tools and coaching methods to ensure a physically and psychologically-safe work environment.

We track safety performance by operation. This aids in our ability to identify trends, manage risks, and helps shape our annual safety improvement plans for each operation. In 2019, we analyzed past health and safety reporting criteria and aligned it to meet OSHA's guidelines, including the VPP requirements. This initiative resulted in the reclassification of certain incidents and contributed to reporting an MIR of 3.30 in 2019, a minor increase in overall MIR.

In 2019, we focused on increasing employee engagement in proactive safety reporting to help eliminate hazards before they resulted in incidents. Near miss reporting is a leading indicator that tracks reporting of incidents that did not result in injury or damage. We far exceeded our goal of a 20% increase in near miss reporting, with an

increase of 146%. This increase indicates our employees are becoming more proactive in identifying and reporting hazards before they become incidents. We continued to implement the Personal Field Level Hazard Assessments program that was introduced in 2018. Employees complete field assessment cards that include checking their surroundings for hazards and then putting controls in place to eliminate the hazard. Supervisors are required to review 10% of the assessments. This program is empowering our employees to consistently take an active role in their personal and team's safety each day.

In addition to inspections by regulators, regular external safety audits are conducted at our Canadian operations according to BCFSC's SAFE criteria through the CHAG and MAG working groups. Over the past three years, our audit results have consistently been 90% or higher. In 2019, the industry manufacturing SAFE audit standard was replaced by new audit criteria developed by MAG. Western's manufacturing operations were not audited in 2019 due to the Strike.

Looking ahead

In 2020, we will be adding training materials for contractors to ISNetworld and expanding course curriculum on Western Learning, our on-line training platform.

SAFETY PERFORMANCE INDICATORS

METRIC	2019	2018	2017
Medical incident rate—Timberlands company	3.73	2.44	1.07
Medical incident rate—Manufacturing company	3.66	4.07	1.7
Medical incident rate—Company total	3.3	3.17	1.7
Medical incident rate—Timberlands contractor	2.02	3.16	1.51
Medical incident rate—Manufacturing contractor	0	5.14	2.82
Medical incident rate—Contractor total	1.8	3.31	1.62
Fatalities	0	0	3
Near miss reporting	312	127	107
H&S audit score	Timberlands: 99% Manufacturing: n/a due to Strike	Timberlands: 93% Manufacturing: 94%	Timberlands: 87% Manufacturing: 91%

Medical incident rate: represents the number of incidents per 100 employees.

MIR Manufacturing contractor: indicates there were no recordable injuries in Manufacturing contractors in the first half of 2019.

PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

OUR WORKFORCE

Workforce refers to all aspects of our relationship with our employees. It includes compensation and benefits, workforce structure, diversity and equal opportunity, and training and education. As 2019 performance was affected by a prolonged work stoppage, we also address how the Strike affected our people and the company.

Why our Workforce is material to Western's sustainability

The quality and talent of our people are critical to our success. The forestry sector requires highly skilled and qualified workers. We must be able to attract and retain young, diverse, skilled workers to succeed in a competitive global environment. We do this by investing in our employees' continued development and well-being to maintain a productive, sustainable workforce. Building effective relationships with unions also contributes to a sustainable workforce and operational certainty.

Western is a key employer with a long-time presence in a number of communities where we operate. We recognize that our workforce decisions have an impact on communities. Refer to the Communities section for more information.

How we manage our Workforce

Western provides equal opportunity and promotes diversity at all levels. We want to be a reflection of the communities where we live and do business, and recruiting for a diverse workforce expands the potential talent pool we can draw from. Building a diverse and inclusive workplace contributes to improving our safety and business performance. Our commitment to equal opportunity and diversity starts with our [Human Rights Policy](#) and is integrated into our recruitment, promotion, training and rewards processes. We are taking steps to increase representation of women, Indigenous people and minorities.

We offer a total rewards approach to compensation. We design our compensation and benefits package to help us attract, retain and motivate our employees. Our compensation philosophy emphasizes paying for performance. Key elements include a market competitive salary, performance-based bonus, extended benefits including job protected leaves, pregnancy and parental leave top up, an employer-funded pension plan for salaried employees in Canada and a 401K in the United States. Unionized employees receive compensation and benefits as defined in the collective agreement and participate in an industry pension plan. Benefits are an important way for us to show that we care about our employees as individuals. We invest in their physical and mental well-being including through the provision of an Employee and Family Assistance Plan.

We invest in our people through training and education.

Providing effective on the job training, opportunities for continuous learning and industry exposure for students are all essential to ensuring a safe, engaged workforce and healthy talent pipeline. Salaried employees and hourly employees in the United States currently receive job-specific safety training as mandated by regulators, and Western-specific compliance training in areas such as business ethics, human resources and information technology (IT) through Western Learning (WL) our online learning management system. Employees have a learning plan tailored to their role. WL delivers training on safety compliance, IT security and human resources policies, and other course topics such as time management and emotional intelligence. We partner with post-secondary institutions to deliver forestry and business training courses and run a summer program where students are mentored by Registered Professional Foresters. Where possible, we actively recruit participating students.

We support freedom of association and collective bargaining. We respect our employees' right to join or not join a labour union. Western has collective agreements with two unions, the USW and Public and Private Workers of Canada (PPWC), which represents approximately 70% of our workforce and most of our hourly workers. The majority of our harvesting contractors' employees are also represented by a union. We seek to have a mutually-beneficial relationship with our unions, which is guided by our collective agreements.

Performance in 2019

2019 was not an ordinary year for Western and our employees. Most of our employees and contractors in British Columbia were off the job for the second half of the year, which significantly affected those employees, contractors, and their families and communities, as well as our customers. We believe that the progress we made during the labour negotiations to end the Strike provides a strong foundation for strengthening these critical labour relationships. We are also proud of those employees who continued to work safely during the Strike. They demonstrated tremendous focus aligned with our business objectives and improved our systems and processes in preparation for the return to work.

Our total employee workforce decreased by 8% in 2019, this was attributed to the impact of the downturn in lumber markets which was further compounded by the impact of the Strike.

Training continued to be an important focus throughout 2019. Our salaried employees continued using our WL platform, completing 82,512 hours of training in 2019.

We advanced gender diversity at the senior level of the company and continued efforts to better understand the diversity of our employees. Women represent approximately 37.5% of our Board and 37.5% of our Executive Leadership team compared to the industry average of 20% and 23%, respectively. We also started inviting employees to voluntarily self-identify as Indigenous.

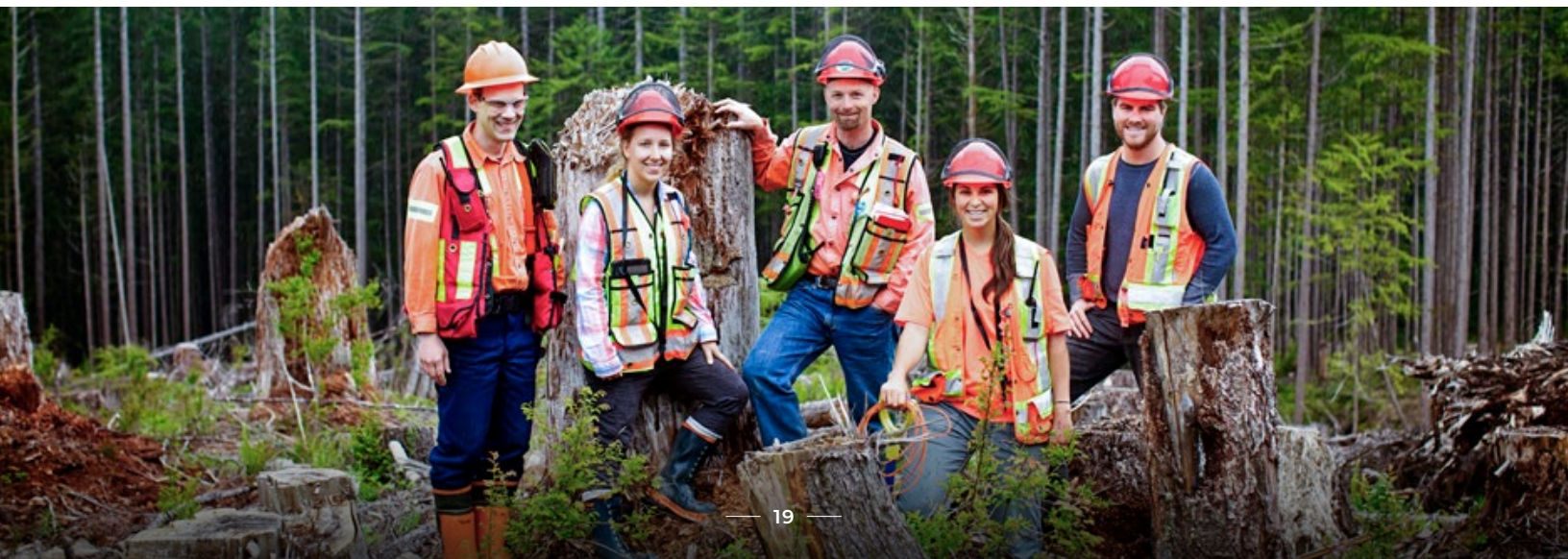
Looking ahead

In 2020, we plan to expand our program for voluntary diversity self-identification and launch an employee survey to gather input on workplace factors that impact engagement.

2019 WORKFORCE*

	CANADA			UNITED STATES			JAPAN & CHINA			2019 TOTAL			2018 TOTAL			% CHANGE 2018-2019		
	M	F	U**	M	F	U**	M	F	U**	M	F	U**	M	F	U**	M	F	U**
Salaried employees	309	163	13	25	8	0	3	4	0	337	175	13	356	184	4	(5)	(5)	225
Hourly employees	1475	80	24	102	5	0	0	0	0	1577	85	24	1624	100	14	(3)	(15)	71
Total employees by gender	1784	243	37	127	13	0	3	4	0	1914	260	37	1980	284	18	(3)	(8)	106
Total employees	2064			140			7			2211			2282			(3)		

May differ from other disclosures due to census date * Excludes contractor employees ** Unspecified, refers to unreported



PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

SUSTAINABLE FOREST MANAGEMENT

Sustainable forest management for us means our practices to ensure forests for future generations including managing biodiversity, species at risk, riparian areas and watersheds, and avoiding unnecessary wood waste. This extends to land use and includes our understanding of the working forest, our obligations associated with tenures, and how we manage diverse interests across the landbase.

Why Sustainable Forest Management is material to Western's sustainability

Our success as a business depends on us supplying sustainable products, and sustainably managing the forests in our care within British Columbia while responsibly sourcing fibre for our operations in the United States. Our employees take pride in our high standards for forestry and the requirements we have for sustainable fibre sourcing. Our customers want to be assured that the wood products we supply come from sustainably managed forests. Indigenous groups, communities, the public and stakeholders want assurance that we use and require best practices. We manage and source fibre from working forests to achieve a sustainable supply—ensuring we can continue to produce forest products over generations while maintaining healthy and productive forest ecosystems for the long-term health of the planet.

Meeting legal requirements is our minimum standard. All aspects of forest management are highly regulated by government, through our licences and implementation of our management plans. We build upon this legislation by employing qualified professionals and science to best manage the values that are important to our company, our employees, First Nations, communities and society.

How we practice Sustainable Forest Management

We hire the right people and invest in technology to support their work. Western has more than one hundred professionally qualified foresters and biologists on our team to oversee the spectrum of forestry practices. This includes habitat supply management, forest inventory, road and harvest design and watershed protection. We have invested in LiDAR technology to take an inventory of every tree in our care and equip our people with the knowledge they need to sustainably manage the forestlands for current and future generations. The size and species of each tree is catalogued, and groups of trees are identified for retention for ecological purposes. In addition, we partner with post-secondary institutions in British Columbia to deliver research, training programs and mentorship opportunities. Engaging student interest in forestry helps ensure that these important skill sets will be available in the future. We also engage qualified independent professionals, including geomorphologists, hydrologists, wildlife and fisheries biologists to support our planning and field activities.

We manage for the whole forest, over generations.

Our forest stewardship responsibilities are broad and complex as we manage for a range of objectives such

as forest health, soil conservation, wildlife habitat and biodiversity across planting, growth and reforestation cycles. Our sustainable forest strategy starts with our core values, Western's [Environmental Policy](#) and our [Sustainable Forest Management Statement](#). We are developing an overall Stewardship and Conservation Plan that combines regulatory and voluntary standard management requirements for our tenures.

We develop management plans for the growth, harvest and regeneration cycle. We develop a [Management Plan](#) for each TFL, that forecasts growth for 250 years into the future. British Columbia's Chief Forester approves this plan and uses it to determine the sustainable annual harvest rate within every tenure. [Forest Stewardship Plans](#), which are also required by the BC Forest and Range Practices Act, define legally binding strategies, measures and standards for how the allowable cut is managed for important values such as soils, wildlife, riparian areas, biodiversity, cultural heritage, visual quality, recreation and timber conservation. These plans are subject to input from Indigenous groups and the public, and then approved by the provincial government.

We prepare a site plan for every harvest area.

We operationalize our Management Plan and Forest Stewardship Plan requirements through clear metrics and prepare site plans for every site. These detailed plans address the local landscape such as ecological site classification, cultural heritage values, stream descriptions, wildlife habitat features and reforestation requirements.

We focus on successful reforestation. We are legally required to reforest the areas that we harvest in British Columbia, and we plan for this during the entire growth cycle. Our harvest profile matches the multi-species mix of the forests on our tenures, a mix of hemlock, balsam, western red cedar, Douglas fir, yellow cedar and sitka spruce. We reforest every hectare we harvest with a full spectrum of tree species taking into account how climate change could affect the resiliency of the forest in the future.

We manage biodiversity and other environmental values to maintain forest health. We build on regulatory requirements to manage for important biodiversity values including wildlife habitat, specific species at risk habitat (for example, Northern Goshawk, Marbled Murrelet and Great Blue Heron), ungulate winter range and rare ecosystems. Our Wildlife and Biodiversity program provides detailed standards that protect both species and habitat. For example, we have developed a bear den standard that ensures bear dens will be conserved and bears will not be disturbed during the important winter hibernation period. This is in addition to any legal requirements for habitat protection.

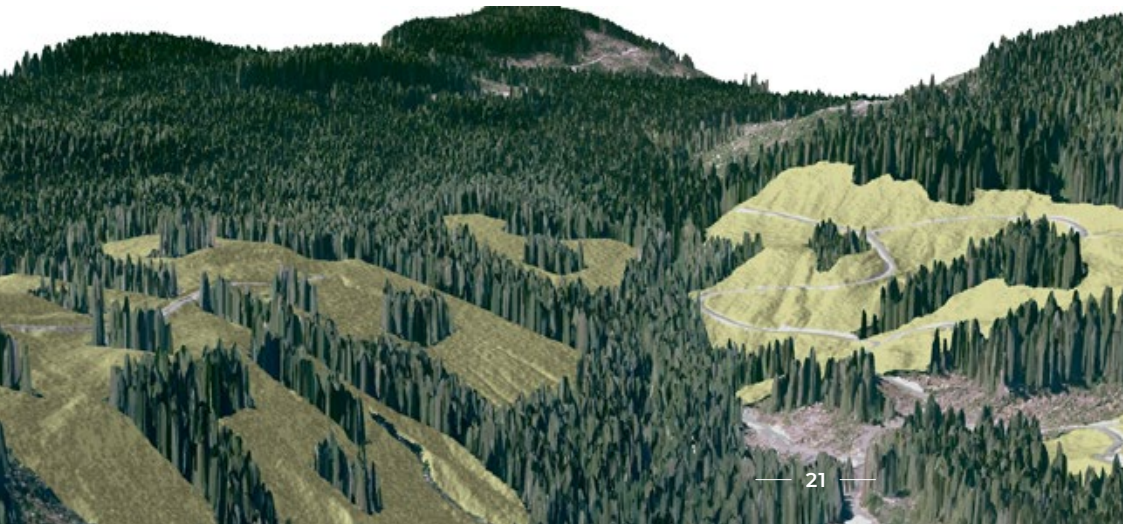
We manage old forests within our tenures. Old forests contribute to biodiversity and provide habitat to a wide range of species. They are also culturally significant and have intrinsic value. Old growth management areas (OGMAs) and landscape level targets for old and mature forest retention are tools used by the government of

British Columbia to conserve old forests on tenures. The Province's combined target for these management areas within Western's tenures is 85,004 hectares, while we currently have 116,356 hectares in OGMAs.

We're committed to variable retention harvesting.

Retaining old forest structure (live trees, big trees, snags, coarse woody debris, deciduous trees, shrubs, and ground cover) within areas we harvest ensures that various types of wildlife habitat are well distributed in the forest landscape. In applying a variable retention silvicultural system, we start our harvest planning by first determining which trees to leave behind. This includes retaining patches of standing mature trees in our harvest areas to provide shade for open areas to enhance wildlife habitat for birds, amphibians and other species. On a site-by-site basis, we plan around significant features such as wildlife habitat, wetlands, streams, big trees and cultural features. Our target is to use a retention silvicultural system on at least half of the area we harvest, which is well in excess of legislated standards. We have specific targets, defined by ecologists, for retention on each cut block harvest area that vary depending on the ecosystem type, wind patterns and in accordance with scientifically and provincially established biogeoclimatic zones.

We protect big trees. Big trees are valued for their cultural, biological and intrinsic value and protecting them is an important aspect of our sustainable forest practices. We were the first forestry company in British Columbia to issue a policy on big trees. Our [Big Tree Retention Statement](#) commits us to retaining trees that are at least half the size of the largest diameter in the British Columbia Big Tree Registry and trees that are greater than 80 metres tall. In our forests, big trees include predominantly western red cedar, yellow cedar, Douglas fir, and sitka spruce and serve as biological

**LiDAR generated photo**

We use LiDAR to model our harvest areas to determine the amount of edge and shade habitat that we are creating. LiDAR is Light Detection and Ranging technology, a 3D mapping tool. We also use LiDAR based planning tools to determine the visual impact of our management on the landscape.

anchors in the design of our variable retention harvesting. We train our foresters and fallers to implement our big tree retention standard using Light Detection and Ranging (LiDAR) technology, a 3D mapping tool. LiDAR technology enhances our conservation activities by allowing us to capture a 3D model of the landscape and the height and characteristics of individual trees supported by field observations.

We manage for water quality and quantity, community watersheds and streams/riparian areas. An important area of conservation focus for Western is water quality. Western implements several strategies for managing water quality including a Terrain Risk Management Strategy and Watershed Management Strategies. In 2020, Western plans to advance work to integrate these strategies into a cohesive program that standardizes the management of water quality from the watershed level through to detailed site level management.

We balance expectations in managing wood residue. Our harvesting activities involve falling trees which results in some woody debris being left on site. There are ecosystem benefits of leaving woody debris, where it can decompose and deliver important nutrients to the soil. We also recognize the societal expectation that we will make the most of the forest resource and we are working to continually improve the amount of fibre that can be economically utilized. We provide wood residues from logging or manufacturing to pulp mills as chips, or to efficient boilers as material to generate electricity.

We hold ourselves accountable and source our fibre from independently certified forests.

Certification complements regulatory requirements and provides assurance of our sustainable forest practices. In British Columbia, the forest lands within our tenures are independently certified to global standards recognized by the Programme for the Endorsement of Forest Certification (PEFC). The CSA Z809 Sustainable Forest Management Standard (CSA) is based on Canadian Council of Forest Minister (CCFM) criteria including biodiversity and recognition of economic, social and cultural values, and is Canada's national Sustainable Forest Management standard. CSA requires significant local stakeholder participation through public advisory groups that help develop locally adapted indicators to be managed through Sustainable Forest Management Plans. We have five public advisory groups that review our plans, performance and issue annual reports. The Sustainable Forestry Initiative Standard (SFI) has requirements including protection of water quality, biodiversity and species at risk. SFI applies to forest lands

DEFINING THE WORKING FOREST

Most of the productive coastal forest is not allocated for the growing and harvesting of forest products. In 2016, a third-party study for the Coast Forest Products Association calculated that 70% of the coastal Crown forest land base (CFLB) is excluded from the Timber Harvesting Land Base. The CFLB for the study included Crown lands in coastal TSAs, TFLs, Community Forests, First Nation Woodland Licenses, and Woodlots. Through a combination of provincial and proprietary spatial datasets, study authors identified areas that were conserved for a wide range of reasons, including parks and protected areas, conservancies, old forests, wildlife habitat, tourism, recreation, access, and economics. The majority of the coastal forest is comprised of the Coastal Western Hemlock biogeoclimatic zone and Western believes that it is necessary to consider the coastal context as a whole. **Many coastal communities and the majority of the coastal forest industry are now sustained from only 30% of the coastal forest. This area is often referred to as the working forest.**

PARTICIPATION IN GOVERNMENT'S OLD GROWTH STRATEGIC REVIEW

Land use interests and values continue to evolve which may influence regulation and our operations. For example, old forests are highly valued for many reasons. The province of British Columbia launched a [Strategic Old Growth Review](#) in July 2019, with an engagement period running until the end of January 2020.

Reflecting the importance of this Strategic Review, we actively engaged in the process including submitting fact-based recommendations. We also met with the review panel and our Chief Forester participated on a panel discussion on old forests.

in remote areas where it is challenging to convene a Public Advisory Group. Our work under these standards is regularly audited by third parties. Our environmental program is based on the ISO14001 environmental management system which supports us in managing our regulatory compliance requirements. Our Canadian forest operations are also independently audited by government bodies, including the Forest Practices Board.

We partner with others to achieve provincially significant conservation goals. We are one of five founding members of the Coast Forest Conservation Initiative, (CFCI) a collaborative effort of forestry companies working on the central and north coast of British Columbia. CFCI worked with the provincial government, local Indigenous groups, environmental organizations and communities over a 15-year period to define an ecosystem-based management approach and protection for the Great Bear Rainforest (GBR). In 2016, the Great Bear Rainforest Land Use Order and Great Bear Rainforest Act came into force, over time conserving 85% of the forest and 70% of old forests in this 6.4 million hectare area.

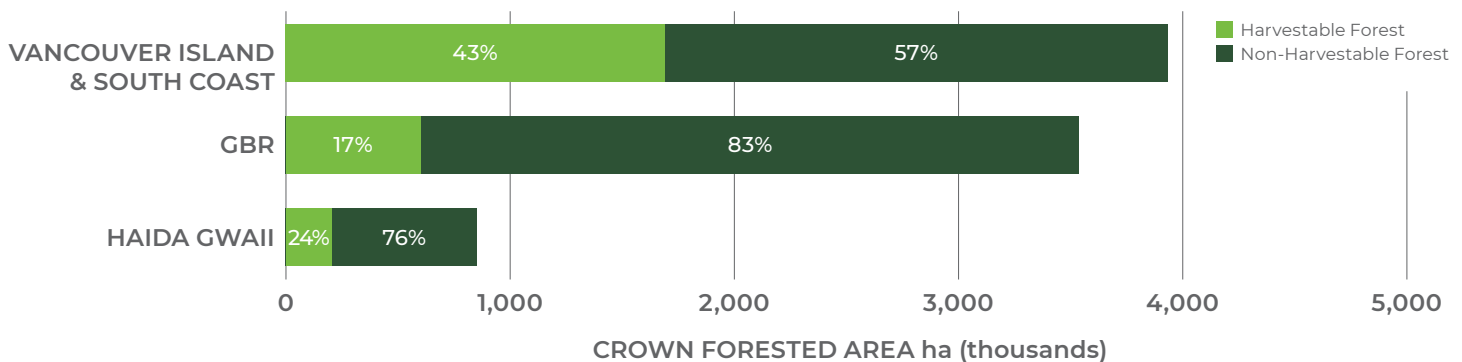
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The perspective that Western provided to this discussion is the need for a balanced portfolio of conservation and management of forests. This balance is required to ensure our Province continues to contribute to global climate change solutions—supplying global customers with renewable carbon friendly wood products from sustainably managed forests.

On British Columbia's coast, large tracts of old forests have been conserved as an important part of our portfolio. In 2007, the World Wildlife Fund awarded British Columbia the "Gift to the Earth" for its conservation of the globally significant region in the Great Bear Rainforest.

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BRITISH COLUMBIA'S CROWN FOREST LANDBASE AREA BY REGION



REGION	TOTAL LAND BASE*	HARVESTABLE FOREST†	NON-HARVESTABLE FOREST†	TOTAL FOREST†	% HARVESTABLE FOREST†	% NON-HARVESTABLE FOREST†
Vancouver Island & South Coast	7,464,414	1,675,698	2,261,471	3,937,169	43%	57%
GBR	6,580,366	614,419	2,920,964	3,535,383	17%	83%
Haida Gwaii	1,004,976	207,130	645,122	852,252	24%	76%
	15,049,755	2,497,246	5,827,558	8,324,804	30%	70%

* Includes productive and non-productive forest and other areas such as alpine, ice, rock and brush.

† Only includes productive forest.

In 2016, the provincial government, Indigenous groups, environmental groups and forest companies forged an agreement for managing a vast (6.4 million hectares) and important area of the north and central coast of British Columbia. Within the GBR, ecosystem-based management principles will be applied. The landscape reserve design process is currently underway.

Performance in 2019

As we operate within a land use context set by the Province, we evaluate our own performance based on how well we utilize and sustain the forest resource allocated to us, for both timber, biodiversity and other values. Key to that is ensuring that our harvest profile matches the harvestable forest inventory over time. We also consider our responsibility for maintaining legally defined conservation areas and endangered species habitat.

Inventory and harvest by species. The total inventory by species shows the proportion of all species on forest lands where Western operates and includes trees in all age classes. The mix of species harvested depends on where we harvest in a given year, as different species are adapted to specific site conditions. Western hemlock is the dominant species in Pacific Northwest coastal forests at 46% by volume of our total harvest. Our harvest of hemlock from 2017-2019 aligned with its representation in the forest profile and harvestable inventory. Western red cedar was 16.6% of our harvest over that period, in line with its proportion in the harvestable inventory of 16.2%.

TOTAL INVENTORY BY SPECIES ON WESTERN'S TENURES/LANDS

SPECIES	2019	2018	2017
	%	%	%
Western hemlock	46	46	46
Amabilis fir	16	16	16
Western red cedar	16	16	16
Douglas fir	11	11	11
Yellow cedar	7	7	7
Sitka spruce	2	2	2
Other	2	2	2
Total	100%	100%	100%

AREA CONSERVED AT LANDSCAPE LEVEL FOR WILDLIFE AND BIODIVERSITY WITHIN WESTERN TENURES

CONSERVATION CATEGORY	LEGALLY ESTABLISHED AREA (hectares)	ADDITIONAL AREA PROPOSED (hectares)
Ungulate Winter Range	70,419	2,586
Wildlife Habitat Area	30,760	10,950
Great Bear Rainforest Class 1 grizzly habitat	23,769	0
Area of habitat conserved for Misty Lake Stickleback	35	0
Area of habitat conserved for Marbled Murrelet	19,931	16,945
Area of habitat conserved for Northern Goshawk	66,199	53,703
Old growth management area (OGMA)	67,485	68,939

Conservation areas may overlap and be co-located with multiple conservation values.

HARVEST BY SPECIES

SPECIES	2019	2018	2017
	%	%	%
Western hemlock	47	47	46
Amabilis fir	15	19	15
Western red cedar	18	16	17
Douglas fir	13	11	15
Yellow cedar	5	5	5
Sitka spruce	2	1	1
Other	0	1	1
Total	100%	100%	100%

Conservation for biodiversity values. The working forest is the term often used to describe the portion of the forest that is available for natural resource harvesting once biodiversity and a wide range of other societal values have been considered and managed. Some of the areas conserved for biodiversity are legally defined conservation areas and endangered species habitat which we are responsible for managing. These areas may change over time in response to updates in government targets, so our table below also shows areas proposed by Western that may be confirmed through future legal protection. We treat proposed areas as if they have legal protection.

During the year we managed thousands of hectares of significant biodiversity values within our tenures, including those within the GBR. In some cases, we exceed the Government's standard.

Sustainable forestry activity. Harvesting and production activity was lower in 2019 due to the Strike. Replanting activity is typically concentrated in the spring and consequently was less affected by the Strike (refer to Climate Change section for replanting data). We continued our work to formalize biodiversity and other sustainable forest management practices into our Stewardship and Conservation Plan. The following table provides an overview of our harvesting activity for the last three years.

ACTIVITY SUMMARY	2019 (m³)	2018 (m³)	2017 (m³)
Gross fibre harvested	2,729,000	4,875,000	5,081,000

Variable retention harvesting. Our corporate standard is to use retention silviculture systems on at least half the area harvested on Western managed land. As set out in the table below, we exceeded this target in each of the last three years on the lands Western manages.

USE OF RETENTION SILVICULTURAL SYSTEM	2019 (hectares)	2018 (hectares)	2017 (hectares)
Total area harvested, Western managed land	3,028	6,156	6,847
Area harvested using retention silvicultural system	1,742	3,432	4,035
% use of retention silvicultural system	58%	56%	59%

Wood waste. Sustainable forest management includes leaving some wood fibre on the land for habitat and soil building. Our wood waste levels are similar to industry averages for the coast of British Columbia. We are invoiced by the Province of British Columbia for excess waste. Data for wood waste comes from reports we submit to the Province. Until recently, the timing of reporting created lags making the relationship between harvest and waste data imperfect. Once wood reaches the dryland sort there is minimal waste. Even the wood destined for landfill is sometimes recovered for products such as garden compost and sea soil.

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In the face of a changing climate, forest management is also critical to maintaining healthy resilient ecosystems and the abundance of species that depend on them. Through the application of sound scientific principles—habitats are enhanced through our management while healthy resilient trees with enhanced adaptive capacity grow. As global demand for wood products continues to grow, these products will be sourced from somewhere. Canada has the largest area of third-party-certified forests in the world. This, coupled with strong forest management governance, supports our reputation as a source of legally and sustainably produced forest products. Finding and maintaining the right balance between conservation and management can be a challenge but it is an important one for our planet. You can review the twelve recommendations we made to the review panel on the government’s [website](#).

ENSURING SUSTAINABILITY AS WE GROW

Over the last two years, we have made acquisitions in the United States—Arlington, Washington and Vancouver, Washington—to grow our specialty and finished products business. The fibre used at both our Arlington facility and Columbia Vista Division sawmill—including that purchased from external suppliers—comes from responsible sources and is legally harvested. Our Arlington facility serves primarily as a centralized logistics hub for Western’s products closer to our selected customers in the United States to improve service with on-time delivery. When purchasing logs for our Columbia Vista Division we look for sources that are certified by the Sustainable Forestry Initiative (SFI), the Programme for the Endorsement of Forest Certification (PEFC) or Forest Stewardship Council (FSC). These are non-profit, non-governmental organizations dedicated to promoting sustainable forest management through independent third-party certification.

Certification. Approximately two thirds of our fibre supply is from our own timberlands and the remainder from external sources. We have certifications in place for the timberlands we manage. The CSA Z809 Sustainable Forest Management Standard requires us to have active Public Advisory Groups. We are externally audited every year. In 2019, there were no significant areas of concern identified through these audits.

CERTIFICATION OF WESTERN MANAGED TENURES

CERTIFICATION STANDARD	OPERATIONAL COVERAGE	EXTERNAL AUDIT	TENURE AREA
CSA Z809 Sustainable Forest Management Standard	Management of timberlands	✓	52%
Sustainable Forestry Initiative Standard	Management of timberlands	✓	48%

* Excludes tenure under third-party management.

Site-level wildlife protection. In addition to the formal conservation responsibilities we manage, our variable retention forestry practice gives us the opportunity to proactively protect wildlife nests, roosts, dens and other critical biodiversity sites. These practices have been in place for decades and the following table sets out the number and type of species habitats that we've protected over the last three years.

SPECIES	FEATURE	2019*	2018*	2017*
Black bear	Den	1,037	978	905
Grizzly bear	Den	3	3	3
Bald eagle	Nest	267	266	266
Great blue heron	Nest	44	37	36
Northern goshawk	Nest	219	213	200
Osprey	Nest	5	5	5
Red-tailed hawk	Nest	12	10	9
Sharp-shinned hawk	Nest	7	7	6

*Numbers are cumulative, 2017 figures include features protected in prior years.



Big Tree retention. Our big tree policy was put in place to support our ongoing focus on identifying and protecting big trees providing specific guidelines by species to identify and conserve the largest trees and unique groupings of big trees on the lands we manage.

Western's big tree policy meets and exceeds the measurement guidelines in the Big Tree Registry, a listing of verified and protected big trees across British Columbia managed by an independent board and housed at the University of British Columbia. Trees that are at least half the size of the largest diameter of those registered by UBC are considered for retention. In just the past three years, Western's Big Tree Retention Statement has led us to conserve 215 big trees with 72 being conserved and added to our database in 2019. We have identified hundreds more through the application of LiDAR and are working to verify those trees through our inventory and on the ground practices.

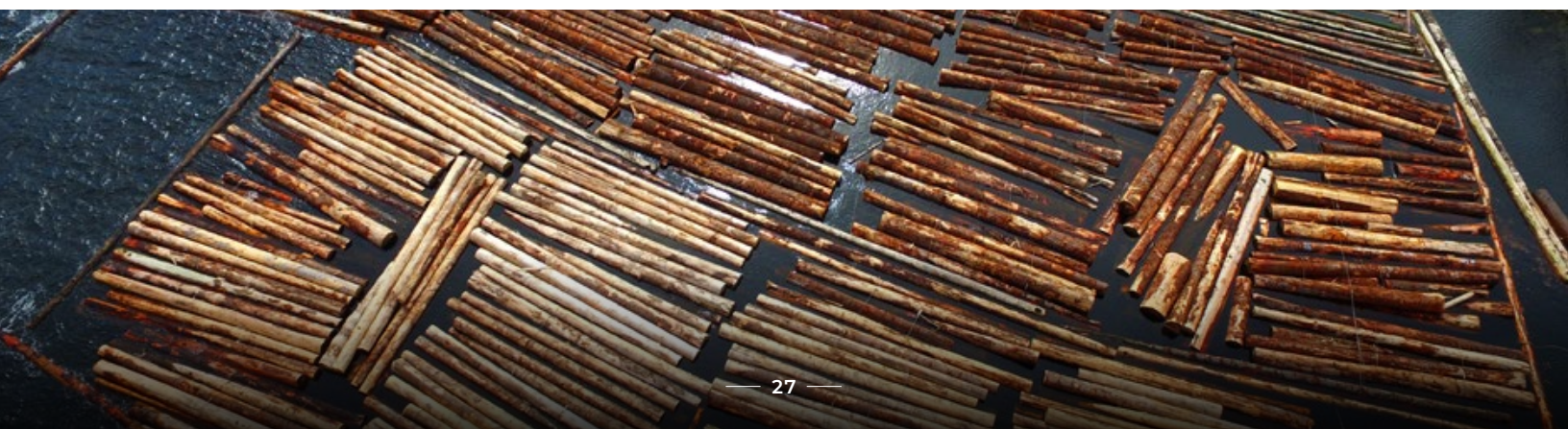
CUMULATIVE BIG TREES CONSERVED	2019	2018	2017
Number of big trees conserved	215	143	98
Provincial minimum standard	4	0	0

Compliance with regulation. Through our Environmental Management System for our Canadian Timberlands, we track all laws and regulations affecting the operation. When we receive a government compliance action, we conduct an environmental investigation to determine the root cause, and the corrective and preventive actions we should take. We are seeing increased inspections by government agencies. For example, the BC Ministry of Environment is inspecting permits on a four-year cycle. Federal Environment and Climate Change Canada has increased inspections of areas where wood by-products are stored close to fish habitat. The same is true in our United States' operations which will be detailed in future reporting.

REGULATORY VIOLATIONS	2019	2018	2017
Number of non-compliance incidents resulting in a fine	0	1	2
Amount of penalties	\$0	\$173	\$346

Looking ahead

Planning for wildlife. Over the next few years, Western will lead planning on our tenures for additional Wildlife Habitat Areas and OGMA's for Marbled Murrelet and Northern Goshawks based on our proportional share of revised government habitat targets expected to be released later in 2020.



PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

CLIMATE CHANGE

This topic includes how Western is affected by climate change, how we are responding, and how we are working to mitigate it.

Why Climate Change is material to Western's sustainability

Western could be deeply affected by climate change because our business is based on forests, a living resource. Over time, climate change is predicted to cause more frequent and severe weather events, including storms and droughts, and increased wildfire occurrence and forest pest outbreaks, all of which may result in greater tree mortality. Forest composition and the range and distribution of many tree species is predicted to shift with a changing climate. The Intergovernmental Panel on Climate Change (IPCC) has cited the sustainable management of the world's forests as a key contributor to meeting international targets for greenhouse gas emissions. As a sustainable forest manager and wood products manufacturer, Western is uniquely positioned to be part of the solution as we strive to produce the most sustainable building materials on the planet.

How we manage for Climate Change

We produce enduring forest products. We operate seven mills that are optimized to extract the highest value from every log. Each of the lumber products we manufacture store carbon for their lifetime. Furthermore, as new forests grow, they sequester carbon continuing the cycle of carbon removal.

We source from independently certified forests. We source our fibre from certified forests and maintain sustainable forest management standards in the forestlands Western manages. Read more in our Sustainable Forest Management section.

We consider climate change in our forest planning. On the coast of BC, where our forest tenures are located, climate modelling predicts a drier climate and a shift in biogeoclimatic zones. As species have not had sufficient time to adapt to climatic variations they become susceptible to risks of drought, insects and disease. We are proactively managing these risks through our reforestation and silviculture and planning practices that enhance the resiliency of forests. Climate change could lead to more extreme precipitation events and the increased run off could affect streams and riparian areas. We are sensitive to this in our site harvest designs. Watershed management and risk assessment is a highly regulated aspect of our work. As part of our watershed management strategy, we work with a professional hydrologist to analyse terrain stability relative to

UNDERSTANDING OUR CARBON BALANCE

Forests play a key role in the global "carbon balance" —the net result of emissions from natural and human activity less the carbon uptake by land and ocean systems. As young forests grow, they sequester carbon in their fibre. When they decay or burn, they release it. Canada has more forest cover, storing more carbon, than most countries in the world, which highlights the global importance of sustainable, adaptive and science-based forest management practices. Western continues to improve our understanding of our full carbon life cycle including carbon stocks, emissions, short and long-term storage in wood products and substitution benefits. In 2020, Western plans to collate data specific to the management of our tenures, our buying practices, our manufacturing facilities, and our manufactured forest products into a carbon lifecycle model that will continue to be refined to inform our sustainable forest management decisions and practices.

hydrological models. We are also more conservative in road and culvert design because large flood events could occur more often.

We adapt to a changing climate through our regeneration practices. Western follows British Columbia's Climate-based Seed Transfer (CBST) practices under the Chief Forester's Standards for Seed Use which were amended in 2018. This means that the seedlings we plant are selected for their natural genetics to match the predicted future climate of the planting area, which will help support growth of climate resilient forests in British Columbia.

We invest in reforestation. We are the only forestry company in British Columbia to operate a seed orchard and tree nursery. Our Saanich Forestry Centre provides about half of our annual seedlings and the research we do there enables us to align with climate change models.

We manage fertilization to improve soil nutrient to increase carbon sequestration in coastal forests.

Western has long been an advocate for forest fertilization. Since 2017, Western has deployed Provincial funding under the Forest Carbon Initiative to use fertilization to increase carbon uptake by growing forests. Provincial government research suggests that in coastal forests, an application of fertilizer can add 30 cubic metres of wood per hectare with a cumulative net GHG benefit of fertilization (with all emissions deducted) of 55 tCO₂e/ha. Western is responsible for the fertilization program on its own tenures and on other Vancouver Island and Sunshine Coast areas.

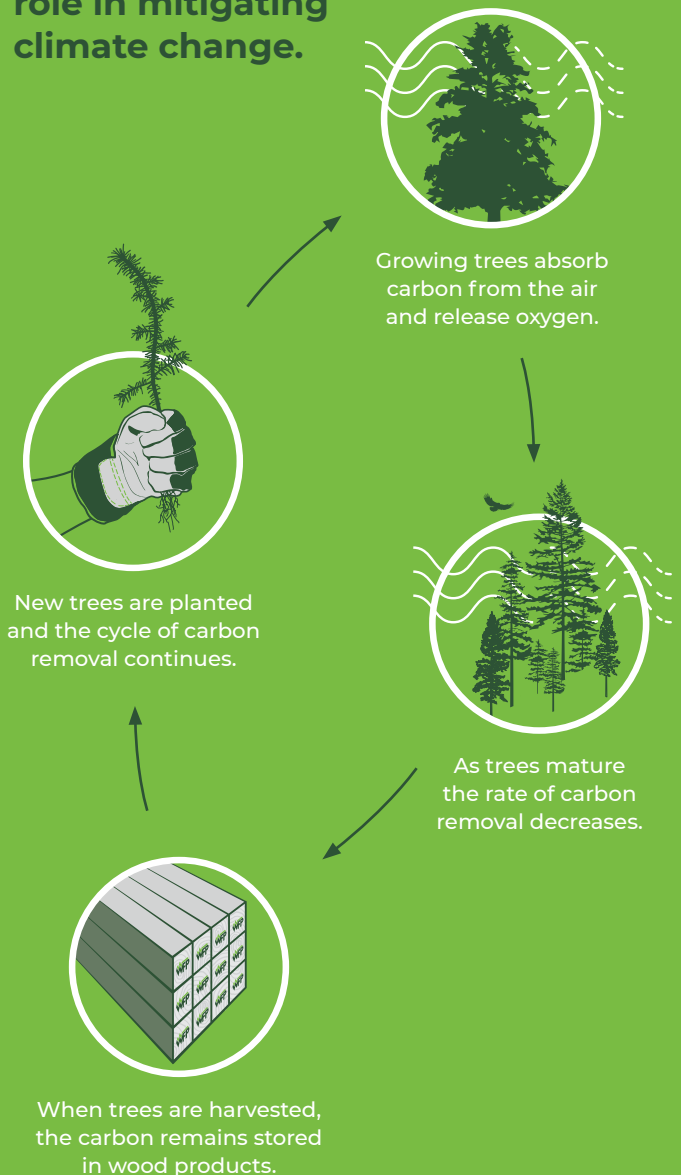
We prepare for wildfire. We maintain a robust inventory of fire fighting equipment. Both employees and contractors undergo basic fire suppression training. During the significant 2017 and 2018 wildfire events we had employees embedded with provincial fire fighting coordination efforts to provide detailed knowledge of the land base.

We implement energy reduction/efficiency initiatives in our sawmills.

Reducing industry generated GHG emissions is also an important aspect of mitigating climate change. Both the federal Pan-Canadian Framework on Clean Growth and Climate Change and British Columbia's provincial regulations have GHG reporting requirements and carbon tax mechanisms; GHG emissions generated from our operations fall below these thresholds. We participate in the Strategic Energy Management program through BC Hydro, the provincial power utility in Canada. At this time, there are no GHG reporting requirements or carbon tax associated with our operations in the United States.

PROVIDING THE WORLD'S MOST SUSTAINABLE BUILDING MATERIAL

Wood products play an important role in mitigating climate change.



Performance in 2019

Energy usage. Kiln drying is the most energy intensive stage of the manufacturing process and our mills use electricity and natural gas to run their operations. We do not track kiln drying energy usage separately but do track the total electrical and natural gas consumption of our mills. We track our usage of these products through time relative to lumber production. Our manufacturing operations in the United States also rely on electric and natural gas to run the facilities and dry kilns—the energy usage at these facilities will be tracked separately beginning in 2020. As we make investment decisions in our mills, we factor in our emissions through targeting cost-effective energy solutions—tracking our performance as we work to lower our footprint.

In the first half of 2019, the Company replaced almost all of the forklift fleet at its Canadian Manufacturing operations with new fuel efficient models. This investment will reduce annual fuel consumption by 15%.

LUMBER PRODUCTION ENERGY USAGE

YEAR	LUMBER PRODUCTION AT OWN FACILITIES ¹ (million board feet)	PRIMARY MILLS OPERATING (#)	REMANUFACTURING FACILITIES (#)	HYDRO CONSUMPTION ALL MILLS (kWh)	NATURAL GAS CONSUMPTION ALL KILNS (GJ)
2017	741	7 ²	2	115,662,197	334,515
2018	805	6	3 ³	117,259,269	268,135
2019 ⁵	424	7 ⁴	4 ⁴	82,041,022	100,039

¹ Excludes Custom Cut production conducted at third-party manufacturing facilities, includes third party Custom Cut production at our Ladysmith mill.

² Somass operating on a single shift basis until it was curtailed February 2017, effectively reducing capacity to approximately 5 MMfbm in 2017. Somas was indefinitely curtailed in July 2017 due to a lack of log supply to operate the mill efficiently.

³ Arlington acquired January 17, 2018.

⁴ Columbia Vista acquired February 1, 2019.

⁵ Impacted by the Strike which commenced July 1, 2019.

Ensuring climate resilient regeneration. Western was an early adopter of climate-based seed transfer. One of our professional foresters serves as Chair of the Coastal Technical Advisory Committee for the BC Forest Genetics Council. The Advisory Council works with seed breeders with the goal that every seedling planted is well-adapted to its site and can reach its full growth potential. A well-adapted tree will put on more wood volume which results in both better utilization of the resource and increased carbon storage. In 2019, we coordinated Council members and seed breeders to advance the new climate-based seed transfer (CBST) guidelines. The following table provides a summary of our reforestation activities for the last three years.

REFORESTATION SUMMARY BY YEAR	2019	2018	2017
Area replanted (hectares)	24,068	25,948	29,750
Number of seedlings planted	6,714,417	7,431,753	7,404,358
% reforestation aligned with climate-based seed transfer	76%	82%	74%



The number of seedlings and the area replanted in any year generally replaces what was harvested, with some important caveats. Western hemlock is an aggressive colonizer and will tend to out-compete other species. Without management intervention, our forest would start to become dominated by hemlock over time. If we want our forest to maintain its natural balance of western red cedar and Douglas fir, we need to proportionately plant more of those species. We see this in the data for both seedlings and area in 2019 as the per cent of western red cedar and Douglas fir planted is significantly higher than the per cent harvested. Over the years, this strategy combined with hemlock infill results in a fairly consistent species profile within forests.

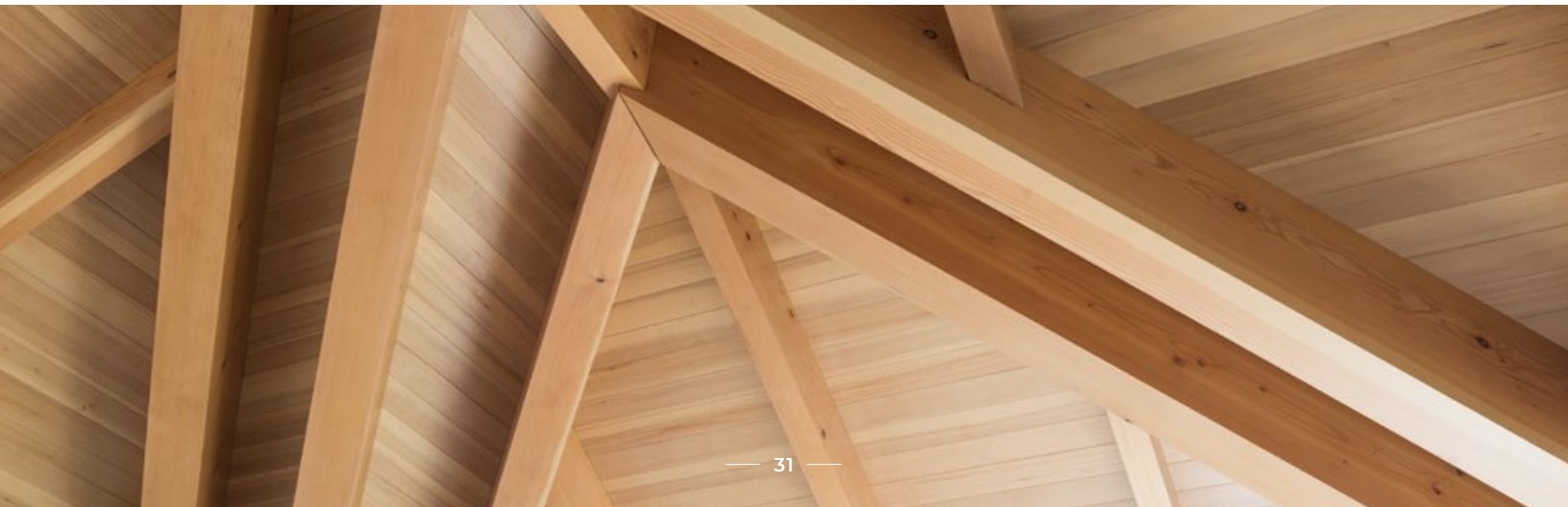
Climate-based seed transfer protocols require us to proactively plan regeneration across our range of operations and over time. As the climate on the coast becomes warmer and dryer overall, the range of western red cedar is moving northward, and the range of yellow cedar is moving higher in elevation. We are proactively exploring opportunities to plant more western red cedar in our northern operations and more Douglas fir in the south so that the diversity of species in the inventory continues to be well represented across the company as a whole. In the three-year scope of this report's data, differences from year to year are not statistically meaningful, but as we develop longer time series, our success in keeping important species on the landscape may be more visible.

REPLANTING BY SPECIES

SPECIES	2019		2018		2017	
	#	%	#	%	#	%
Western red cedar	2,561,236	38	2,980,112	40	2,467,896	33
Douglas fir (coastal)	2,035,501	30	2,366,783	32	2,180,349	29
Western hemlock	1,153,497	17	1,057,523	14	1,269,093	17
Yellow cedar	457,548	7	481,890	6	618,790	8
Amabilis fir	169,330	3	159,596	2	212,720	3
Sitka spruce	133,506	2	192,479	3	300,290	4
Other	203,799	3	193,370	3	355,220	6

Looking ahead

Carbon lifecycle modelling. In 2020, Western will use data from our timberlands, manufacturing and products to build a carbon lifecycle model. The model will set a baseline of the overall climate change mitigation benefits from the sustainable management of forests and carbon storage in wood products including supply chain emissions and reduction efforts. We will report progress on our efforts to complete this work and expect to have results in stages as we work towards lifecycle analysis specific to our supply chain.



PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

INDIGENOUS RELATIONSHIPS

This topic includes respect for Indigenous rights and title, business partnerships, procurement and employment.

Why Indigenous Relationships are material to Western's sustainability

Western operates within the traditional territories of more than 45 First Nations on Vancouver Island and the coast of British Columbia, and our timberlands and manufacturing sites are in close proximity to First Nations communities. First Nations groups have made claims of rights and title to substantial portions of land in British Columbia, including areas where our tenures and operations are located. Indigenous relationships and reconciliation are also an important societal concern. The government of British Columbia has prioritized reconciliation and in late 2019 adopted the Declaration on the Rights of Indigenous Peoples Act (DRIPA). This legislation will support government in its goal to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). There is uncertainty about how DRIPA and UNDRIP will be implemented and how they could affect Western's operations.

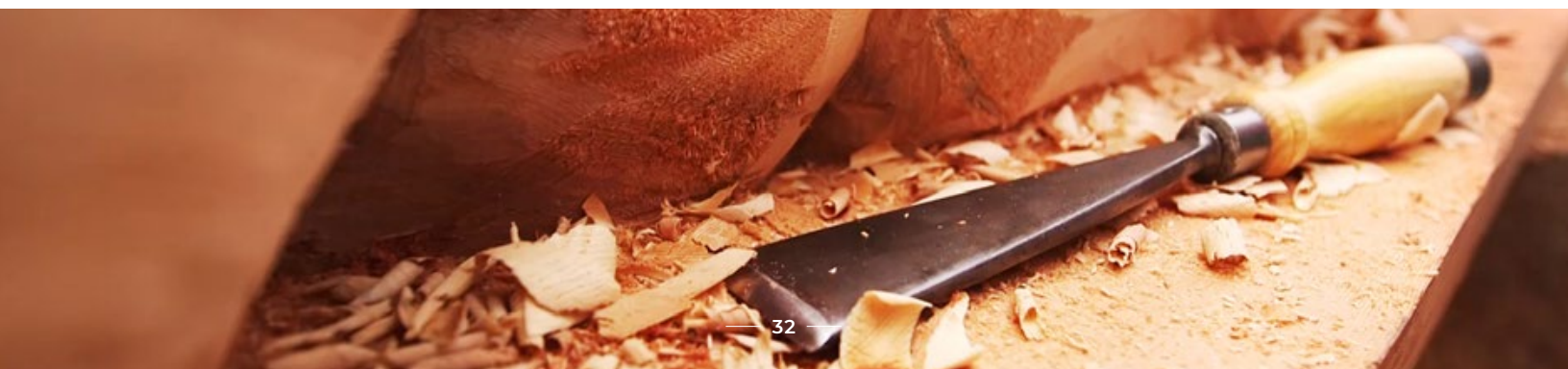
Western respects the treaty and Aboriginal rights of Indigenous groups and we are committed to open and meaningful dialogue so that we can all benefit from the forests we manage. Indigenous people are among our employees, suppliers and business partners.

How we manage Indigenous Relationships

We engage with Indigenous peoples. Western carries out information sharing with Indigenous groups as part of the formal consultation process managed by government. Through this process we are required to consider the potential impacts of our activities on Indigenous rights and title. We have an internal framework too. Our [Environmental Policy](#) commits us to engage with Indigenous peoples to identify and address issues of environmental concern in all aspects of our operations. We also integrate Indigenous relationships into our sustainable forest practices, starting with a commitment in our [Sustainable Forest Management statement](#). Our CSA and SFI certifications recognize and respect Indigenous rights, interests and cultural values. Our Forest Stewardship Plans recognize archaeological and cultural heritage sites and we encourage First Nations participation in public advisory groups.

We seek to partner with Indigenous groups directly in our business. A key element of our business strategy is to create mutually beneficial opportunities, such as the 2019 HFN Transaction that we completed in March 2019 and the agreement that was reached in March 2020 to expand that relationship. We have several agreements with Indigenous groups, ranging from general letters of understanding to business arrangement such as joint venture or limited partnerships. We also have agreements with Indigenous groups to explore what opportunities may be available to involve those groups directly in our tenures and operations. Creating local economic benefits, employment and productive business relationships are also supported by our sustainable forest management practices.

We share what we harvest to meet community needs. We regularly donate cedar logs to support carving initiatives that celebrate Indigenous culture.



Performance in 2019

In March 2019, we concluded the 2019 HFN Transaction (read more detail on page 7). The 2019 HFN Transaction has set the stage for us to continue building a sustainable business together with the Huu-ay-aht First Nations and sets a precedent for a business model that can facilitate more direct Indigenous ownership and participation in the coastal forest sector.

Indigenous employment is an important component for the diversity of our workforce. We are committed to employing 50% of site staff at the Burleith Dryland Sort from the Stz'uminus Nation and in 2019 this group represented 68% of our team, the same figure as in 2018. At our Saanich Forestry Centre, 76% of our seasonal staff are Indigenous, an increase from 67% in 2018.

Our cultural log donation program continued, and we provided 17 logs with a contribution value of \$36,000. We also supported the sourcing and transport of a large log

from Huu-ay-aht treaty lands to be transformed into a totem pole commissioned by the First Nations Education Foundation to commemorate 2019 as the United Nations International Year of Indigenous Languages. The pole will be raised in 2020 in Port Alberni.

Looking ahead

In 2020, we will articulate our principles for engagement with Indigenous peoples in addition to seeking feedback on this report. We will continue to pursue innovative business relationships with Indigenous groups in the areas where we operate.



PERFORMANCE ON MATERIAL SUSTAINABILITY TOPICS

COMMUNITIES

This topic includes direct and indirect economic benefits, community relationships, community investment and mitigation of any negative impact.

Why Communities are material to Western's sustainability

A large part of our success depends on having positive relationships with the communities in all jurisdictions where we operate. Through direct and indirect employment, procurement and tax contributions, we have a significant role in these local economies. Communities want to see Western investing locally to help ensure the sustainability of the coastal forest industry and the viability of local economies. Over the last three fiscal years, Western has invested more than \$225 million into its business in the form of strategic and maintenance of business capital, representing an unparalleled investment in coastal timberlands and manufacturing capacity over that time. The majority of those investments have been made in British Columbia.

In our forestry operations, we must also consider the impacts of our harvesting activities on important public land use values including water resources, visual quality and recreation, as well as any impacts from our operations that may affect community health and safety.

Our harvesting and manufacturing operations are located in or near many communities. These communities are diverse, each facing unique challenges that we must understand in order to be a good neighbour and active community partner.

How we manage our relationships with Communities

Our business activities generate economic value.

Western makes significant economic contributions to the local, state and provincial economies. We provide high-quality employment and wages for employees and enable a strong contractor community. Local procurement is a priority for us and we use local services for engineering, planning and log delivery. In Canada, we make payments to government in the form of stumpage fees and taxes.

We invest in community needs and infrastructure.

Our direct investment and donations focus on supporting initiatives that promote culture, recreation, education and sustainability. Western supports our employees in giving back to the community by providing in-kind donations of employee volunteer time during work hours and the use of company equipment. Our activities also contribute to community infrastructure. The roads that we build to reach our forest tenures are used for recreation and are also main access routes to remote communities.

Our teams build relationships through two-way dialogue.

Strong, positive, community relationships make our business more sustainable and we are working to formalize our practices. We have a Corporate Affairs team including a dedicated community relations manager for our operations in British Columbia. This group plays a key role in understanding and addressing community concerns or issues. In addition, formal processes are in place to share information about our forestry plans and sustainability metrics are reviewed annually with our Public Advisory Groups. We hear feedback through our routine engagement and also respond to issues as they happen. For example, we are actively working with the community to address noise from our planer mill at Duke Point. Since the issue was identified, we took immediate steps to mitigate the noise from our dust collection system which is in place to ensure a safe working environment for our employees. We engaged acoustic specialists to conduct noise monitoring and we have installed additional noise mitigation equipment based on their recommendations. We are currently working with acoustic specialists to ensure the equipment is performing as intended.

Performance in 2019

In 2019, the labour dispute and curtailed operations had a significant economic and social impact on many local communities. Our employees, contractors, and local businesses and communities were seriously affected. Our direct and indirect economic contributions to local and provincial economies, through wages, taxes, stumpage fees, procurement and community investment, decreased due to the Strike.

In 2019, we provided \$242,000 in direct funding to support community initiatives including log donations, contributions to the British Columbia Achievement Foundation, The Nature Trust of BC, and the Nootka Sound Watershed Society. Our employees provided volunteer time working on projects such as, salmon enhancement and watershed restoration, community logger sports and Vancouver Island University's Fundamentals of Forest harvesting program. Another valuable contribution we make to our communities is through information-sharing and education by providing presentations in schools, hosting tours and nature walks and participating in local forestry events.

We recognize the importance of strong relationships with our communities and in support of this we have started developing a stakeholder engagement strategy to ensure that we have an effective process in place to support a framework for engagement and identification and resolution of stakeholder issues.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (thousands)

	2019	2018	2017
Total revenues	\$807,700	\$1,196,700	\$1,143,400
Operating costs	\$635,958	\$775,229	\$746,108
Employee wages and benefits	\$155,500	\$213,400	\$233,000
Payments to providers of capital	\$39,300	\$35,300	\$32,900
Payments to government	\$79,700	\$104,300	\$46,800
Community investments	\$242	\$371	\$492
Total expenditures	\$910,700	\$1,128,600	\$1,059,300

Looking ahead

In 2020, we will introduce our Stakeholder Engagement Strategy and Community Investment Strategy as formal components of our corporate governance framework.



Western contributed \$250K over two years in combination of cash and in-kind to the new forests forever exhibit at the BC Discovery Centre in Duncan—the opening was on Wed April 24, 2019.

FORWARD-LOOKING STATEMENT

All financial references are expressed in C\$ unless otherwise noted.

This report contains statements and estimates that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as “will”, “plan”, “target”, “strategy”, “expect” and similar references to future periods.

Forward-looking statements in this report include, but are not limited to, statements relating to our current intent, belief or expectation with respect to our operations, our environmental and sustainability initiatives, and our engagement and relationship with First Nations groups, stakeholders and communities.

Although such statements reflect management's current reasonable beliefs, expectations and assumptions there can be no assurance that forward-looking statements are accurate, and actual outcomes may materially vary. Many factors could cause our actual outcomes to be materially different including: economic and financial conditions, competition and selling prices, labour disputes and disruptions, natural disasters, relations with First Nations groups, the availability of fibre and allowable annual cut, developments and changes in laws and regulations affecting the Company or the forestry industry, and other factors discussed in the Company's annual MD&A, which is available on our website at www.westernforest.com. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.





Western Forest Products
DEFINING A HIGHER STANDARD™

Please tell us what you think.

Share your feedback on our 2019
Sustainability Report by contacting
us at info@westernforest.com

